

Nuveen Short Duration Credit Opportunities Fund
Form N-2/A
May 28, 2013

As filed with the U.S. Securities and Exchange Commission on May 28, 2013

1933 Act File No. 333-186405

1940 Act File No. 811-22518

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form N-2

(Check appropriate box or boxes)

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Pre-Effective Amendment No. 2

Post-Effective Amendment No.

and/or

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940

Amendment No. 6

Nuveen Short Duration Credit Opportunities Fund

(Exact name of Registrant as Specified in Charter)

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333 West Wacker Drive, Chicago, Illinois 60606

(Address of Principal Executive Offices)

(Number, Street, City, State, Zip Code)

(Registrant's Telephone Number, including Area Code): (800) 257-8787

Kevin J. McCarthy

Vice President and Secretary

333 West Wacker Drive

Chicago, Illinois 60606

Name and Address (Number, Street, City, State, Zip Code) of Agent for Service

Copies to:

Thomas S. Harman

Bingham McCutchen LLP

2020 K Street NW

Washington, DC 20006-1806

Approximate Date of Proposed Public Offering:

As soon as practicable after the effective date of this Registration Statement.

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

It is proposed that this filing will become effective (check appropriate box)

When declared effective pursuant to section 8(c)

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Unit(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
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Common Shares, \$0.01 par value	1,000,000	\$20.83	20,830,000	\$2,838.42
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- (1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(c) under the Securities Act of 1933 based on the average high and low sales prices of beneficial interest on April 25, 2013, as reported on the NYSE.
- (2) Previously paid.

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

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

SUBJECT TO COMPLETION, DATED MAY 28, 2013

PROSPECTUS

1 Million Common Shares

Nuveen Short Duration Credit Opportunities Fund

Nuveen Short Duration Credit Opportunities Fund (the **Fund**) is a diversified, closed-end management investment company. The **Fund**'s investment objective is to provide current income and the potential for capital appreciation. The **Fund** seeks to achieve its investment objective by investing, under normal circumstances, at least 70% of its Managed Assets (as defined below under **Portfolio Contents**) in adjustable rate corporate debt instruments, including senior secured loans, second lien loans and other adjustable rate corporate debt instruments. The **Fund**'s portfolio will be invested primarily in below investment grade adjustable corporate debt instruments, including senior secured loans, second lien loans, and other adjustable rate corporate debt instruments. In addition, under normal circumstances, the **Fund** may make limited tactical investments in high yield debt and other debt instruments in an amount of up to 30% of its Managed Assets. Under normal circumstances, no more than 20% of the **Fund**'s Managed Assets may be invested in debt instruments that are, at the time of investment, rated CCC+ or Caa1 or below by any nationally recognized statistical rating organization (**NRSRO**) that rate such security or are unrated but judged to be of comparable quality by the **Fund**'s sub-adviser, Symphony Asset Management, LLC (**Symphony**). The **Fund** may also, under normal circumstances, enter into tactical short positions, consisting primarily of high yield debt, either directly or through the use of derivatives, including credit default swaps, creating a negative investment exposure or hedging existing long (positive) investment exposure in a notional amount up to 20% of its Managed Assets. Under normal circumstances, the **Fund** may invest up to 20% of its Managed Assets in debt instruments of non-U.S. issuers that are U.S. dollar or non-U.S. dollar denominated, including debt instruments of issuers located, or conducting their business in, emerging markets countries. In addition, the **Fund** uses leverage to seek to enhance current income and the potential for capital appreciation. The **Fund** cannot assure you that it will achieve its investment objective.

Investing in the **Fund's common shares involves certain risks that are described in the **Risk Factors** section of this Prospectus (**Prospectus**).**

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

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You should read this Prospectus, which contains important information about the Fund, before deciding whether to invest and retain it for future reference. A Statement of Additional Information (SAI), dated , 2013, containing additional information about the Fund, has been filed with the SEC and is incorporated by reference in its entirety into this Prospectus. You may request a free copy of the SAI, the table of contents of which is on the last page of this Prospectus, annual and semi-annual reports to shareholders and other information about the Fund, and make shareholder inquiries by calling (800) 257-8787, by writing to the Fund or from the Fund s website (<http://www.nuveen.com>). The information contained in, or that can be accessed through, the Fund s website is not part of this Prospectus. You also may obtain a copy of the SAI (and other information regarding the Fund) from the SEC s web site (<http://www.sec.gov>).

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

Portfolio Contents. The Fund s portfolio will be invested primarily in below investment grade adjustable rate corporate debt instruments, including senior secured loans, second lien loans, and other adjustable rate corporate debt instruments. Adjustable rate instruments pay interest at rates which are determined periodically at short-term intervals on the basis of an adjustable base lending rate plus a premium. Under normal market circumstances, the Fund invests at least 70% of its Managed Assets (as defined below) in adjustable rate senior loans and second lien loans. In addition, the Fund may make limited tactical investments in high yield debt and other debt instruments as described herein. The Fund also may enter

into tactical short positions consisting primarily of high yield debt. Substantially all of the Fund's portfolio likely will be invested in corporate debt instruments that are, at the time of investment, rated below investment grade or unrated but judged by the portfolio managers to be of comparable quality. Such debt instruments are regarded as having predominately speculative characteristics with respect to capacity to pay interest and repay principal and are commonly referred to as junk bonds or high yield debt, which implies higher price volatility and default risk than investment grade instruments of comparable terms and duration. *Managed Assets* means the total assets of the Fund, minus the sum of its accrued liabilities (other than Fund liabilities incurred for the express purpose of creating leverage). Total assets for this purpose shall include assets attributable to the Fund's use of effective leverage (whether or not those assets are reflected in the Fund's financial statements for purposes of generally accepted accounting principles).

Leverage. The Fund uses leverage to seek to enhance its potential current income and capital appreciation over time. The Fund uses structural leverage obtained through borrowings. The Fund has not, but may in the future, also use structural leverage through the issuance of preferred shares of beneficial interest. The Fund may utilize derivatives such as credit default swaps that have the economic effect of financial leverage by creating additional investment exposure. The effective leverage of the Fund, resulting from the combination of structural leverage and investments in derivatives and other portfolio techniques that have the economic effect of leverage, will not exceed 38% of the Fund's Managed Assets. There can be no assurance that the Fund's leverage strategy will be successful.

Adviser and Sub-Adviser. Nuveen Fund Advisors, LLC, the Fund's investment adviser, is responsible for determining the Fund's overall investment strategies and their implementation. Symphony Asset Management, LLC is the Fund's investment sub-adviser and oversees the day-to-day investment operations of the Fund.

The minimum price on any day at which Common Shares may be sold will not be less than the current net asset value per share plus the per share amount of the commission to be paid to the Fund's distributor, Nuveen Securities, LLC (*Nuveen Securities*). The Fund and Nuveen Securities will suspend the sale of Common Shares if the per share price of the shares is less than the minimum price. The Fund currently intends to distribute the shares offered pursuant to this Prospectus primarily through at-the-market transactions, although from time to time it may also distribute shares through an underwriting syndicate or a privately negotiated transaction. To the extent shares are distributed other than through at-the-market transactions, the Fund will file a supplement to this Prospectus describing such transactions. For information on how Common Shares may be sold, see the *Plan of Distribution* section of this Prospectus.

The Common Shares are listed on the New York Stock Exchange (the *NYSE*). The trading or *ticker* symbol of the Common Shares of the Fund is *JSD*. The Fund's closing price on the NYSE on May 22, 2013 was \$20.53.

The date of this Prospectus is _____, 2013

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You should rely only on the information contained or incorporated by reference into this Prospectus. The Fund has not authorized anyone to provide you with different information. The Fund is not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this Prospectus is accurate as of any date other than the date on the front of this Prospectus. The Fund will update this Prospectus to reflect any material changes to the disclosures herein.

PROSPECTUS SUMMARY

This is only a summary. You should review the more detailed information contained elsewhere in this Prospectus and in the SAI.

The Fund

Nuveen Short Duration Credit Opportunities Fund (the **Fund**) is a diversified, closed-end management investment company. See **The Fund**. The **Fund**'s Common shares, \$.01 par value (**Common Shares**), are traded on the New York Stock Exchange (the **NYSE**) under the symbol **JSD**. See **Description of Common Shares**. As of March 31, 2013, the **Fund** had 10,046,365 Common Shares outstanding and net assets applicable to Common Shares of \$200,349,144.

Investment Objectives and Policies

The **Fund**'s investment objective is to provide current income and the potential for capital appreciation. The **Fund** cannot assure you that it will achieve its investment objective.

The **Fund**'s portfolio will be invested primarily in below investment grade adjustable rate corporate debt instruments, including senior secured loans, second lien loans, and other adjustable rate corporate debt instruments. Under normal market circumstances, the **Fund** invests at least 70% of its **Managed Assets** in adjustable rate senior loans and second lien loans. **Managed Assets** means the total assets of the **Fund**, minus the sum of its accrued liabilities (other than **Fund** liabilities incurred for the express purpose of creating leverage). Total assets for this purpose shall include assets attributable to the **Fund**'s use of effective leverage (whether or not those assets are reflected in the **Fund**'s financial statements for purposes of generally accepted accounting principles). See **The Fund's Investments** for additional information on the types of securities in which the **Fund** may invest. Senior loans and second lien loans are made to U.S. and non-U.S. corporations, partnerships and other business entities (**Borrowers**) that operate in various industries and geographic regions. Senior loans, second lien loans and other adjustable rate instruments pay interest at rates which are determined periodically at short-term intervals on the basis of an adjustable base lending rate, primarily the London Interbank Offered Rate (**LIBOR**), plus a premium, and are therefore regarded as having short-term durations. In addition, the **Fund** may make limited tactical investments in high yield debt and other debt instruments as described herein.

The **Fund** also may enter into tactical short positions consisting primarily of high yield debt. The high yield debt instruments may have intermediate-term or even long-term durations, but investments in those instruments will not be made in a manner that will cause the **Fund**'s average portfolio duration (including the effect of leverage) to exceed two years. Short selling involves selling instruments that may be owned, and if not owned, borrowing the same instruments for delivery to the purchaser, with an obligation to replace the borrowed instruments at a later date. Short selling allows the short seller to

profit from declines in market prices to the extent such declines exceed the transaction costs and the costs of borrowing the instruments.

Substantially all of the Fund's portfolio likely will be invested in corporate debt instruments that are, at the time of investment, rated below investment grade or unrated but judged by the portfolio managers to be of comparable quality. A debt instrument is considered investment grade quality if it is rated within the four highest letter grades (BBB or Baa or better) by at least one nationally recognized statistical rating organization (NRSRO) that rates such instrument (even if it is rated lower by another), or if it is unrated by any NRSRO but judged to be of comparable quality by the portfolio managers. Debt instruments of below investment grade quality are regarded as having predominately speculative characteristics with respect to capacity to pay interest and repay principal and are commonly referred to as junk bonds or high yield debt, which implies higher price volatility and default risk than investment grade instruments of comparable terms and duration. See Risks Issuer Level Risks Issuer Credit Risk, Risks Issuer Level Risks Below Investment Grade Risk and Risks Security Level Risks Short Exposure Risk.

The Fund uses leverage to seek to enhance current income and capital appreciation.

Under normal circumstances:

The Fund invests at least 70% of its Managed Assets in adjustable rate corporate debt instruments, including senior secured loans, second lien loans, and other adjustable rate corporate debt instruments.

The Fund will make limited tactical investments in high yield debt and other debt instruments as described herein in an aggregate amount of up to 30% of its Managed Assets.

No more than 20% of the Fund's Managed Assets may be invested in debt instruments that are, at the time of investment, rated CCC+ or Caa1 or below by any NRSRO or that are unrated but judged by the portfolio managers to be of comparable quality.

The Fund may enter into tactical short positions, consisting primarily of high yield debt, either directly or through the use of derivatives, including credit default swaps, creating a negative investment exposure or hedging existing long (positive) investment exposure in a notional amount up to 20% of its Managed Assets.

The Fund may invest up to 20% of its Managed Assets in debt instruments of non-U.S. issuers (which term for purposes of this prospectus includes Borrowers (as defined below)) that are U.S. dollar or non-U.S. dollar denominated. The Fund's investments in

debt instruments of non-U.S. issuers may include debt instruments located, or conducting their business, in emerging market countries.

The Fund may invest up to 10% of its Managed Assets in securities of other open- or closed-end investment companies (including exchange traded funds (ETFs)) that invest primarily in securities of the types in which the Fund may invest directly.

See The Fund s Investments Investment Objective, and Investment Policies.

The Fund may enter into certain derivative transactions, such as credit default swaps and interest rate swaps, as a hedging technique to protect against potential adverse changes in the market value of portfolio instruments. The Fund also may use derivatives to attempt to protect the net asset value of the Fund, to facilitate the sale of certain portfolio instruments, to manage the Fund s effective interest rate exposure, and as a temporary substitute for purchasing or selling particular instruments. From time to time, the Fund also may enter into derivative transactions to create investment exposure to the extent such transactions may facilitate implementation of its strategy more efficiently than through outright purchases or sales of portfolio instruments.

Under normal market circumstances, the Fund will seek to maintain an average duration of two years or less for its portfolio, including the effect of leverage. In this prospectus, average duration and average portfolio duration are each defined to be the modified duration of the Fund s portfolio, which is the measure of a debt instrument s or a portfolio s price sensitivity with respect to changes in market yields adjusted to reflect the effect of the Fund s effective leverage. Prices of instruments with shorter durations tend to be less sensitive to interest rate changes than instruments with longer durations. In general, the value of a portfolio of instruments with a shorter duration can be expected to be less sensitive to interest rate changes than a portfolio with a longer duration. For example, the price of a bond with an effective duration of two years will rise (fall) two percent for every one percent decrease (increase) in its yield, and the price of a five-year duration bond will rise (fall) five percent for a one percent decrease (increase) in its yield. As of March 31, 2013, the effective duration of the Fund s portfolio was 0.5 years.

During temporary defensive periods or in order to keep the Fund s cash fully invested, including during the period when the net proceeds of the offering of Common Shares are first being invested, the Fund may deviate from its investment policies and objective. During such periods, the Fund may invest up to 100% of its Managed Assets in short-term investments, including high quality, short-term securities, or may invest in short-, intermediate-, or long-term U.S. Treasury securities. There can be no assurance that such strategies will be

successful. For a more complete discussion of the Fund's portfolio composition, see The Fund's Investments.

Investment Adviser

Nuveen Fund Advisors, LLC (NFALLC), the Fund's investment adviser, is responsible for determining the Fund's overall strategy and its implementation. NFALLC, a registered investment adviser, is a wholly-owned subsidiary of Nuveen Investments, Inc. (Nuveen Investments). Founded in 1898, Nuveen Investments and its affiliates had approximately \$219 billion of assets under management as of December 31, 2012. See Management of the Fund Investment Adviser, Sub-Adviser and Portfolio Managers.

Sub-Adviser

Symphony Asset Management, LLC (Symphony) serves as the Fund's sub-adviser and is an affiliate of NFALLC. Symphony is a registered investment adviser. Symphony oversees the day-to-day investment operations of the Fund.

Nuveen Securities, LLC (Nuveen Securities), a registered broker-dealer affiliate of NFALLC and Symphony, is involved in the offering of the Fund's Common Shares. See Plan of Distribution-Distribution Through At-the-Market Transactions.

Use of Leverage

The Fund employs financial leverage through borrowing (Borrowing). The Fund has entered into a \$85,000,000 credit agreement with Bank of America, N.A. As of January 31, 2013, the Fund's outstanding balance on this Borrowing was \$85,000,000. For the six months ended January 31, 2013, the average daily balance outstanding and the average annual interest rate on this Borrowing were \$85,000,000 and 1.10%, respectively.

The Fund does not currently, but may in the future, issue preferred shares. See Description of Shares Preferred Shares.

Leverage involves special risks. See Risk Factors Leverage Risk. There is no assurance that the Fund's leveraging strategy will be successful. The Fund will seek to invest the proceeds of any future financial leverage in a manner consistent with the Fund's investment objective and policies. See Use of Leverage.

The Fund pays a management fee to NFALLC (which in turn pays a portion of its fee to the Fund's sub-adviser, Symphony) based on a percentage of Managed Assets. Managed Assets include the proceeds realized and managed from the Fund's use of leverage as set forth in the Fund's investment management agreement. NFALLC will be responsible for using leverage to pursue the Fund's investment objectives, and will base its decision regarding whether and how much leverage to use for the Fund based on its assessment of whether such use of leverage will advance the Fund's investment objectives. However, the fact that a decision to increase the Fund's leverage will

have the effect, all other things being equal, of increasing Managed Assets and therefore NFALLC's and Symphony's fees means that NFALLC and Symphony may have a conflict of interest in determining whether to increase the Fund's use of leverage. NFALLC will seek to manage that potential conflict by only increasing the Fund's use of leverage when it determines that such increase is consistent with the Fund's investment objectives, and by periodically reviewing the Fund's performance and use of leverage with the Fund's Board of Trustees.

Offering Methods

The Fund may offer shares using one or more of the following methods: (i) at-the-market transactions through one or more broker-dealers that have entered into a selected dealer agreement with Nuveen Securities, one of the Fund's underwriters; (ii) through an underwriting syndicate; and (iii) through privately negotiated transactions between the Fund and specific investors. See Plan of Distribution.

Distribution Through At-the-Market Transactions. The Fund from time to time may issue and sell its Common Shares through Nuveen Securities, to certain broker-dealers that have entered into selected dealer agreements with Nuveen Securities. Currently, Nuveen Securities has entered into a selected dealer agreement with UBS Securities LLC (UBS) pursuant to which UBS will be acting as Nuveen Securities' sub-placement agent with respect to at-the-market offerings of Common Shares. Common Shares will only be sold on such days as shall be agreed to by the Fund and Nuveen Securities. Common Shares will be sold at market prices, which shall be determined with reference to trades on the NYSE, subject to a minimum price to be established each day by the Fund. The minimum price on any day will not be less than the current net asset value per share plus the per share amount of the commission to be paid to Nuveen Securities. The Fund and Nuveen Securities will suspend the sale of Common Shares if the per share price of the shares is less than the minimum price.

The Fund will compensate Nuveen Securities with respect to sales of the Common Shares at a commission rate of up to 1.0% of the gross proceeds of the sale of Common Shares. Nuveen Securities will compensate broker-dealers participating in the offering at a rate of up to 0.8% of the gross sales proceeds of the sale of Common Shares sold by that broker-dealer. Settlements of Common Share sales will occur on the third business day following the date of sale.

In connection with the sale of the Common Shares on behalf of the Fund, Nuveen Securities may be deemed to be an underwriter within the meaning of the Securities Act of 1933, as amended (the 1933 Act), and the compensation of Nuveen Securities may be deemed to be underwriting commissions or discounts. Unless otherwise indicated in a further Prospectus supplement, Nuveen Securities will act as underwriter on a reasonable efforts basis.

The offering of Common Shares pursuant to the Distribution Agreement (defined below under Plan of Distribution Distribution Through At-the-Market Transactions) will terminate upon the earlier of (i) the sale of all Common Shares subject thereto or (ii) termination of the Distribution Agreement. The Fund and Nuveen Securities each have the right to terminate the Distribution Agreement in its discretion at any time. See Plan of Distribution Distribution Through At-the-Market Transactions.

The Fund currently intends to distribute the shares offered pursuant to this Prospectus primarily through at-the-market transactions, although from time to time it may also distribute shares through an underwriting syndicate or a privately negotiated transaction. To the extent shares are distributed other than through at-the-market transactions, the Fund will file a supplement to this Prospectus describing such transactions.

UBS, its affiliates and their respective employees hold or may hold in the future, directly or indirectly, investment interests in Nuveen Investments, Inc. and its funds. The interests held by employees of UBS or its affiliates are not attributable to, and no investment discretion is held by, UBS or its affiliates.

The Fund's closing price on the NYSE on May 22, 2013 was \$20.53

Distribution Through Underwriting Syndicates. The Fund from time to time may issue additional Common Shares through a syndicated secondary offering. In order to limit the impact on the market price of the Fund's Common Shares, underwriters will market and price the offering on an expedited basis (e.g., overnight or similarly abbreviated offering period). The Fund will launch a syndicated offering on a day, and upon terms, mutually agreed upon between the Fund, Nuveen Securities and the underwriting syndicate.

The Fund will offer its shares at a price equal to a specified discount of up to 5% from the closing market price of the Fund's Common Shares on the day prior to the offering date. The applicable discount will be negotiated by the Fund and Nuveen Securities in consultation with the underwriting syndicate on a transaction-by-transaction basis. The Fund will compensate the underwriting syndicate out of the proceeds of the offering based upon a sales load of up to 4% of the gross proceeds of the sale of Common Shares. The minimum net proceeds per share to the Fund will not be less than the greater of (i) the Fund's latest net asset value per Common Share or (ii) 91% of the closing market price of the Fund's Common Shares on the day prior to the offering date. See Plan of Distribution Distribution Through Underwriting Syndicates.

Distribution Through Privately Negotiated Transactions. The Fund, through Nuveen Securities, from time to time may sell directly to, and solicit offers from, institutional and other sophisticated investors, who may be deemed to be underwriters as defined in the 1933 Act for any resale of Common Shares.

The terms of such privately negotiated transactions will be subject to the discretion of the management of the Fund. In determining whether to sell Common Shares through a privately negotiated transaction, the Fund will consider relevant factors including, but not limited to, the attractiveness of obtaining additional funds through the sale of Common Shares, the purchase price to apply to any such sale of Common Shares and the investor seeking to purchase the Common Shares.

Common Shares issued by the Fund through privately negotiated transactions will be issued at a price equal to the greater of (i) the net asset value per Common Share or (ii) at a discount ranging from 0% to 5% of the average daily closing market price of the Fund's Common Shares at the close of business on the two business days preceding the date upon which Common Shares are sold pursuant to the privately negotiated transaction. The applicable discount will be determined by the Fund on a transaction-by-transaction basis. See Plan of Distribution Distribution Through Privately Negotiated Transactions.

Special Risk Considerations

Investment in the Fund involves special risk considerations, which are summarized below. The Fund is designed as a long-term investment and not as a trading vehicle. The Fund is not intended to be a complete investment program. See Risk Factors for a more complete discussion of the special risk considerations of an investment in the Fund.

Investment and Market Risk. An investment in the Fund's Common Shares is subject to investment risk, including the possible loss of the entire principal amount that you invest. Your investment in Common Shares represents an indirect investment in the securities owned by the Fund, substantially all of which are traded on a national securities exchange or in the over-the-counter markets. Your Common Shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of Fund dividends and distributions. See Risk Factors Investment and Market Risk.

Recent Market Conditions. The financial crisis in the U.S. and Many foreign economies over the past several years, including the European sovereign debt and banking crises, has resulted, and may continue to result, in an unusually high degree of volatility in the financial markets, both domestic and foreign. Liquidity in some markets has decreased; credit has become scarcer worldwide; and the values of some sovereign debt and of securities of issuers that hold that sovereign debt have fallen. These market conditions may continue or deteriorate further and may add significantly to the risk of short-term volatility in the Fund. In addition, global economies and financial markets are becoming increasingly interconnected, which increases the possibilities that conditions in one country or region might adversely impact issuers in a different country or region.

Because the situation is widespread and largely unprecedented, it may be unusually difficult to identify both risks and opportunities using past models of the interplay of market forces, or to predict the duration of these market conditions.

In response to the crisis, the U.S. and other governments and the Federal Reserve and certain foreign central banks have taken steps to support the financial markets. Where economic conditions are recovering, they are nevertheless perceived as still fragile. Withdrawal of government support, failure of efforts in response to the crisis, or investor perception that such efforts are not succeeding could adversely impact the value and liquidity of certain securities.

The severity or duration of these conditions may also be affected by policy changes made by governments or quasigovernmental organizations. Changes in market conditions will not have the same impact on all types of securities.

Market Discount from Net Asset Value. Shares of closed-end investment companies like the Fund have during some periods traded at prices higher than net asset value and have during other periods traded at prices lower than net asset value. The Fund cannot predict whether Common Shares will trade at, above or below net asset value. This characteristic is a risk separate and distinct from the risk that the Fund's net asset value could decrease as a result of investment activities. Investors bear a risk of loss to the extent that the price at which they sell their shares is lower in relation to the Fund's net asset value than at the time of purchase, assuming a stable net asset value. Proceeds from the sale of Common Shares in this offering will be reduced by shareholder transaction costs (if applicable, which vary depending on the offering method used). Depending on the premium of the Common Shares at the time of any offering of Common Shares hereunder, the Fund's net asset value may be reduced by an amount up to the offering costs borne by the Fund (estimated to be an additional 0.75% of the offering price assuming a Common Share offering price of \$20.53 (the Fund's closing price on the NYSE on May 22, 2013)).

The net asset value per Common Share will also be reduced by costs associated with any future issuances of Common or preferred shares. The Common Shares are designed primarily for long-term investors, and you should not view the Fund as a vehicle for trading purposes. See *Risk Factors* *Market Discount from Net Asset Value*.

Issuer Level Risks.

Issuer Credit Risk. Issuers of debt instruments in which the Fund may invest may default on their obligations to pay principal or interest when due. This non-payment would result in a reduction of income to the Fund, a reduction in the value of a debt instrument experiencing non-payment and, potentially, a decrease in the net asset value of the Fund. There can be no assurance that liquidation of

collateral would satisfy the issuer's obligation in the event of non-payment of scheduled interest or principal or that such collateral could be readily liquidated. In the event of bankruptcy of an issuer, the Fund could experience delays or limitations with respect to its ability to realize the benefits of any collateral securing a debt instrument. See Risks Issuer Level Risks Issuer Credit Risk.

Below Investment Grade Risk. The Fund may invest without limitation in debt instruments that are rated below investment grade at the time of investment or that are unrated but judged by the portfolio managers to be of comparable quality. No more than 20% of the Fund's Managed Assets may be invested in debt instruments rated CCC+ or Caa1 or below by any NRSRO or that are unrated but judged by the portfolio managers to be of comparable quality. Debt instruments of below investment grade quality are regarded as having predominately speculative characteristics with respect to capacity to pay interest and repay principal, and are commonly referred to as junk bonds or high yield debt, which implies higher price volatility and default risk than investment grade instruments of comparable terms and duration. Issuers of lower grade instruments may be highly leveraged and may not have available to them more traditional methods of financing. The prices of these lower grade instruments are typically more sensitive to negative developments, such as a decline in the issuer's revenues or a general economic downturn, than are the prices of higher rated instruments. The secondary market for lower rated instruments, including some senior loans, may not be as liquid as the secondary market for more highly rated instruments, a factor which may have an adverse effect on the Fund's ability to dispose of a particular security. Distressed and defaulted securities, including debtor-in-possession loans, generally present the same risks as investments in below investment grade debt instruments. However, in most cases, these risks are of a greater magnitude because of the uncertainties of investing in an issuer undergoing financial distress. See Risks Issuer Level Risks Below Investment Grade Risk.

Non-U.S. Issuer Risk. Investments in instruments of non-U.S. issuers may involve special risks not presented by investments in instruments of U.S. issuers, including the following: (i) less publicly available information about non-U.S. issuers or markets due to less rigorous disclosure or accounting standards or regulatory practices; (ii) many non-U.S. markets are smaller, less liquid and more volatile; (iii) potential adverse effects of fluctuations in currency exchange rates or controls on the value of the Fund's investments; (iv) the economies of non-U.S. countries may grow at slower rates than expected or may experience a downturn or recession; (v) the impact of economic, political, social or diplomatic events; (vi) possible seizure of a company's assets; (vii) restrictions imposed by non-U.S. countries limiting the ability of non-U.S. issuers to make payments of principal and/or interest due to blockages of foreign currency exchanges or otherwise; and (viii) withholding and other non-U.S.

taxes may decrease the Fund's return. These risks are more pronounced to the extent that the Fund invests a significant portion of its assets in companies located in one region and to the extent that the Fund invests in instruments of issuers in emerging markets countries. In addition, economic, political and social developments may significantly disrupt the financial markets or interfere with the Fund's ability to enforce its rights against non-U.S. issuers. The Fund's Managed Assets to be invested in debt instruments of non-U.S. issuers may include debt instruments of issuers located, or conducting their business in, emerging markets countries. See Risks Issuer Level Risks Non-U.S. Issuer Risk.

Security Level Risks.

Senior Loan Risk. Senior loans hold the most senior position in the capital structure of a business entity, are typically secured with specific collateral and have a claim on the assets and/or stock of the Borrower that is senior to that held by subordinated debt holders and stockholders of the Borrower. Senior loans that the Fund intends to invest in are usually rated below investment grade, and share the same risks of other below investment grade debt instruments.

Although the Fund invests primarily in senior loans that are secured by specific collateral, there can be no assurance the liquidation of such collateral would satisfy a Borrower's obligation to the Fund in the event of Borrower default or that such collateral could be readily liquidated under such circumstances. If the terms of a senior loan do not require the Borrower to pledge additional collateral in the event of a decline in the value of the already pledged collateral, the Fund will be exposed to the risk that the value of the collateral will not at all times equal or exceed the amount of the Borrower's obligations under the senior loan.

In the event of bankruptcy of a Borrower, the Fund could also experience delays or limitations with respect to its ability to realize the benefits of any collateral securing a senior loan. Some senior loans are subject to the risk that a court, pursuant to fraudulent conveyance or other similar laws, could subordinate the senior loans to presently existing or future indebtedness of the Borrower or take other action detrimental to lenders, including the Fund. Such court action could under certain circumstances include invalidation of senior loans.

Second Lien Loans and Unsecured Loans Risk. Second lien loans and unsecured loans generally are subject to the same risks associated with investments in senior loans, as discussed above. Because second lien loans and unsecured loans are lower in priority of payment to senior loans, they are subject to the additional risk that the cash flow of the Borrower and property securing the loan, if any, may be insufficient to meet scheduled payments after giving effect to the senior secured obligations of the Borrower. This risk is generally

higher for unsecured loans, which are not backed by a security interest in any specific collateral. Second lien loans and unsecured loans are expected to have greater price volatility than senior loans and may be less liquid. Second lien loans and unsecured loans of below investment grade quality also share the same risks of other below investment grade debt instruments.

Subordinated Loans and Other Subordinated Debt Instruments. Issuers of subordinated loans and other subordinated debt instruments in which the Fund may invest usually will have, or may be permitted to incur, other debt that ranks equally with, or senior to, such subordinated loans or other debt instruments. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which the Fund is entitled to receive payments in respect of subordinated loans or other subordinated debt instruments in which it invests. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of an issuer, holders of debt instruments ranking senior to the Fund's subordinated loans or other debt instruments would typically be entitled to receive payment in full before the Fund receives any distribution in respect of its investment. After repaying such senior creditors, the issuer may not have any remaining assets to use for repaying its obligation to the Fund. In the case of debt ranking equally with subordinated loans or other subordinated debt instruments in which the Fund invests, the Fund would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant issuer. In addition, the Fund will likely not be in a position to control any issuer by investing in its debt instruments. As a result, the Fund will be subject to the risk that an issuer in which it invests may make business decisions with which the Fund disagrees and the management of such issuer, as representatives of the holders of their common equity, may take risks or otherwise act in ways that do not serve the Fund's interests as debt investors.

Interest Rate Risk. Interest rate risk is the risk that fixed rate debt instruments will decline in value because of changes in market interest rates. When market interest rates rise, the market value of such instruments generally will fall. The Fund's investment in such fixed rate instruments means that the net asset value and market price of Common Shares will tend to decline if market interest rates rise. Market interest rates in the U.S. and in certain other countries in which the Fund may invest currently are near historically low levels. NFALLC and Symphony expect the Fund's policy of investing at least 70% of its Managed Assets in adjustable rate senior loans and second lien loans will make the Fund less volatile and its net asset value less sensitive to changes in market interest rates than if the Fund invested exclusively in fixed rate obligations. However, because interest rates on most adjustable rate instruments typically only reset

periodically (*e.g.*, monthly or quarterly), a sudden and significant increase in market interest rates may cause a decline in the value of these investments and in the Fund's net asset value. See **Risks** **Security Level Risks** **Interest Rate Risk**.

Risks in Loan Valuation. The Fund utilizes independent pricing services approved by the Board of Trustees to value portfolio instruments at their market value. If the pricing services are unable to provide a market value or if a significant event occurs such that the valuation(s) provided are deemed unreliable, the Fund may value portfolio instrument(s) at their fair value, which is generally the amount an owner might reasonably expect to receive upon a current sale. Valuation risks associated with investing in adjustable rate corporate debt instruments including, but not limited to: a limited number of market participants, a lack of publicly-available information, resale restrictions, settlement delays, corporate actions and adverse market conditions may make it difficult to value or sell such instruments. Because non-U.S. instruments may trade on days when Common Shares are not priced, net asset value can change at times when Common Shares cannot be sold.

Loan Participation Risk. The Fund may purchase a participation interest in a loan and by doing so acquire some or all of the interest of a bank or other lending institution in a loan to a Borrower. A participation typically will result in the Fund having a contractual relationship only with the lender, not the Borrower. As a result, the Fund assumes the credit risk of the lender selling the participation in addition to the credit risk of the Borrower. By purchasing a participation, the Fund will have the right to receive payments of principal, interest and any fees to which it is entitled only from the lender selling the participation and only upon receipt by the lender of the payments from the Borrower. In the event of insolvency or bankruptcy of the lender selling the participation, the Fund may be treated as a general creditor of the lender and may not have a senior claim to the lender's interest in the loan. If the Fund only acquires a participation in the loan made by a third party, the Fund may not be able to control the exercise of any remedies that the lender would have under the loan. Such third party participation arrangements are designed to give loan investors preferential treatment over high yield investors in the event of a deterioration in the credit quality of the Borrower. Even when these arrangements exist, however, there can be no assurance that the principal and interest owed on the loan will be repaid in full.

Prepayment Risk. During periods of declining interest rates or for other purposes, issuers may exercise their option to prepay principal earlier than scheduled, forcing the Fund to reinvest in lower yielding instruments. This is known as call or prepayment risk.

Short Exposure Risk. The Fund may enter into tactical short positions, either directly or through derivatives, to create negative

investment exposure or to hedge existing investment exposure. Short selling involves selling instruments that may be owned, and if not owned, borrowing the same instruments for delivery to the purchaser, with an obligation to replace the borrowed instruments at a later date. Short selling allows the short seller to profit from declines in market prices to the extent such declines exceed the transaction costs and the costs of borrowing the instruments. A short sale creates the risk of an unlimited loss, in that the price of the underlying instrument could theoretically increase without limit, thus increasing the cost of buying those instruments to cover the short position. There can be no assurance that the instruments necessary to close out the short position will be available for purchase. Purchasing instruments to close out the short position can itself cause the price of the instruments to rise further, thereby exacerbating the loss. The success of the Fund's short selling to create negative investment exposure is dependent on Symphony's ability to correctly determine which investments are likely to decline in value, either in absolute terms or relative to corresponding long positions in the portfolio, which may be different than Symphony's ability to invest in long portfolio positions.

Illiquid Securities Risk. The Fund may invest in securities that, at the time of investment, are illiquid. Illiquid securities are not readily marketable and may include some restricted securities. Illiquid securities involve the risk that the securities will not be able to be sold at the time desired by the Fund or at prices approximating the value at which the Fund is carrying the securities on its books.

Other Risks Associated with Loans. Many senior loans, second lien loans and other loans in which the Fund may invest may not be rated by an NRSRO, generally will not be registered with the SEC and generally will not be listed on a securities exchange. In addition, the amount of public information available with respect to loans generally may be less extensive than that available for registered and exchange-listed securities. The frequency and magnitude of such changes cannot be predicted. No active trading market currently exists for some senior loans and most subordinated loans in which the Fund may invest and, thus, those loans may be illiquid. As a result, such senior loans and subordinated loans generally are more difficult to value than more liquid securities for which a trading market exists. See Risks Security Level Risks Other Risks Associated with Loans.

Derivatives Risk, including the Risk of Swaps. The Fund's use of derivatives involves risks different from, and possibly greater than, the risks associated with investing directly in the investments underlying the derivatives. Whether the Fund's use of derivatives is successful will depend on, among other things, if NFALLC and Symphony correctly forecast market values, interest rates and other applicable factors. If NFALLC and Symphony incorrectly forecast these and other factors, the investment performance of the Fund will be unfavorably affected. In addition, the derivatives market is largely

unregulated. It is possible that developments in the derivatives market could adversely affect the Fund's ability to successfully use derivative instruments.

The Fund may enter into debt-related derivatives instruments including credit swap default contracts and interest rate swaps. Like most derivative instruments, the use of swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. In addition, the use of swaps requires an understanding by NFALLC and Symphony of not only of the referenced asset, rate or index, but also of the swap itself. The derivatives market is subject to a changing regulatory environment. It is possible that regulatory or other developments in the derivatives market could adversely affect the Fund's ability to successfully use derivative instruments. See Risk Factors Derivatives Risk, Including the Risk of Swaps, Risk Factors Counterparty Risk, Risk Factors Hedging Risk and the SAI.

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

In addition, as new rules and regulations resulting from the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) are implemented and new international capital and liquidity requirements are introduced under the Basel III Accords (Basel III), the market may not react the way NFALLC or Symphony expects. Whether the Fund achieves its investment objectives may depend on, among other things, whether NFALLC or Symphony correctly forecast market reactions to this and other legislation. In the event NFALLC and Symphony incorrectly forecast market reaction, the Fund may not achieve its investment objectives and a Common Shareholder's shares may be worth less than his or her original investment.

Leverage Risk. The use of financial leverage created through Borrowings or issuing preferred shares in the future creates an opportunity for increased Common Share net income and returns, but also creates special risks for Common Shareholders. There is no assurance that the Fund's leveraging strategy will be successful. The risk of loss attributable to the Fund's use of leverage is borne by Common Shareholders. The Fund's use of financial leverage can result in a greater decrease in net asset values in declining markets. The Fund's use of financial leverage similarly can magnify the impact of changing market conditions on Common Share market prices.

The Fund may use derivatives, such as interest rate swaps, to fix the effective rate paid on all or a portion of the Fund's leverage, in an effort to lower leverage costs over an extended period. Accordingly, the Fund cannot assure you that the use of leverage will result in a higher yield or return to Common Shareholders. The income benefit from leverage will be reduced to the extent that the difference narrows between the net earnings on the Fund's portfolio securities and its cost of leverage. Because of the costs of leverage, the Fund may incur losses even if the Fund has positive returns, if they are not sufficient to cover the costs of leverage. The Fund's cost of leverage includes interest on borrowing or dividends paid on preferred shares, if issued in the future as well as any one-time costs (e.g., issuance costs) and ongoing fees and expenses associated with such leverage.

The Fund has issued preferred shares in the past, but does not currently have any preferred shares outstanding. The Fund may issue preferred shares in the future to increase the Fund's leverage.

Furthermore, the amount of fees paid to NFALLC (which in turn pays a portion of its fees to Symphony) for investment advisory services will be higher if the Fund uses leverage because the fees will be calculated based on the Fund's Managed Assets this may create an incentive for NFALLC and Symphony to leverage the Fund.

The Fund may invest in the securities of other investment companies, which may themselves be leveraged and therefore present similar risks to those described above and magnify the Fund's leverage risk.

See Risk Factors Leverage Risk and Use of Leverage.

Counterparty Risk. Changes in the credit quality of the companies that serve as the Fund's counterparties with respect to derivatives or other transactions supported by another party's credit may affect the value of those instruments. Certain entities that have served as counterparties in the markets for these transactions have recently incurred significant losses and financial hardships, including bankruptcy, as a result of exposure to sub-prime mortgages and other lower quality credit investments that have experienced recent defaults or otherwise suffered extreme credit deterioration. As a result, such hardships have reduced these entities' capital and called into question their continued ability to perform their obligations under such transactions. By using such derivatives or other transactions, the Fund assumes the risk that its counterparties could experience similar financial hardships. See Risk Factors Counterparty Risk.

Potential Conflicts of Interest Risk. NFALLC and Symphony each provide a wide array of portfolio management and other asset management services to a mix of clients and may engage in ordinary course activities in which their respective interests or those of their clients may compete or conflict with those of the Fund. For example, NFALLC and Symphony may provide investment management

services to other funds and accounts that follow investment objectives similar to those of the Fund. In certain circumstances, and subject to its fiduciary obligations under the Investment Advisers Act of 1940, Symphony may have to allocate a limited investment opportunity among its clients, which include closed-end funds, open-end funds and other commingled funds. NFALLC and Symphony have each adopted policies and procedures designed to address such situations and other potential conflicts of interests. For additional information about potential conflicts of interest, and the way in which NFALLC and Symphony address such conflicts, please see the SAI.

Other Risks.

Reinvestment Risk. Reinvestment risk is the risk that income from the Fund's portfolio will decline if and when the Fund invests the proceeds from matured, traded or called bonds at market interest rates that are below the portfolio's current earnings rate. A decline in income could affect the Common Share's market price or your overall returns. See Risk Factors Reinvestment Risk.

Inflation Risk. Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the Common Shares and distributions can decline. See Risk Factors Inflation Risk.

Hedging Risk. The Fund's use of derivatives or other transactions to reduce risks involves costs and will be subject to NFALLC and Symphony's ability to predict correctly changes in the relationships of such hedge instruments to the Fund's portfolio holdings or other factors. No assurance can be given that NFALLC and Symphony's judgment in this respect will be correct. In addition, no assurance can be given that the Fund will enter into hedging or other transactions at times or under circumstances in which it may be advisable to do so. See Risk Factors Hedging Risk.

Anti-Takeover Provisions. The Fund's Declaration of Trust (the Declaration) and the Fund's By-Laws (the By-Laws) include provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to open-end status. These provisions could have the effect of depriving the Common Shareholders of opportunities to sell their Common Shares at a premium over the then current market price of the Common Shares. See Certain Provisions in the Declaration of Trust and Risk Factors Anti-Takeover Provisions.

Reliance on Investment Adviser. The Fund is dependent upon services and resources provided by its investment adviser, NFALLC, and therefore NFALLC's parent, Nuveen Investments. Nuveen Investments has a substantial amount of indebtedness. Nuveen Investments, through its own business or the financial support of its affiliates, may not be able to generate sufficient cash flow from

operations or ensure that future borrowings will be available in an amount sufficient to enable it to pay its indebtedness with scheduled maturities beginning in 2014 or to fund its other liquidity needs. Nuveen Investments' failure to satisfy the terms of its indebtedness, including covenants therein, generally may have an adverse effect on the financial condition of Nuveen Investments.

In addition, an investment in the Fund's Common Shares raises other risks, which are more fully disclosed in the Risk Factors section of this Prospectus.

Distributions

The Fund pays monthly cash distributions to Common Shareholders at a level rate (stated in terms of a fixed cents per Common Share dividend rate) based on the projected performance of the Fund. The Fund's ability to maintain a level Common Share dividend rate will depend on a number of factors, including dividends payable on preferred shares, if issued in the future. As portfolio and market conditions change, the rate of dividends on the Common Shares and the Fund's dividend policy could change. For each taxable year, the Fund will distribute all or substantially all of its net investment income (after it pays accrued dividends on any outstanding preferred shares). In addition, the Fund intends to distribute, at least annually, the net capital gain (which is the excess of net long-term capital gain over net short-term capital loss) and taxable ordinary income, if any, to Common Shareholders so long as the net capital gain and taxable ordinary income are not necessary to pay accrued dividends on, or redeem or liquidate, any preferred shares, if issued in the future. You may elect to reinvest automatically some or all of your distributions in additional Common Shares under the Fund's Dividend Reinvestment Plan.

If the Fund does not distribute all of its net capital gain for a taxable year, it will pay federal income tax on the retained gain. Each Common Shareholder of record as of the end of the Fund's taxable year (i) will include in income for federal income tax purposes as long-term capital gain his or her share of the retained gain, (ii) will be deemed to have paid his or her proportionate share of the tax paid by the Fund on such retained gain, and (iii) will be entitled to an income tax credit or refund for that share of the tax. The Fund will treat the retained capital gain amount as a substitute for equivalent cash distributions. See Distributions and Dividend Reinvestment Plan.

The Fund reserves the right to change its distribution policy and the basis for establishing the rate of its monthly distributions at any time.

Custodian and Transfer Agent

State Street Bank and Trust Company serves as custodian and transfer agent of the Fund's assets. See Custodian and Transfer Agent.

Voting Rights

The Fund does not currently, but may in the future, issue certain types of preferred securities. In that event, such preferred securities, voting

as a separate class, would have the right to elect at least two trustees at all times and to elect a majority of the trustees in the event two full years' dividends on the preferred shares are unpaid. In each case, the remaining trustees would be elected by holders of Common Shares and preferred shares voting together as a single class. The holders of shares of preferred shares would vote as a separate class or classes on certain other matters as required under the Declaration, the Investment Company Act of 1940, as amended (the "1940 Act") and Massachusetts law. See "Description of Shares - Preferred Shares - Voting Rights" and "Certain Provisions in the Declaration of Trust."

SUMMARY OF FUND EXPENSES

The table shows the expenses of the Fund as a percentage of the average net assets applicable to Common Shares, and not as a percentage of total assets or Managed Assets.

Shareholder Transaction Expenses (as a percentage of offering price)	
Maximum Sales Charge	4.00%
Offering Costs Borne by the Fund (1)	0.75%
	As a Percentage of Net Assets Attributable to Common Shares(2)
Annual Expenses	
Management Fees	1.17%
Interest and Payments on Borrowings (3)	0.52%
Other Expenses (4)	0.09%
Total Annual Expenses	1.78%

- (1) Assuming a Common Share offering price of \$20.53 (the Fund's closing price on the NYSE on May 22, 2013).
- (2) Stated as percentages of average net assets attributable to Common Shares for the six months ended January 31, 2013.
- (3) Interest and Payments on Borrowings includes an annual interest rate of 1.10% on a \$85,000,000 borrowing and an annual Up-Front Renewal fee of 0.10%. Interest Payments on Borrowings assumes no annual undrawn fee as the Fund is at its maximum commitment amount. The actual Interest and Payments on Borrowings incurred in the future may be higher or lower.
- (4) Other Expenses are estimated based on actual expenses from the prior fiscal period.

The purpose of the table above is to help you understand all fees and expenses that you, as a Common Shareholder, would bear directly or indirectly. See Management of the Fund Investment Adviser.

Examples

The following examples illustrate the expenses (including the applicable transaction fees, if any, and estimated offering costs of \$7.50) that a shareholder would pay on a \$1,000 investment that is held for the time periods provided in the table. Each example assumes that all dividends and other distributions are reinvested in the Fund and that the Fund's Annual Expenses, as provided above, remain the same. The examples also assume a 5% annual return.(1)

Example # 1 (At-the-Market Transaction)

The following example assumes a transaction fee of 1.00%, as a percentage of the offering price.

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<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
\$35	\$ 73	\$ 112	\$ 223

Example # 2 (Underwriting Syndicate Transaction)

The following example assumes a transaction fee of 4.00%, as a percentage of the offering price.

<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
\$65	\$ 101	\$ 139	\$ 247

Example # 3 (Privately Negotiated Transaction)

The following example assumes there is no transaction fee.

<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
\$25	\$ 63	\$ 103	\$ 215

The examples should not be considered a representation of future expenses. Actual expenses may be greater or less than those shown above.

- (1) The examples assume that all dividends and distributions are reinvested at Common Share net asset value. Actual expenses may be greater or less than those assumed. Moreover, the Fund's actual rate of return may be greater or less than the hypothetical 5% return shown in the example.

FINANCIAL HIGHLIGHTS

The following Financial Highlights table is intended to help a prospective investor understand the Fund's financial performance for the periods shown. Certain information reflects financial results for a single Common Share of the Fund. The total returns in the table represent the rate an investor would have earned or lost on an investment in Common Shares of the Fund (assuming reinvestment of all dividends). The information with respect to the fiscal year ended July 31, 2012 has been audited by Ernst & Young LLP, whose report for the fiscal year ended July 31, 2012, along with the financial statements of the Fund including the Financial Highlights for each of the periods indicated therein, are included in the Fund's 2012 Annual Report. Also included is selected data from the six months ended January 31, 2013, which is unaudited and appears in the Fund's 2013 Semi-Annual Report. A copy of the 2012 Annual Report and 2013 Semi-Annual Report may be obtained from www.sec.gov or by visiting www.nuveen.com. The information contained in, or that can be accessed through, the Fund's website is not part of this Prospectus. Past results are not indicative of future performance.

The following per share data and ratios have been derived from information provided in the financial statements.

Selected data for a Common Share outstanding throughout each period:

	Year Ended July 31		
	2013(e)	2012	2011(d)
PER SHARE OPERATING PERFORMANCE			
Beginning Net Asset Value	\$ 19.49	\$ 19.08	\$ 19.10
Investment Operations:			
Net Investment Income (Loss) (a)	0.85	1.56	0.05
Net Realized/ Unrealized Gain (Loss)	0.49	0.25	0.08
Total	1.34	1.81	0.13
Less Distributions:			
Net Investment Income	(0.83)	(1.40)	(0.11)
Capital Gains	(0.07)	0.00	0.00
Total	(0.90)	(1.40)	(0.11)
Offering Costs and Preferred Share Underwriting Discounts	0.00	0.00	(0.04)
Ending Net Asset Value	\$ 19.93	\$ 19.49	\$ 19.08
Ending Market Value	\$ 20.62	\$ 19.54	\$ 18.37
Total Returns:			
Based on Market Value (b)	10.42%	14.77%	(7.58)%
Based on Net Asset Value (b)	7.07%	9.96%	0.49%
RATIOS/SUPPLEMENTAL DATA			
Ending Net Assets (000)	\$ 200,099	\$ 195,165	\$ 190,868
Ratios to Average Net Assets (c)			
Expenses	1.78%*	1.75%	1.16%*

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Net Investment Income (Loss)	8.59%*	8.25%	1.52%*
Portfolio Turnover Rate	39%	62%	5%
Borrowings at the End of Period:			
Aggregate Amount Outstanding (000)	\$ 85,000	\$ 85,000	\$
Asset Coverage Per \$1,000	\$ 3,354	\$ 3,296	\$

- (a) Per share Net Investment Income (Loss) is calculated using the average daily shares method.
- (b) Total Return Based on Market Value is the combination of changes in the market price per share and the effect of reinvested dividend income and reinvested capital gains distributions, if any, at the average price

paid per share at the time of reinvestment. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending market price. The actual reinvestment for the last dividend declared in the period may take place over several days, and in some instances may not be based on the market price, so the actual reinvestment price may be different from the price used in the calculation. Total returns are not annualized.

Total Return Based on Net Asset Value is the combination of changes in share net asset value, reinvested dividend income at net asset value and reinvested capital gains distributions at net asset value, if any. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending net asset value. The actual reinvest price for the last dividend declared in the period may often be based on the Fund's market price (and not its net asset value), and therefore may be different from the price used in the calculation. Total returns are not annualized.

- (c) Net Investment Income (Loss) ratios reflect income earned and expenses incurred on assets attributable to borrowings, as described in Footnote 9 Borrowing Arrangements in the most recent shareholder report.

Each ratio includes the effect of all interest expense and other costs related to borrowings as follows:

Ratios of Borrowings Interest Expense to Average Net Assets	
Year Ended 7/31:	
2013 (e)	0.52%*
2012	0.47
2011 (d)	

- (d) For the period May 25, 2011 (commencement of operations) through July 31, 2011.

- (e) For the six months ended January 31, 2013.

* Annualized.

TRADING AND NET ASSET VALUE INFORMATION

The following table shows for the periods indicated: (i) the high and low sales prices for the Common Shares reported as of the end of the day on the NYSE, (ii) the high and low net asset values of the Common Shares, and (iii) the high and low of the premium/(discount) to net asset value (expressed as a percentage) of the Common Shares.

Fiscal Quarter Ended	Price		Net Asset Value		Premium/(Discount)	
	High	Low	High	Low	High	Low
April 2013	\$ 21.69	\$ 20.70	\$ 20.00	\$ 19.82	8.67%	3.81%
January 2013	\$ 21.17	\$ 19.20	\$ 19.97	\$ 19.62	6.87%	(2.24)%
October 2012	\$ 20.57	\$ 19.37	\$ 19.88	\$ 19.51	3.58%	(0.77)%
July 2012	\$ 19.80	\$ 18.46	\$ 19.61	\$ 19.13	1.23%	(3.80)%
April 2012	\$ 20.02	\$ 18.49	\$ 19.55	\$ 19.19	2.65%	(4.10)%
January 2012	\$ 18.65	\$ 16.69	\$ 19.16	\$ 18.42	(1.88)%	(9.94)%
October 2011	\$ 18.68	\$ 15.91	\$ 19.06	\$ 17.75	(1.63)%	(12.29)%
July 2011 ⁽¹⁾	\$ 20.14	\$ 18.28	\$ 19.16	\$ 19.04	5.72%	(4.24)%

- (1) For the period May 25, 2011 (commencement of operations) through July 31, 2011.

The net asset value per Common Share, the market price and percent of premium/(discount) to net asset value per common share on May 22, 2013 were \$20.04, \$20.53, and 2.45%, respectively. As of March 31, 2013, the Fund had 10,046,365 Common Shares outstanding and net assets applicable to Common Shares of \$200,349,144. See Repurchase of Fund Shares; Conversion to Open-End Fund.

THE FUND

The Fund is a diversified, closed-end management investment company registered under the 1940 Act. The Fund was organized as a Massachusetts business trust on January 3, 2011, pursuant to the Declaration and governed by the laws of the Commonwealth of Massachusetts. The Fund's Common Shares are listed on the NYSE under the symbol JSD.

The following provides information about the Fund's outstanding Common Shares as of March 31, 2013:

<u>Title of Class</u>	<u>Amount Authorized</u>	<u>Amount Held by the Fund or for its Account</u>	<u>Amount Outstanding</u>
Common	unlimited	0	10,046,365

The Fund's principal office is located at 333 West Wacker Drive, Chicago, Illinois 60606, and its telephone number is (800) 257-8787.

USE OF PROCEEDS

The net proceeds from the issuance of Common Shares hereunder will be used by the Fund to invest in securities in accordance with the Fund's investment objective and policies as stated below. It is presently anticipated that the Fund will be able to invest substantially all of such proceeds in securities that meet the Fund's investment objective and policies within one month from the date on which the proceeds from an offering are received by the Fund. Pending such investment, it is anticipated that the proceeds will be invested in short-term or long-term securities issued by the U.S. Government and its agencies or instrumentalities or in high quality, short-term money market instruments. See Risk Factors Leverage Risk and Use of Leverage.

THE FUND'S INVESTMENTS

Investment Objective

The Fund's investment objective is to provide current income and the potential for capital appreciation.

Investment Philosophy and Process

Investment Philosophy

Symphony believes that deep fundamental credit analysis and bottom-up portfolio construction are key to managing risk within the below investment grade corporate credit market. Symphony utilizes an industry focused approach that seeks to select the debt instruments of corporate issuers that provide attractive income opportunities and offer the potential for additional total return through the identification of near-term catalysts (such as restructurings, refinancing, mergers and acquisitions, liquidity events, management changes, rating and earnings announcements) and relative value opportunities. At the same time, Symphony's fundamental approach seeks to evaluate and minimize potential downside risks associated with below investment grade instruments. Additionally, Symphony focuses primarily on liquid securities to help implement its highly active management style, which helps the team manage and optimize risk exposures over the course of the investment cycle.

Investment Process

In identifying securities for potential purchase, Symphony evaluates the universe of below investment grade corporate issuers from an industry perspective. Symphony's analysts are industry experts and will seek long and short investment opportunities across an issuer's capital structure. Symphony's investment process involves the holistic review of each investment, taking into account such factors as issuer liquidity, company and industry dynamics, relative value, potential corporate actions, and other possible positive or negative catalysts. Symphony then evaluates the identified investment candidates for liquidity constraints and other technical factors. Symphony also combines its deep industry view with a top-down macro overlay which allows the team to make tactical investments in undervalued debt instruments within appropriate sectors given industry and economic activity, and avoid or short issuers and sectors where the team has a negative outlook. The final portfolio is constructed using risk management and monitoring systems to ensure proper diversification.

Investment Policies

The Fund's portfolio will be invested primarily in below investment grade adjustable rate corporate debt instruments, including senior secured loans, second lien loans, and other adjustable rate corporate debt instruments. Under normal market circumstances, the Fund invests at least 70% of its Managed Assets in adjustable rate senior loans and second lien loans. Senior loans and second lien loans are made to Borrowers that operate in various industries and geographic regions. Senior loans, second lien loans and other adjustable rate instruments pay interest at rates which are determined periodically at short-term intervals on the basis of an adjustable base lending rate, primarily LIBOR, plus a premium, and are therefore regarded as having short-term durations. In addition, the Fund may make limited tactical investments in high yield debt and other debt instruments as described herein.

The Fund also may enter into tactical short positions consisting primarily of high yield debt. The high yield debt instruments may have intermediate-term or even long-term durations, but investments in those instruments will not be made in a manner that will cause the Fund's average portfolio duration (including the effect of leverage) to exceed two years. Short selling involves selling instruments that may be owned, and if not owned, borrowing the same instruments for delivery to the purchaser, with an obligation to replace the borrowed instruments at a later date. Short selling allows the short seller to profit from declines in market prices to the extent such declines exceed the transaction costs and the costs of borrowing the instruments.

Substantially all of the Fund's portfolio likely will be invested in corporate debt instruments that are, at the time of investment, rated below investment grade or unrated but judged by the portfolio managers to be of comparable quality. A debt instrument is considered investment grade quality if it is rated within the four highest letter grades (BBB or Baa or better) by at least one NRSRO that rates such instrument (even if it is rated lower by another), or if it is unrated by any NRSRO but judged to be of comparable quality by the portfolio managers. Such debt instruments are regarded as having predominately speculative characteristics with respect to capacity to pay interest and repay principal and are commonly referred to as junk bonds or high yield debt, which implies higher price volatility and default risk than investment grade instruments of comparable terms and duration. See Risk Factors Issuer Level Risks Issuer Credit Risk and Risk Factors Issuer Level Risks Below Investment Grade Risk.

Under normal circumstances:

The Fund invests at least 70% of its Managed Assets in adjustable rate senior loans and second lien loans.

The Fund may make limited tactical investments in high yield debt and other debt instruments as described herein in an aggregate amount of up to 30% of its Managed Assets.

No more than 20% of the Fund's Managed Assets may be invested in debt instruments that are, at the time of investment, rated CCC+ or Caa1 or below by any NRSRO or that are unrated but judged by the portfolio managers to be of comparable quality.

The Fund may enter into tactical short positions consisting primarily of high yield debt, either directly or through the use of derivatives, including credit default swaps, creating investment exposure or hedging existing long (positive) investment exposure in a notional amount up to 20% of its Managed Assets. Initially, these short positions will not increase the Fund's leverage ratio or overall investment exposure because the Fund will not use any proceeds or cash from short sales to invest in additional debt instruments.

The Fund may invest up to 20% of its Managed Assets in debt instruments of non-U.S. issuers (which term for purposes of this prospectus includes Borrowers) that are U.S. dollar or non-U.S. dollar denominated. The Fund's investments in debt instruments of non-U.S. issuers may include debt instruments of issuers located, or conducting their business, in emerging markets countries.

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The Fund may invest up to 10% of its Managed Assets in securities of other open- or closed-end investment companies (including exchange-traded funds, often referred to as ETFs) that invest primarily in securities of the types in which the Fund may invest directly.

The Fund may enter into certain derivative transactions as a hedging technique to protect against potential adverse changes in the market value of portfolio instruments. The Fund also may use derivatives to attempt to protect the net asset value of the Fund, to facilitate the sale of certain portfolio instruments, to manage the Fund's effective interest rate exposure, and as a temporary substitute for purchasing or selling particular instruments. From time to time, the Fund also may enter into derivative transactions to create investment exposure to the extent such transactions may facilitate implementation of its strategy more efficiently than through outright purchases or sales of portfolio instruments.

Under normal market circumstances, the Fund will maintain an average duration of two years or less for its portfolio, including the effect of leverage. As previously noted, in this prospectus, average duration and average portfolio duration are each defined to be the modified duration of the Fund's portfolio, which is the measure of a debt instrument's or a portfolio's price sensitivity with respect to changes in market yields adjusted to reflect the effect of the Fund's effective leverage. Prices of instruments with shorter durations tend to be less sensitive to interest rate changes than instruments with longer durations. In general, the value of a portfolio of instruments with a shorter duration can be expected to be less sensitive to interest rate changes than a portfolio with a longer duration. For example, the price of a bond with an effective duration of two years will rise (fall) two percent for every one percent decrease (increase) in its yield, and the price of a five-year duration bond will rise (fall) five percent for a one percent decrease (increase) in its yield. As of March 31, 2013, the effective duration of the Fund's portfolio was 0.5 years. See The Fund's Investments Portfolio Composition and Other Information Adjustable Rate Corporate Debt Instruments Senior Loans.

The Fund uses leverage to seek to enhance its potential current income and capital appreciation over time. The use of leverage involves increased risk, including increased variability of the Fund's net income, distributions and/or net asset value in relation to market changes. See Risk Factors Fund Level Risks Leverage Risk. Credit risk is the risk that issuers of debt instruments held by the Fund will be unable or unwilling to make principal or interest payments when due, and the related risk that the value of an instrument may decline because of concerns about the issuer's ability or unwillingness to make such payments. Interest rate risk is the risk that the prices of portfolio instruments will fall (or rise) if market interest rates for those instruments rise (or fall).

The Fund may utilize the following forms of structural leverage: (a) borrowings, including loans from certain financial institutions, and/or the issuance of debt securities, including fixed and floating rate notes or liquidity supported variable rate demand obligations (previously defined as Borrowings); and (b) the issuance of Preferred Shares or other senior securities ((a) and (b) are collectively referred to as structural leverage). The Fund's leverage strategy may not work as planned or achieve its goals. As previously defined, effective leverage is the combination of the amount of structural leverage plus the amount of leverage from derivatives transactions or other portfolio techniques that have the economic effect of leverage. The Fund may utilize derivatives, such as credit default swaps, that have the economic effect of financial leverage by creating additional investment exposure. The Fund also may use a portion of the proceeds received from the Fund's sale of borrowed securities (short sales) to purchase additional long positions in debt instruments, which also would have the economic effect of financial leverage. The Fund does not currently intend to use any proceeds from short sales to invest in additional debt instruments. Effective leverage will not exceed 38% of the Fund's Managed Assets.

The Fund anticipates that the interest on Borrowings may be at a fixed or floating rate, but generally will be based on short-term adjustable rates. The Fund also anticipates that preferred shares, if issued in the future, will pay dividends based on short-term adjustable rates. So long as the rate of return, net of applicable Fund expenses, on the Fund's portfolio investments exceeds the then current interest rate on any Borrowings or the preferred share (if outstanding) dividend rate, the investment of the proceeds of Borrowings or preferred shares (if outstanding) will generate more income than will be needed to make interest or dividend payments. If so, the excess will be available to pay higher dividends to Common Shareholders. Given the current economic and debt market environment with historically low short-term to intermediate-term interest rates, the Fund currently uses derivatives such as interest rate swaps, with terms that may range from one to seven years, to fix the effective rate paid on a significant portion of the Fund's structural leverage. The interest rate swap program seeks to

achieve potentially lower leverage costs over an extended period. This strategy would enhance Common Shareholder returns if short-term interest rates were to rise over time to exceed on average the effective fixed interest rate over the term of the swap. This strategy, however, will add to effective leverage costs immediately (because the effective swap costs are likely to be higher than current benchmark adjustable short term rates) and would increase overall leverage costs over the entirety of any such time period, in the event that short-term interest rates do not rise sufficiently during that period to exceed on average the effective fixed interest rate for that time period.

Interest rate swaps do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of loss with respect to the swap counterparty on such transactions is limited to the net amount of interest payments that the Fund is to receive. Interest rate swap positions are valued daily. Although there are economic advantages of entering into interest rate swap transactions, there are also additional risks. The Fund helps manage the credit risks associated with interest rate swap transactions by entering into agreements only with counterparties whom NFALLC and Symphony believe have the financial resources to honor their obligations and by having NFALLC and Symphony continually monitor the financial stability of the swap counterparties.

Depending on the state of interest rates in general, the Fund's use of interest rate swaps could enhance or harm the overall performance of the Common Shares. To the extent interest rates decline, the value of the interest rate swap could decline, and could result in a decline in the net asset value of the Common Shares. In addition, if the counterparty to an interest rate swap defaults, the Fund would not be able to use the anticipated net receipts under the swap to offset the interest payments on Borrowings or the dividend payments on any outstanding preferred shares. Depending on whether the Fund would be entitled to receive net payments from the counterparty on the swap, which in turn would depend on the general state of short-term interest rates at that point in time, such a default could negatively impact the performance of the Common Shares. In addition, at the time an interest rate swap transaction reaches its scheduled termination date, there is a risk that the Fund would not be able to obtain a replacement transaction or that the terms of the replacement would not be as favorable as on the expiring transaction. If this occurs, it could have a negative impact on the performance of the Common Shares. The Fund could be required to prepay the principal amount of any Borrowings. Such redemption or prepayment would likely result in the Fund seeking to terminate early all or a portion of any swap transaction. Early termination of a swap could result in a termination payment by or to the Fund.

The Fund maintains in a segregated account with its custodian cash or liquid securities having a value at least equal to the Fund's net payment obligations under any swap transaction, marked-to-market daily. The Fund will not enter into interest rate swap transactions having a notional amount that exceeds the outstanding amount of the Fund's leverage. See [Leverage](#) and [The Fund's Investments Portfolio Composition and Other Information Other Investments Hedging Transactions](#) for additional information.

The use of leverage creates special risks for holders of Common Shareholders. See [Risk Factors Fund Level Risks Leverage Risk](#). The Fund's leverage strategy may not work as planned or achieve its goals.

During temporary defensive periods or in order to keep the Fund's cash fully invested, including during the period when the net proceeds of the offering of Common Shares are being invested, the Fund may deviate from its investment policies and objectives. During such periods, the Fund may invest up to 100% of its Managed Assets in short-term investments, including high quality, short-term securities or may invest in short-, intermediate-, or long-term U.S. Treasury Bonds. There can be no assurance that such strategies will be successful. For more information, see the SAI under [Tax Matters](#).

The Fund's investment objective and certain investment policies in the SAI specifically identified as such are considered fundamental and may not be changed without shareholder approval. See [Investment Restrictions](#) in the SAI. All of the Fund's other investment policies are not considered to be fundamental by the Fund and can be changed by the Fund's Board of Trustees without a vote of the Common Shareholders. The Fund cannot change its investment objective or fundamental policies without the approval of the holders of a

majority of the outstanding Common Shares and preferred shares, if issued in the future, voting together as a single class, and of the holders of a majority of the outstanding preferred shares, if issued in the future, voting as a separate class. When used with respect to particular shares of the Fund, a majority of the outstanding shares means (i) 67% or more of the shares present at a meeting, if the holders of more than 50% of the shares are present or represented by proxy, or (ii) more than 50% of the shares, whichever is less. See Description of Shares Preferred Shares Voting Rights for additional information with respect to the voting rights of holders of preferred shares.

Portfolio Composition and Other Information

The Fund's portfolio will be composed principally of the following investments. More detailed information about the Fund's portfolio investments are contained below under Portfolio Composition and in the SAI under Portfolio Composition.

Adjustable Rate Corporate Debt Instruments

The Fund's portfolio will be invested primarily in below investment grade adjustable rate corporate debt instruments, including senior secured loans, second lien loans, and other adjustable rate corporate debt instruments. Adjustable rate instruments pay interest at rates which are determined periodically at short-term intervals on the basis of an adjustable base lending rate plus a premium.

Senior loans. The Fund may invest in (i) senior loans made by banks or other financial institutions to Borrowers, (ii) assignments of such interests in senior loans, or (iii) participation interests in senior loans. Senior loans hold the most senior position in the capital structure of a Borrower, are typically secured with specific collateral and have a claim on the assets and/or stock of the Borrower that is senior to that held by subordinated debt holders and stockholders of the Borrower. The capital structure of a Borrower may include senior loans, senior and junior subordinated debt, preferred stock and common stock issued by the Borrower, typically in descending order of seniority with respect to claims on the Borrower's assets. The proceeds of senior loans primarily are used by Borrowers to finance leveraged buyouts, recapitalizations, mergers, acquisitions, stock repurchases, refinancings, internal growth and for other corporate purposes. A senior loan is typically originated, negotiated and structured by a U.S. or non-U.S. commercial bank, insurance company, finance company or other financial institution (Agent) for a lending syndicate of financial institutions which typically includes the Agent (Lenders). The Agent typically administers and enforces the senior loan on behalf of the other Lenders in the syndicate. In addition, an institution, typically but not always the Agent, holds any collateral on behalf of the Lenders. The Fund normally will rely primarily on the Agent to collect principal of and interest on a senior loan. Also, the Fund usually will rely on the Agent to monitor compliance by the Borrower with the restrictive covenants in a loan agreement.

Senior loans typically have rates of interest that are redetermined either daily, monthly, quarterly or semi-annually by reference to a base lending rate plus a premium or credit spread. These base lending rates are primarily LIBOR, and secondarily the prime rate offered by one or more major U.S. banks (the Prime Rate) and the certificate of deposit (CD) rate or other base lending rates used by commercial lenders. As adjustable rate loans, the frequency of how often a senior loan resets its interest rate will impact how closely such senior loans track current market interest rates. The senior loans held by the Fund will have a dollar-weighted average period until the next interest rate adjustment of approximately 90 days or less. As a result, as short-term interest rates increase, interest payable to the Fund from its investments in senior loans should increase, and as short-term interest rates decrease, interest payable to the Fund from its investments in senior loans should decrease. In the experience of Symphony, the average life of senior loans in recent years has been approximately two years because of prepayments.

The Fund primarily purchases senior loans by assignment from a participant in the original syndicate of Lenders or from subsequent assignees of such interests. The purchaser of an assignment typically succeeds to all the rights and obligations under the loan agreement with the same rights and obligations as the assigning Lender.

Assignments may, however, be arranged through private negotiations between potential assignees and potential assignors, and the rights and obligations acquired by the purchaser of an assignment may differ from, and be more limited than, those held by the assigning Lender.

The Fund may purchase participation interests in the original syndicate making senior loans. Loan participation interests typically represent direct participations in a loan to a corporate Borrower, and generally are offered by banks or other financial institutions or lending syndicates. The Fund may participate in such syndications, or can buy part of a senior loan, becoming a part Lender. When purchasing a participation interest, the Fund assumes the credit risk associated with the corporate Borrower and may assume the credit risk associated with an interposed bank or other financial intermediary. The participation interests in which the Fund may invest may not be rated by any NRSRO. See Risk Factors Security Level Risks Loan Participation Risk.

The Fund may purchase and retain in its portfolio senior loans payable by Borrowers that have experienced, or may be perceived to be likely to experience, credit problems, including involvement in or recent emergence from bankruptcy reorganization proceedings or other forms of debt restructuring. Such investments may provide opportunities for enhanced income as well as capital appreciation. At times, in connection with the restructuring of a senior loan either outside of bankruptcy court or in the context of bankruptcy court proceedings, the Fund may determine or be required to accept equity securities or junior debt instruments in exchange for all or a portion of a senior loan. See The Fund's Investments Portfolio Composition and Other Information Other Investments Warrants and Equity Securities.

Second lien loans. The Fund may invest in second lien loans and unsecured loans. Such loans are made by public and private corporations and other non-governmental Borrowers for a variety of purposes. As in the case of senior loans, the Fund may purchase interests in second lien loans and unsecured loans through assignments or participations.

Second lien loans have similar characteristics as senior loans except that such interests are second in lien property rather than first. Second lien loans are second in priority of payment to one or more senior loans of the related Borrower and are typically secured by a second priority security interest or lien to or on specified collateral securing the Borrower's obligation under the interest. They typically have similar protections and rights as senior loans. Second lien loans are not (and by their terms cannot become) subordinate in priority of payment to any obligation of the related Borrower other than senior loans of such Borrower. Second lien loans may feature fixed or floating rate interest payments. Because second lien loans are second to senior loans, they present a greater degree of investment risk but often pay interest at higher rates reflecting this additional risk. In addition, second lien loans of below investment grade quality share many of the risk characteristics of other below investment grade debt instruments.

Unsecured loans generally have lower priority in right of payment compared to holders of secured interests of the Borrower. Unsecured loans are not secured by a security interest or lien to or on specified collateral securing the Borrower's obligation under the interest. Unsecured loans by their terms may be or may become subordinate in right of payment to other obligations of the Borrower, including senior loans, second lien loans and other interests. Unsecured loans may have fixed or adjustable floating rate interest payments. Because unsecured loans are subordinate to senior loans and other secured debt of the Borrower, they present a greater degree of investment risk but often pay interest at higher rates reflecting this additional risk. Such investments generally are of below investment grade quality. Unsecured loans of below investment grade quality share the same risks of other below investment grade debt instruments.

Adjustable rate subordinated loans. The subordinated loans in which the Fund may invest are typically privately-negotiated investments that rank subordinate in priority of payment to senior debt, such as senior loans, and are often unsecured. Because subordinated interests may rank lower as to priority of payment than senior loans and second lien loans of the Borrower, they may present a greater degree of investment risk than senior loans and second lien loans but often pay interest at higher rates reflecting this additional risk. Other than their more subordinated status, such investments have many characteristics and risks similar to senior loans and second lien loans discussed above. Subordinated interests of below investment grade quality share risks of other

below investment grade debt instruments. Subordinated loans rank senior to common and preferred equity in a Borrower's capital structure. Subordinated loans may have elements of both debt and equity instruments, offering fixed or adjustable rates of return in the form of interest payments associated with senior debt, while providing lenders an opportunity to participate in the capital appreciation of a Borrower, if any, through an equity interest. This equity interest may take the form of warrants or direct equity investments which will be in conjunction with the subordinated loans. Due to their higher risk profile and often less restrictive covenants as compared to senior loans, subordinated loans generally earn a higher return than secured senior loans. The warrants associated with subordinated loans are typically detachable, which allows lenders the opportunity to receive repayment of their principal on an agreed amortization schedule while retaining their equity interest in the Borrower. Subordinated loans also may include a put feature, which permits the holder to sell its equity interest back to the Borrower at a price determined through an agreed formula.

The Fund may invest in subordinated loans that are primarily unsecured and that provide for relatively high, adjustable rates of interest, providing the Fund with significant current interest income. The subordinated loans in which the Fund may invest may have interest-only payments in the early years, with amortization of principal deferred to the later years of the subordinated loans. In some cases, the Fund may acquire subordinated loans that, by their terms, convert into equity or additional debt instruments or defer payments of interest for the first few years after issuance. Also, in some cases the subordinated loans in which the Fund may invest will be collateralized by a subordinated lien on some or all of the assets of the Borrower. Typically, subordinated loans in which the Fund may invest will have maturities of four to eight years.

The subordinated loan industry is highly specialized and the Fund will rely on Symphony and its employees' expertise in sourcing, evaluating, structuring, documenting and monitoring such investments by the Fund.

Certain structured notes. The Fund may invest in structured notes (as described below) that are designed to provide returns and risks that emulate those of senior loans, second lien loans and other adjustable rate corporate debt instruments.

The Fund acting as Originating Lender, Sole Lender and/or Agent. The Fund, in connection with its investments in senior secured loans, second lien loans and other loans, particularly those made to middle-market companies, may act as one of the group of lenders originating a loan (Originating Lender), may purchase the entire amount of a particular loan (Sole Lender), and may act as Agent in the negotiation of the terms of a loan and in the formation of a group of investors in a Borrower's loan.

When the Fund acts as an Originating Lender or Sole Lender it will generally participate in structuring the loan, and may share in an origination fee paid by the Borrower. When the Fund is an Originating Lender or Sole Lender it will generally have a direct contractual relationship with the Borrower, and may enforce compliance by the Borrower with the terms of the loan agreement. As Sole Lender the Fund generally also would have full voting and consent rights under the applicable loan agreement.

Acting in the capacity of an Agent with respect to a loan may subject the Fund to certain risks in addition to those associated with the Fund's role as a lender.

The Fund's ability to receive fee income also may be constrained by certain requirements for qualifying as a regulated investment company under the Internal Revenue Code of 1986, as amended (the Code). The Fund intends to comply with those requirements and may limit its investments in loans in which it acts as Originating Lender, Sole Lender or Agent in order to do so.

Other Investments

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The Fund may invest in fixed or floating rate debt instruments and other securities as described below:

Structured products. The Fund may invest in structured products such as structured notes issued by a financial institution. As a fundamental policy, the Fund will not invest in collateralized loan obligations.

Structured notes have a defined maturity and pay a nominal interest rate, and potentially additional returns, based upon the cash flow or rate of return earned on either a reference portfolio of leveraged loans or the return represented by a reference index to the market for adjustable rate corporate loans. Such instruments may be leveraged or geared by applying a multiplier to the rate of total return on the underlying investments or referenced market index. Structured products that employ leverage increase the potential for gain and the risk of loss in that particular structured product investment. As a result, a relatively small decline in the value of the underlying investments or referenced indicator could result in a relatively large loss in the value of a structured product. Holders of structured products bear risks of the underlying investment, index or reference obligation (including income risk, credit risk and market risk) and are subject to counterparty risk.

The Fund may have the right to receive payments to which it is entitled only from the structured product, and generally does not have direct rights against the issuer or the entity that sold the assets to the structured product. While certain structured products enable the investor to acquire interests in a pool of securities without the brokerage and other expenses associated with directly holding the same securities, investors in structured products generally pay their share of the structured product's administrative and other expenses. Structured products may be private investment funds (structured as trusts or other types of pooled investment companies that are excluded from the definition of investment company under the 1940 Act by the operation of Section 3(c) (1) or 3(c) (7) thereof) or investment companies that are registered under the 1940 Act. Investment in such products involve operating expenses and fees that are in addition to the expenses and fees of the Fund, and such expenses and fees are borne indirectly by holders of the Common Shares. For structured products that are registered under the 1940 Act, please also see The Fund's Investments Portfolio Composition and Other Information Other Investments Other Investment Companies.

Debtor-in-possession loans (DIPs). The Fund may invest in debtor-in-possession loans (DIPs), which are newly issued loans in connection with special situation restructuring and refinancing transactions. DIPs are loans to a debtor-in-possession in a proceeding under the U.S. bankruptcy code that have been approved by the bankruptcy court. DIPs are typically adjustable rate and fully secured by a lien on the debtor's otherwise unencumbered assets or secured by a junior lien on the debtor's encumbered assets (so long as the loan is fully secured based on the most recent current valuation or appraisal report of the debtor). DIPs are often required to close with certainty and in a rapid manner in order to satisfy existing creditors and to enable the issuer to emerge from bankruptcy or to avoid a bankruptcy proceeding.

Derivatives. The Fund may invest in certain derivative instruments. Such instruments may include credit default swaps, or other derivative instruments whose prices, in Symphony's opinion, correlate with the prices of the Fund's investments. Credit default swaps may require initial premium (discount) payments as well as periodic payments (receipts) related to the interest leg of the swap or to the default of a reference obligation. If the Fund is a seller of a contract, the Fund would be required to pay the par (or other agreed upon) value of a referenced debt obligation to the counterparty in the event of a default or other credit event by the reference issuer, such as a U.S. or foreign corporate issuer, with respect to such debt obligations. In return, the Fund would receive from the counterparty a periodic stream of payments over the term of the contract provided that no event of default has occurred. If no default occurs, the Fund would keep the stream of payments and would have no payment obligations. As the seller, the Fund would be subject to investment exposure on the notional amount of the swap. If the Fund is a buyer of a contract, the Fund would have the right to deliver a referenced debt obligation and receive the par (or other agreed-upon) value of such debt obligation from the counterparty in the event of a default or other credit event (such as a credit downgrade) by the reference issuer, such as a U.S. or foreign corporation, with respect to its debt obligations. In return, the Fund would pay the counterparty a periodic stream of payments over the term of the contract provided that no event of default has occurred. If no default occurs, the counterparty would keep the stream of payments and would have no further obligations to the Fund. Interest rate swaps involve the exchange by the Fund with a counterparty of their respective commitments to pay or receive interest, such as an exchange of fixed-rate payments for floating rate payments. The Fund will usually enter into interest rate swaps on a net basis; that is, the two payment streams will be netted out in a cash settlement on the payment date or dates specified in the instrument, with the Fund receiving or paying, as the case may be, only the net amount of the two payments.

The Fund may utilize certain derivative instruments as a hedging technique to protect against potential adverse changes in the market value of portfolio securities. The Fund also may use derivatives to attempt to protect the net asset value of the Fund, to facilitate the sale of certain portfolio securities, to manage the Fund's effective interest rate exposure as a temporary substitute for purchasing or selling particular securities. From time to time, the Fund also may utilize derivative instruments to create investment exposure to the extent such derivatives may facilitate implementation of its strategy more efficiently than through outright purchases or sales of portfolio securities.

Other derivative instruments that may be used, or other transactions that may be entered into, by the Fund may include the purchase or sale of futures contracts on securities, credit-linked notes, securities indices, other indices or other financial instruments; options on futures contracts; exchange-traded and over-the-counter options on securities or indices; index linked securities; swaps; and currency exchange transactions. Some, but not all, of the derivative instruments may be traded and listed on an exchange. The positions in derivatives will be marked-to-market daily at the closing price established on the exchange or at a fair value.

Hedging transactions. As noted above, the Fund may invest in certain derivative instruments as a hedging technique to protect against potential adverse changes in the market value of portfolio securities. These types of strategies may generate taxable income. There is no assurance that these derivative strategies will be available at any time, that NFALLC and Symphony will determine to use them for the Fund or, if used, that the strategies will be successful. See *Hedging Strategies and Other Uses Of Derivatives* in the SAI for further information on hedging transactions.

Limitations on the Use of Futures, Options on Futures and Swaps. NFALLC has claimed, with respect to the Fund, the exclusion from the definition of commodity pool operator under the Commodity Exchange Act (CEA) provided by Commodity Futures Trading Commission (CFTC) Regulation 4.5 and is therefore not currently subject to registration or regulation as such under the CEA with respect to the Fund. In addition, Symphony has claimed the exemption from registration as a commodity trading advisor provided by CFTC Regulation 4.14(a)(8) and is therefore not currently subject to registration or regulation as such under the CEA with respect to the Fund. In February 2012, the CFTC announced substantial amendments to certain exemptions, and to the conditions for reliance on those exemptions, from registration as a commodity pool operator. Under amendments to the exemption provided under CFTC Regulation 4.5, if the Fund uses futures, options on futures or swaps other than for bona fide hedging purposes (as defined by the CFTC), the aggregate initial margin and premiums on these positions (after taking into account unrealized profits and unrealized losses on any such positions and excluding the amount by which options that are in-the-money at the time of purchase are in-the-money) may not exceed 5% of the Fund's net asset value, or alternatively, the aggregate net notional value of those positions may not exceed 100% of the Fund's net asset value (after taking into account unrealized profits and unrealized losses on any such positions). The CFTC amendments to Regulation 4.5 took effect on December 31, 2012, and the Fund intends to comply with amended Regulation 4.5's requirements such that NFALLC will not be required to register as a commodity pool operator with the CFTC with respect to the Fund. The Fund reserves the right to employ futures, options on futures and swaps to the extent allowed by CFTC regulations in effect from time to time and in accordance with the Fund's policies. The requirements for qualification as a regulated investment company may also limit the extent to which the Fund may employ futures, options on futures or swaps.

Other corporate debt instruments. Corporate debt instruments generally are used by corporations to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and normally must repay the amount borrowed on or before maturity. Certain debt instruments in which the Fund may invest may be perpetual in that they have no maturity date and some may be convertible into equity securities of the issuer or its affiliates. The Fund may invest in debt instruments of any quality and such debt instruments may be secured or unsecured. In addition, certain debt instruments in which the Fund may invest may be subordinated to the payment of an issuer's senior debt.

U.S. Government securities. U.S. Government securities include (1) U.S. Treasury obligations, which differ in their interest rates, maturities and times of issuance: U.S. Treasury bills (maturities of one year or less), U.S. Treasury notes (maturities of one year to ten years) and U.S. Treasury bonds (generally maturities of greater than ten years) and (2) obligations issued or guaranteed by U.S. Government agencies and instrumentalities that are supported by any of the following: (i) the full faith and credit of the U.S. Treasury, (ii) the right of the issuer to borrow an amount limited to a specific line of credit from the U.S. Treasury, (iii) discretionary authority of the U.S. Government to purchase certain obligations of the U.S. Government agency or instrumentality or (iv) the credit of the agency or instrumentality. The Fund also may invest in any other security or agreement collateralized or otherwise secured by U.S. Government securities. Agencies and instrumentalities of the U.S. Government include but are not limited to: Federal Land Banks, Federal Financing Banks, Banks for Cooperatives, Federal Intermediate Credit Banks, Farm Credit Banks, Federal Home Loan Banks, FHLMC, FNMA, GNMA, Student Loan Marketing Association, United States Postal Service, Small Business Administration, Tennessee Valley Authority and any other enterprise established or sponsored by the U.S. Government. Because the U.S. Government generally is not obligated to provide support to its instrumentalities, the Fund invests in obligations issued by these instrumentalities only if Symphony determines that the credit risk with respect to such obligations is minimal.

The principal of and/or interest on certain U.S. Government securities which may be purchased by the Fund could be (i) payable in non-U.S. currencies rather than U.S. dollars or (ii) increased or diminished as a result of changes in the value of the U.S. dollar relative to the value of non-U.S. currencies. The value of such portfolio securities may be affected by changes in the exchange rate between foreign currencies and the U.S. dollar.

Commercial paper. Commercial paper represents short-term unsecured promissory notes issued in bearer form by corporations such as banks or bank holding companies and finance companies. The rate of return on commercial paper may be linked or indexed to the level of exchange rates between the U.S. dollar and a foreign currency or currencies.

Warrants and equity securities. The Fund may acquire equity securities and warrants issued by an issuer or its affiliates as part of a package of investments in the issuer or its affiliates issued in connection with an adjustable rate instrument or other debt instrument of the issuer. The Fund also may convert a warrant so acquired into the underlying security.

Repurchase agreements. The Fund may enter into repurchase agreements (the purchase of a security coupled with an agreement to resell that security at a higher price) with respect to its permitted investments. The Fund's repurchase agreements will provide that the value of the collateral underlying the repurchase agreement will always be at least equal to the repurchase price, including any accrued interest earned on the agreement, and will be marked to market daily.

Non-U.S. Companies. The Fund may invest in dollar-denominated securities of non-U.S. companies through the direct investment in securities of such companies and through depository receipts. For purposes of identifying non-U.S. companies, the Fund will use a Bloomberg classification, which employs the following factors listed in order of importance: (i) the country in which the company's management is located, (ii) the country in which the company's securities are primarily listed, (iii) the country from which the company primarily receives revenue, and (iv) the company's reporting currency. The Fund may purchase depository receipts such as American Depositary Receipts (ADRs), European Depositary Receipts (EDRs) and Global Depositary Receipts (GDRs). ADRs, EDRs and GDRs are certificates evidencing ownership of shares of foreign issuers and are alternatives to purchasing directly the underlying foreign securities in their national markets and currencies.

Zero coupon bonds. A zero coupon bond is a bond that typically does not pay interest either for the entire life of the obligation or for an initial period after the issuance of the obligation. When held to its maturity, the holder receives the par value of the zero coupon bond, which generates a return equal to the difference between the purchase price and its maturity value. A zero coupon bond is normally issued and traded at a deep discount

from face value. This original issue discount (OID) approximates the total amount of interest the security will accrue and compound prior to its maturity and reflects the payment deferral and credit risk associated with the instrument. Because zero coupon securities and other OID instruments do not pay cash interest at regular intervals, the instruments' ongoing accruals require ongoing judgments concerning the collectability of deferred payments and the value of any associated collateral. As a result, these securities may be subject to greater value fluctuations and less liquidity in the event of adverse market conditions than comparably rated securities that pay cash on a current basis. Because zero coupon bonds, and OID instruments generally, allow an issuer to avoid or delay the need to generate cash to meet current interest payments, they may involve greater payment deferral and credit risk than coupon loans and bonds that pay interest currently or in cash. The Fund generally will be required to distribute dividends to shareholders representing the income of these instruments as it accrues, even though the Fund will not receive all of the income on a current basis or in cash. Thus, the Fund may have to sell other investments, including when it may not be advisable to do so, and use the cash proceeds to make income distributions to its shareholders. For accounting purposes, these cash distributions to shareholders will not be treated as a return of capital.

Further, NFALLC collects management fees on the value of a zero coupon bond or OID instrument attributable to the ongoing non-cash accrual of interest over the life of the bond or other instrument. As a result, NFALLC receives non-refundable cash payments based on such non-cash accruals while investors incur the risk that such non-cash accruals ultimately may not be realized.

When-issued and delayed delivery transactions. The Fund may buy and sell securities on a when-issued or delayed delivery basis, making payment or taking delivery at a later date, normally within 15 to 45 days of the trade date. This type of transaction may involve an element of risk because no interest accrues on the bonds prior to settlement and, because bonds are subject to market fluctuations, the value of the bonds at time of delivery may be less (or more) than cost. A separate account of the Fund will be established with its custodian consisting of cash, cash equivalents, or liquid securities having a market value at all times at least equal to the amount of the commitment.

Illiquid securities. The Fund may invest in securities and other instruments that, at the time of investment, are illiquid (*i.e.*, securities that are not readily marketable). For this purpose, illiquid securities may include, but are not limited to, restricted securities (securities the disposition of which is restricted under the federal securities laws), securities that may only be resold pursuant to Rule 144A under the Securities Act of 1933, as amended (the 1933 Act) that are deemed to be illiquid, and certain repurchase agreements.

Restricted securities may be sold only in privately negotiated transactions or in a public offering with respect to which a registration statement is in effect under the 1933 Act. Where registration is required, the Fund may be obligated to pay all or part of the registration expenses and a considerable period may elapse between the time of the decision to sell and the time the Fund may be permitted to sell a security under an effective registration statement. If, during such a period, adverse market conditions were to develop, the Fund might obtain a less favorable price than that which prevailed when it decided to sell. Illiquid securities will be priced at fair value as determined in good faith by the Board of Trustees or its delegate. If, through the appreciation of illiquid securities or the depreciation of liquid securities, the Fund should be in a position where more than 50% of the value of its Managed Assets is invested in illiquid securities, including restricted securities that are not readily marketable, the Fund will take such steps as are deemed advisable, if any, to protect liquidity.

Short positions. The Fund may enter into tactical short positions, consisting primarily of high yield debt, either directly or through the use of derivatives including credit default swaps, creating a negative investment exposure or hedging existing long (positive) investment exposure in a notional amount up to 20% of its Managed Assets. Initially, these short positions will not increase the Fund's leverage ratio or overall investment exposure because the Fund will not use any proceeds or cash from short sales to invest in additional debt instruments. All or a portion of the proceeds received from the Fund's short sales may in the future be used to purchase additional long positions in corporate debt instruments, which would increase the Fund's effective leverage ratio. See Risk Factors Fund Level Risks Leverage Risk.

Other investment companies. The Fund may invest up to 10% of its Managed Assets in securities of other open- or closed-end investment companies (including ETFs) that invest primarily in securities of the types in which the Fund may invest directly. In addition, the Fund may invest a portion of its Managed Assets in pooled investment vehicles (other than investment companies) that invest primarily in securities of the types in which the Fund may invest directly. The Fund generally expects that it may invest in other investment companies and/or other pooled investment vehicles either during periods when it has large amounts of uninvested cash, such as the period shortly after the Fund receives the proceeds of the offering of its Common Shares or Borrowings. The Fund may invest in investment companies that are advised by NFALLC, Symphony or their respective affiliates to the extent permitted by applicable law and/or pursuant to exemptive relief from the SEC. The Fund has not applied for and currently does not intend to apply for such relief. As a stockholder in an investment company, the Fund will bear its ratable share of that investment company's expenses, and would remain subject to payment of the Fund's advisory and administrative fees with respect to assets so invested. Common shareholders would therefore be subject to duplicative expenses to the extent the Fund invests in other investment companies.

Symphony will take expenses into account when evaluating the investment merits of an investment in an investment company relative to available security investments. In addition, the securities of other investment companies may also be leveraged and will therefore be subject to the same leverage risks described herein. As described in the section entitled *Risk Factors*, the net asset value and market value of leveraged shares will be more volatile and the yield to Common Shareholders will tend to fluctuate more than the yield generated by unleveraged shares.

Portfolio Turnover

The Fund may engage in portfolio trading when considered appropriate, but short-term trading will not be used as the primary means of achieving the Fund's investment objective. Although the Fund cannot accurately predict its annual portfolio turnover rate, it is generally not expected to exceed 100% under normal circumstances. For the six months ended January 31, 2013, the Fund's portfolio turnover rate was 39%. However, there are no limits on the Fund's rate of portfolio turnover, and investments may be sold without regard to length of time held when, in Symphony's opinion, investment considerations warrant such action. A higher portfolio turnover rate would result in correspondingly greater brokerage commissions and other transactional expenses that are borne by the Fund. Although these commissions and expenses are not reflected in the Fund's Total Annual Expenses under *Summary of Fund Expenses* in this Prospectus, they will be reflected in the Fund's total return. In addition, high portfolio turnover may result in the realization of net short-term capital gains by the Fund which, when distributed to shareholders, will be taxable as ordinary income. See *Tax Matters*.

PORTFOLIO COMPOSITION

The following table sets forth certain information with respect to the composition of the Fund's securities as of January 31, 2013.

Portfolio Allocation*	Percent
Variable Rate Senior Loan Interests	83.5%
Corporate Bonds	11.5%
Short-Term Investments	5.0%
Total	100%

* The relative percentages of the value of the investments attributable the securities could change over time as a result of rebalancing the Fund's assets by Symphony, market value fluctuations, issuance of additional shares and other events.

USE OF LEVERAGE

The amounts and forms of leverage used by the Fund may vary with prevailing market or economic conditions. The timing and terms of any leverage transactions is determined by the Fund's Board of Trustees. The Fund employs financial leverage primarily through borrowing. The Fund has entered into a \$85,000,000 credit agreement Bank of America, N.A. As of January 31, 2013, the Fund's outstanding balance on these borrowings was \$85,000,000. For the six months ended January 31, 2013, the average daily balance outstanding and average annual interest rate on these borrowings were \$85,000,000 and 1.10%, respectively. The amount of outstanding borrowings may vary with prevailing market or economic conditions. The Fund borrows money at rates generally available to institutional investors. The timing and terms of any leverage transactions is determined by the Fund's Board of Trustees. Following an offering of additional Common Shares from time to time, the Fund's leverage ratio will decrease as a result of the increase in net assets attributable to Common Shares. The Fund's leverage ratio may decline further to the extent that the net proceeds of an offering of Common Shares are used to reduce the Fund's financial leverage. A lower leverage ratio may result in lower (higher) returns to Common Shareholders over a period of time to the extent that net returns on the Fund's investment portfolio exceed (fall below) its cost of leverage over that period, which lower (higher) returns may impact the level of the Fund's distributions. See Risk Factors Leverage Risk.

To date, the Fund has not issued preferred shares. The Fund may in the future issue certain types of preferred securities to increase the Fund's leverage.

Borrowings and preferred shares, if any, will have seniority over the Common Shares. Leverage involves special risks. There is no assurance that the Fund's leveraging strategy will be successful. The Fund will seek to invest the proceeds from financial leverage in a manner consistent with the Fund's objective and policies.

The Fund anticipates that the financing costs of the instruments used to create its leverage will be based upon short-term adjustable rates that are reset periodically. So long as the Fund's portfolio is invested in securities that provide a higher rate of return than the Fund's cost of leverage (after taking expenses into consideration), the leverage will cause you to receive a higher current rate of return than if the Fund were not leveraged.

Changes in the value of the Fund's portfolio, including costs attributable to Borrowings or preferred shares, if any, will be borne entirely by the Common Shareholders. If there is a net decrease (or increase) in the value of the Fund's investment portfolio, the leverage will decrease (or increase) the net asset value per Common Share to a greater extent than if the Fund were not leveraged.

Given the current economic and debt market environment with historically low short-term to intermediate-term interest rates, the Fund may use derivatives such as interest rate swaps, with terms that may range from one to seven years, to fix the effective rate paid on a significant portion of the Fund's leverage. The interest rate swap program will seek to achieve potentially lower leverage costs over an extended period. This strategy would enhance common shareholder returns if short-term interest rates were to rise over time to exceed on average the effective fixed interest rate for that time period. This strategy, however, would add to effective leverage costs immediately (because the effective swap costs would likely be higher than current benchmark adjustable short term rates) and would increase overall leverage costs over the entirety of any such time period, in the event that short-term interest rates do not rise sufficiently during the period to exceed on average the effective fixed interest rate for that time period.

The Fund pays NFALLC a management fee based on a percentage of Managed Assets. Managed Assets for this purpose includes the proceeds realized from the Fund's use of financial leverage. See Management of the Fund Investment Management and Sub-Advisory Agreements. NFALLC will base its decision whether and how much to leverage the Fund based solely on its assessment of whether such use of leverage will advance the Fund's investment objective. NFALLC will be responsible for using leverage to achieve the Fund's investment objective. However,

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the fact that a decision to increase the Fund's leverage will have the effect of increasing Managed Assets and therefore NFALLC's management fee means that NFALLC may have an incentive to

increase the Fund's use of leverage. NFALLC will seek to manage that incentive by only increasing the Fund's use of leverage when it determines that such increase is consistent with the Fund's investment objective, and by periodically reviewing the Fund's performance and use of leverage with the Fund's Board of Trustees.

Under the 1940 Act, the Fund generally is not permitted to issue commercial paper or notes or borrow unless immediately after the borrowing or commercial paper or note issuance the value of the Fund's total assets less liabilities other than the principal amount represented by commercial paper, notes or borrowings, is at least 300% of such principal amount. If the Fund borrows, the Fund intends, to the extent possible, to prepay all or a portion of the principal amount of any outstanding commercial paper, notes or borrowing to the extent necessary in order to maintain the required asset coverage. Failure to maintain certain asset coverage requirements could result in an event of default and entitle the debt holders to elect a majority of the Board of Trustees.

Under the 1940 Act, the Fund is not permitted to issue preferred shares unless immediately after such issuance, the value of the Fund's asset coverage is at least 200% of the liquidation value of the outstanding preferred shares (*i.e.*, such liquidation value may not exceed 50% of the Fund's asset coverage). In addition, the Fund is not permitted to declare any cash dividend or other distribution on its Common Shares unless, at the time of such declaration, the value of the Fund's asset coverage less liabilities other than borrowings is at least 200% of such liquidation value. If preferred shares are issued in the future, the Fund intends, to the extent possible, to purchase or redeem preferred shares from time to time to the extent necessary in order to maintain coverage of any preferred shares. Though it does not currently, if the Fund were to have preferred shares outstanding, two of the Fund's trustees would be elected by the holders of preferred shares, voting separately as a class. The remaining trustees of the Fund would be elected by holders of Common Shares and preferred shares voting together as a single class. In the event the Fund would fail to pay dividends on preferred shares for two years, preferred shareholders would be entitled to elect a majority of the trustees of the Fund.

The Fund may utilize the following forms of structural leverage: (a) borrowings, including loans from certain financial institutions, and/or the issuance of debt securities, including fixed and floating rate notes or liquidity supported variable rate demand obligations (previously defined as Borrowings); and (b) the issuance of Preferred Shares or other senior securities ((a) and (b) are collectively referred to as structural leverage).

The Fund's leverage strategy may not work as planned or achieve its goals. As previously defined, effective leverage is the combination of the amount of structural leverage plus the amount of leverage from derivatives transactions or other portfolio techniques that have the economic effect of leverage. The Fund may utilize derivatives, such as credit default swaps, that have the economic effect of financial leverage by creating additional investment exposure. The Fund also may use a portion of the proceeds received from the Fund's sale of borrowed securities (short sales) to purchase additional long positions in debt instruments, which also would have the economic effect of financial leverage. The Fund does not currently intend to use any proceeds from short sales to invest in additional debt instruments. Effective leverage will not exceed 38% of the Fund's Managed Assets.

The Fund anticipates that the interest on Borrowings may be at a fixed or floating rate, but generally will be based on short-term adjustable rates. The Fund also anticipates that preferred shares, if issued in the future, will pay dividends based on short-term adjustable rates. So long as the rate of return, net of applicable Fund expenses, on the Fund's portfolio investments exceeds the then current interest rate on any Borrowings or the preferred share (if outstanding) dividend rate, the investment of the proceeds of Borrowings or preferred shares (if outstanding) will generate more income than will be needed to make interest or dividend payments. If so, the excess will be available to pay higher dividends to Common Shareholders. Given the current economic and debt market environment with historically low short-term to intermediate-term interest rates, the Fund currently uses derivatives such as interest rate swaps, with terms that may range from one to seven years, to fix the effective rate paid on a significant portion of the Fund's structural leverage. The interest rate swap program seeks to achieve potentially lower leverage costs over an extended period. This strategy would enhance Common Shareholder returns if short-term interest rates were to rise over time to exceed on average the effective fixed

interest rate over the term of the swap. This strategy, however, will add to effective leverage costs immediately (because the effective swap costs are likely to be higher than current benchmark adjustable short term rates) and would increase overall leverage costs over the entirety of any such time period, in the event that short-term interest rates do not rise sufficiently during that period to exceed on average the effective fixed interest rate for that time period.

Interest rate swaps do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of loss with respect to the swap counterparty on such transactions is limited to the net amount of interest payments that the Fund is to receive. Interest rate swap positions are valued daily. Although there are economic advantages of entering into interest rate swap transactions, there are also additional risks. The Fund helps manage the credit risks associated with interest rate swap transactions by entering into agreements only with counterparties whom NFALLC and Symphony believe have the financial resources to honor their obligations and by having NFALLC and Symphony continually monitor the financial stability of the swap counterparties.

Depending on the state of interest rates in general, the Fund's use of interest rate swaps could enhance or harm the overall performance of the Common Shares. To the extent interest rates decline, the value of the interest rate swap could decline, and could result in a decline in the net asset value of the Common Shares. In addition, if the counterparty to an interest rate swap defaults, the Fund would not be able to use the anticipated net receipts under the swap to offset the interest payments on Borrowings or the dividend payments on any outstanding preferred shares. Depending on whether the Fund would be entitled to receive net payments from the counterparty on the swap, which in turn would depend on the general state of short-term interest rates at that point in time, such a default could negatively impact the performance of the Common Shares. In addition, at the time an interest rate swap transaction reaches its scheduled termination date, there is a risk that the Fund would not be able to obtain a replacement transaction or that the terms of the replacement would not be as favorable as on the expiring transaction. If this occurs, it could have a negative impact on the performance of the Common Shares. The Fund could be required to prepay the principal amount of any Borrowings. Such redemption or prepayment would likely result in the Fund seeking to terminate early all or a portion of any swap transaction. Early termination of a swap could result in a termination payment by or to the Fund.

The Fund maintains in a segregated account with its custodian cash or liquid securities having a value at least equal to the Fund's net payment obligations under any swap transaction, marked-to-market daily. See **Leverage** and **Risk Factors** **Leverage Risk**. The Fund's leverage strategy may not work as planned or achieve its goals.

The Fund may be subject to certain restrictions imposed by either guidelines of one or more rating agencies that may issue ratings for commercial paper or notes, preferred shares, or, if the Fund borrows from a lender, by the lender. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed on the Fund by the 1940 Act. It is not anticipated that these covenants or guidelines will impede NFALLC and Symphony from managing the Fund's portfolio in accordance with the Fund's investment objective and policies. In addition to other considerations, to the extent that the Fund believes that the covenants and guidelines required by the rating agencies or lenders would impede its ability to meet its investment objective, or if the Fund is unable to obtain the rating on borrowings (expected to be at least AA/Aa or the equivalent short-term ratings) or preferred shares (also expected to be at least AA/Aa), the Fund will not incur borrowings or issue preferred shares.

Assuming the utilization of leverage through borrowings in the aggregate amount of approximately 30% of the Fund's Managed Assets, at a combined interest or payment rate of 1.75% payable on such leverage, the income generated by the Fund's portfolio (net of non-leverage expenses) must exceed 0.53% in order to cover such interest or payment rates and other expenses specifically related to borrowing. These numbers are merely estimates, used for illustration. Actual interest or payment rates may vary frequently and may be significantly higher or lower than the rate estimated above.

The Fund may also borrow money for repurchase of its shares or as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which otherwise might require untimely dispositions of Fund securities.

The following table is furnished in response to requirements of the SEC. It is designed to illustrate the effect of leverage on Common Share total return, assuming investment portfolio total returns (comprised of income and changes in the value of investments held in the Fund's portfolio net of expenses) at the assumed portfolio total return rates provided in the table. These assumed investment portfolio returns are hypothetical figures and are not necessarily indicative of the investment portfolio returns expected to be experienced by the Fund. The table further reflects the use of Borrowings representing 30% of the Fund's total capital and the Fund's currently projected annual dividend rate, borrowing interest rate or payment rate set by an interest rate transaction of 1.75%. See Risk Factors Leverage Risk and Use of Leverage.

Assumed Portfolio Return	-10%	-5%	0%	5%	10%
Common Stock Total Return	-15.04%	-7.89%	-0.75%	6.39%	13.54%

Common Share total return is composed of two elements the Common Share dividends paid by the Fund (the amount of which is largely determined by the net investment income of the Fund after paying interest on any borrowings) and gains or losses on the value of the securities the Fund owns. As required by SEC rules, the table assumes that the Fund is more likely to suffer capital losses than capital appreciation.

RISK FACTORS

Risk is inherent in all investing. Investing in any investment company security involves risk, including the risk that you may receive little or no return on your investment or even that you may lose part or all of your investment. Therefore, before investing you should consider carefully the following risks that you assume when you invest in Common Shares.

Fund Level Risks

Investment and Market Risk

An investment in the Fund's Common Shares is subject to investment risk, including the possible loss of the entire principal amount that you invest. Your investment in Common Shares represents an indirect investment in the corporate debt obligations owned by the Fund, which generally trade in the over-the-counter markets. Your Common Shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of Fund dividends and distributions.

Market Discount from Net Asset Value

Shares of closed-end investment companies like the Fund have during some periods traded at prices higher than net asset value and have during other periods traded at prices lower than net asset value. The Fund cannot predict whether Common Shares will trade at, above or below net asset value. This characteristic is a risk separate and distinct from the risk that the Fund's net asset value could decrease as a result of investment activities. Investors bear a risk of loss to the extent that the price at which they sell their shares is lower in relation to the Fund's net asset value than at the time of purchase, assuming a stable net asset value. Proceeds from the sale of Common Shares in this offering will be reduced by transaction costs (if applicable, which vary depending on the offering method used). Depending on the premium of the Common Shares at the time of any offering of Common Shares hereunder, the Fund's net asset value may be reduced by an amount up to the offering costs borne by the Fund (estimated to be an additional 0.75% of the offering price assuming a Common Share offering price of \$20.53 (the Fund's closing price on the NYSE on May 22, 2013)). The net asset value per Common Share will be reduced by costs associated with any future offerings of Common or preferred shares. The Common Shares are designed primarily for long-term investors, and you should not view the Fund as a vehicle for trading purposes.

Leverage Risk

The Fund uses leverage to seek to enhance its potential current income and capital appreciation over time. The Fund's total effective leverage may be up to 38% of its Managed Assets. The use of leverage creates special risks for Common Shareholders, including the likelihood of greater volatility of net asset value and market price of, and distributions on, the Common Shares. The Fund will pay (and Common Shareholders will bear) any costs and expenses relating to the Fund's use of leverage, which will result in a reduction in the net asset value of the Common Shares. There can be no assurance that the Fund's leverage strategy will be successful. Furthermore, the amount of fees paid to NFALLC for investment advisory services will be higher if the Fund uses leverage because the fees will be calculated based on the Fund's Managed Assets this may create an incentive for NFALLC and Symphony to leverage the Fund. See Risk Factors Leverage Risk.

Issuer Level Risks

Issuer Credit Risk

Debt instruments in which the Fund may invest are subject to the risk of non-payment of scheduled interest or principal. Such non-payment would result in a reduction of income to the Fund, a reduction in the value of the investment and a potential decrease in the net asset value of the Fund. There can be no assurance that the liquidation of any collateral securing a debt obligation would satisfy the issuer's obligation in the event of

non-payment of scheduled interest or principal payments, or that such collateral could be readily liquidated. In the event of bankruptcy of an issuer, the Fund could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing a debt obligation. The collateral securing a debt obligation may lose all or substantially all of its value in the event of bankruptcy of an issuer. Some debt obligations are subject to the risk that a court, pursuant to fraudulent conveyance or other similar laws, could subordinate such debt obligations to presently existing or future indebtedness of the issuer or take other action detrimental to the holders of debt obligations, including, in certain circumstances, invalidating such debt obligations or causing interest previously paid to be refunded to the issuer. If interest were required to be refunded, it would negatively affect the Fund's performance.

In evaluating the creditworthiness of issuers, Symphony may consider, and may rely in part on, analyses performed by others. Issuers may have outstanding debt obligations that are rated below investment grade by a NRSRO. NRSROs are private services that provide ratings of the credit quality of debt instruments. Ratings assigned by a NRSRO are not absolute standards of credit quality and do not evaluate market risks or the liquidity of securities. NRSROs may fail to make timely changes in credit ratings and an issuer's current financial condition may be better or worse than a rating indicates. To the extent that the issuer of a security pays a NRSRO for the analysis of its security, an inherent conflict of interest may exist that could affect the reliability of the rating. Many of the debt obligations acquired by the Fund will have been assigned ratings below investment grade quality. Because of the protective features of senior loans, Symphony believes that senior loans tend to have more favorable loss recovery rates as compared to more junior types of below investment grade debt obligations. In addition, Symphony believes there are investment opportunities in the subordinated loan segment, which it believes create the potential for attractive risk-adjusted returns. Symphony does not view ratings as the determinative factor in its investment decisions and relies more upon its credit analysis abilities.

Below Investment Grade Risk

The Fund may invest without limitation in debt instruments that are rated below investment grade at the time of investment or that are unrated but judged by the portfolio managers to be of comparable quality. Substantially all of the Fund's portfolio likely will be invested in debt instruments of below investment grade quality. No more than 20% of the Fund's Managed Assets may be invested in debt instruments rated CCC+ or Caa1 or below by any NRSRO or that are unrated but judged by the portfolio managers to be of comparable quality. Debt instruments of below investment grade quality are regarded as having predominately speculative characteristics with respect to capacity to pay interest and repay principal, and are commonly referred to as junk bonds or high yield debt, which implies higher price volatility and default risk than investment grade instruments of comparable terms and duration. Issuers of lower grade instruments may be highly leveraged and may not have available to them more traditional methods of financing. The prices of these lower grade instruments are typically more sensitive to negative developments, such as a decline in the issuer's revenues or a general economic downturn, than are the prices of higher grade instruments. The secondary market for lower grade instruments, including some senior loans and most subordinated loans may not be as liquid as the secondary market for more highly rated instruments, a factor which may have an adverse effect on the Fund's ability to dispose of a particular instrument. There are fewer dealers in the market for lower grade securities than for investment grade obligations. The prices quoted by different dealers for lower grade instruments may vary significantly and the spread between the bid and ask price for such instruments is generally much larger than for higher quality instruments. Under adverse market or economic conditions, the secondary market for lower grade securities could contract further, independent of any specific adverse changes in the condition of a particular issuer, and these instruments may become illiquid. As a result, the Fund could find it more difficult to sell these instruments or may be able to sell the instruments only at prices lower than if such instruments were widely traded. Prices realized upon the sale of such lower rated or unrated instruments, under these circumstances, may be less than the prices used in calculating the Fund's net asset value.

Distressed and defaulted securities, including DIPs, generally present the same risks as investments in below investment grade debt instruments. However, in most cases, these risks are of a greater magnitude because of the

uncertainties of investing in an issuer undergoing financial distress. An issuer of distressed securities may be in bankruptcy or undergoing some other form of financial restructuring. Interest and/or principal payments on distressed securities may be in default. Distressed securities present a risk of loss of principal value, including potentially a total loss of value. Distressed securities may be highly illiquid and the prices at which distressed securities may be sold may represent a substantial discount to what Symphony believes to be the ultimate value of such obligations.

Non-U.S. Securities Risk

Investments in securities of non-U.S. companies involve special risks not presented by investments in securities of U.S. companies, including the following: less publicly available information about non-U.S. companies or markets due to less rigorous disclosure or accounting standards or regulatory practices; many non-U.S. markets may be smaller, less liquid and more volatile; potential adverse effects of fluctuations in controls on the value of the Fund's investments; the economies of non-U.S. countries may grow at slower rates than expected or may experience a downturn or recession; the impact of economic, political, social or diplomatic events; possible seizure of a company's assets; restrictions imposed by non-U.S. countries limiting the ability of non-U.S. issuers to make payments of principal and/or interest; and withholding and other non-U.S. taxes may decrease the Fund's return. These risks are more pronounced to the extent that the Fund invests a significant amount of its assets in companies located in one region and to the extent that the Fund invests in securities of issuers in emerging markets. To the extent the Fund invests in depositary receipts, the Fund will be subject to many of the same risks as when investing directly in non-U.S. securities. The holder of an unsponsored depositary receipt may have limited voting rights and may not receive as much information about the issuer of the underlying securities as would the holder of a sponsored depositary receipt. The Fund's income from non-U.S. issuers may be subject to non-U.S. withholding taxes. In some countries, the Fund also may be subject to taxes on trading profits and, on certain securities transactions, transfer or stamp duties tax. To the extent foreign income taxes are paid by the Fund, it is unlikely that U.S. Common Shareholders will be able to claim a credit or deduction for U.S. federal income tax purposes. See Tax Matters.

Risks of investing in emerging markets issuers include: smaller market capitalization of securities markets, which may suffer periods of relative illiquidity; significant price volatility; restrictions on foreign investment; and possible restrictions on repatriation of investment income and capital. In addition, foreign investors may be required to register the proceeds of sales and future economic or political crises could lead to price controls, forced mergers, expropriation or confiscatory taxation, seizure, nationalization, or creation of government monopolies. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries. Certain emerging markets also may face other significant internal or external risks, including a heightened risk of war, and ethnic, religious and racial conflicts. In addition, governments in many emerging market countries participate to a significant degree in their economies and securities markets, which may impair investment and economic growth, and which may in turn diminish the value of the companies in those markets.

Security Level Risks

Senior Loan Risk

Senior loans hold the most senior position in the capital structure of a business entity, are typically secured with specific collateral and have a claim on the assets and/or stock of the Borrower that is senior to that held by subordinated debt holders and stockholders of the Borrower. Senior loans that the Fund intends to invest in are usually rated below investment grade, and share the same risks of other below investment grade debt instruments.

Although the Fund invests primarily in senior loans that are secured by specific collateral, there can be no assurance the liquidation of such collateral would satisfy a Borrower's obligation to the Fund in the event of Borrower default or that such collateral could be readily liquidated under such circumstances. If the terms of a

senior loan do not require the Borrower to pledge additional collateral in the event of a decline in the value of the already pledged collateral, the Fund will be exposed to the risk that the value of the collateral will not at all times equal or exceed the amount of the Borrower's obligations under the senior loan.

In the event of bankruptcy of a Borrower, the Fund could also experience delays or limitations with respect to its ability to realize the benefits of any collateral securing a senior loan. Some senior loans are subject to the risk that a court, pursuant to fraudulent conveyance or other similar laws, could subordinate the senior loans to presently existing or future indebtedness of the Borrower or take other action detrimental to lenders, including the Fund. Such court action could under certain circumstances include invalidation of senior loans.

Second Lien Loans and Unsecured Loans Risk

Second lien loans and unsecured loans generally are subject to the same risks associated with investments in senior loans, as discussed above. Because second lien loans and unsecured loans are lower in priority of payment to senior loans, they are subject to the additional risk that the cash flow of the Borrower and property securing the loan, if any, may be insufficient to meet scheduled payments after giving effect to the senior secured obligations of the Borrower. This risk is generally higher for unsecured loans, which are not backed by a security interest in any specific collateral. Second lien loans and unsecured loans are expected to have greater price volatility than senior loans and may be less liquid. Second lien loans and unsecured loans of below investment grade quality also share the same risks of other below investment grade debt instruments.

Subordinated Loans and Other Subordinated Debt Instruments

Issuers of subordinated loans and other subordinated debt instruments in which the Fund may invest usually will have, or may be permitted to incur, other debt that ranks equally with, or senior to, the subordinated loans or other subordinated debt instruments. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which the Fund is entitled to receive payments in respect of subordinated loans or other subordinated debt instruments in which it invests. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of an issuer, holders of debt instruments ranking senior to the subordinated loan or other debt instrument in which the Fund invests would typically be entitled to receive payment in full before the Fund receives any distribution in respect of its investment. After repaying such senior creditors, such issuer may not have any remaining assets to use for repaying its obligation to the Fund. In the case of debt ranking equally with subordinated loans or other subordinated debt instruments in which the Fund invests, the Fund would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant issuer. In addition, the Fund will likely not be in a position to control any issuer by investing in its debt instruments. As a result, the Fund will be subject to the risk that an issuer in which it invests may make business decisions with which the Fund disagrees and the management of such issuer, as representatives of the holders of their common equity, may take risks or otherwise act in ways that do not serve the Fund's interests as a debt investor.

Interest Rate Risk

Interest rate risk is the risk that fixed rate debt instruments will decline in value because of changes in market interest rates. When interest rates rise, the value of a fund invested in fixed rate obligations can be expected to decline. Conversely, when interest rates decline, the value of a fund invested in fixed rate obligations can be expected to rise. The Fund's investments in such fixed rate instruments means that the net asset value of the Fund and market price of the Common Shares will tend to decline if market interest rates rise. Market interest rates in the U.S. and in certain other countries in which the Fund may invest are near historically low levels. NFALLC and Symphony expect the Fund's policy of investing at least 70% of its Managed Assets in adjustable rate senior loans and second lien loans will make the Fund less volatile and its net asset value less sensitive to changes in market interest rates than if the Fund invested exclusively in fixed rate obligations. However, because

interest rates on most adjustable rate instruments typically only reset periodically (*e.g.*, monthly or quarterly), a sudden and significant increase in market interest rates may cause a decline in the value of these investments and in the Fund's net asset value.

Risks in Loan Valuation

The Fund utilizes independent pricing services approved by the Board of Trustees to value portfolio instruments at their market value. If the pricing services are unable to provide a market value or if a significant event occurs such that the valuation(s) provided are deemed unreliable, the Fund may value portfolio instrument(s) at their fair value, which is generally the amount an owner might reasonably expect to receive upon a current sale. Valuation risks associated with investing in adjustable rate corporate debt instruments including, but not limited to: a limited number of market participants, a lack of publicly-available information, resale restrictions, settlement delays, corporate actions and adverse market conditions may make it difficult to value or sell such instruments. Because non-U.S. instruments may trade on days when Common Shares are not priced, net asset value can change at times when Common Shares cannot be sold.

Senior Loan Agent Risk

A financial institution's employment as an Agent under a senior loan might be terminated in the event that it fails to observe a requisite standard of care or becomes insolvent. A successor Agent would generally be appointed to replace the terminated Agent, and assets held by the Agent under the loan agreement would likely remain available to holders of such indebtedness. However, if assets held by the terminated Agent for the benefit of the Fund were determined to be subject to the claims of the Agent's general creditors, the Fund might incur certain costs and delays in realizing payment on a senior loan or loan participation and could suffer a loss of principal and/or interest. In situations involving other interposed financial institutions (*e.g.*, an insurance company or government agency) similar risks may arise.

Loan Participation Risk

The Fund may purchase a participation interest in a loan and by doing so acquire some or all of the interest of a bank or other lending institution in a loan to a Borrower. A participation typically will result in the Fund having a contractual relationship only with the Lender, not the Borrower. As a result, the Fund assumes the credit risk of the Lender selling the participation in addition to the credit risk of the Borrower. By purchasing a participation, the Fund will have the right to receive payments of principal, interest and any fees to which it is entitled only from the Lender selling the participation and only upon receipt by the Lender of the payments from the Borrower. In the event of insolvency or bankruptcy of the Lender selling the participation, the Fund may be treated as a general creditor of the Lender and may not have a senior claim to the Lender's interest in the loan. If the Fund only acquires a participation in the loan made by a third party, the Fund may not be able to control the exercise of any remedies that the Lender would have under the loan. Such third party participation arrangements are designed to give loan investors preferential treatment over high yield investors in the event of a deterioration in the credit quality of the Borrower. Even when these arrangements exist, however, there can be no assurance that the principal and interest owed on the loan will be repaid in full.

Prepayment Risk

During periods of declining interest rates or for other purposes, issuers may exercise their option to prepay principal earlier than scheduled, forcing the Fund to reinvest in lower yielding instruments. This is known as call or prepayment risk. In addition, below investment grade debt instruments frequently have call features that allow an issuer to redeem an instrument at dates prior to its stated maturity at a specified price (typically greater than par) only if certain prescribed conditions are met (commonly referred to as call protection). An issuer may redeem a lower grade instrument if, for example, the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit

standing of the issuer. Senior loans typically have no such call

protection. For premium bonds (bonds acquired at prices that exceed their par or principal value) purchased by the Fund, prepayment risk may be increased.

Short Exposure Risk

The Fund may enter into tactical short positions, either directly or through derivatives, to create negative investment exposure to or hedge existing investment exposure. Short selling involves selling securities that may be owned, and if not owned, borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the short seller to profit from declines in market prices to the extent such declines exceed the transaction costs and the costs of borrowing the securities. A short sale creates the risk of an unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. The success of the Fund's short selling to create negative investment exposure is dependent on Symphony's ability to correctly determine which investments are likely to decline in value, either in absolute terms or relative to corresponding long positions in the portfolio, which may be different than Symphony's ability to invest in long portfolio positions.

Structured Product Risk

The Fund may invest in structured products such as structured notes. As a fundamental policy, the Fund will not invest in collateralized loan obligations. Holders of structured products bear risks of the underlying investments, index or reference obligation and are subject to counterparty risk. The Fund may have the right to receive payments to which it is entitled only from the structured product, and generally does not have direct rights against the issuer or the entity that sold assets to the special purpose trust. While certain structured products enable the investor to acquire interests in a pool of securities without the brokerage and other expenses associated with directly holding the same securities, investors in structured products generally pay their share of the structured product's administrative and other expenses. When investing in structured products, it is impossible to predict whether the underlying index or prices of the underlying securities will rise or fall, but prices of the underlying indices and securities (and, therefore, the prices of structured products) will be influenced by the same types of political and economic events that affect particular issuers of securities and capital markets generally. Certain structured products may be thinly traded or have a limited trading market and may have the effect of increasing the illiquidity of the Fund's portfolio to the extent that the Fund, at a particular point in time, may be unable to find qualified buyers for these securities. Investments in structured notes involve risks including income risk, credit and market risk. Where the Fund's investments in structured notes are based upon the movement of one or more factors, including interest rates, referenced bonds and stock indices, depending on the factor used and the use of multipliers or deflators, changes in interest rates and movement of the factor may cause significant price fluctuations. Additionally, changes in the reference instrument or security may cause the interest rate on the structured note to be reduced to zero and any further changes in the reference instrument may then reduce the principal amount payable on maturity. Structured notes may be less liquid than other types of securities and more volatile than the reference instrument or security underlying the note.

Warrants and Equity Securities Risk

Investments in warrants and equity securities entail certain risks in addition to those associated with investments in adjustable rate instruments or other debt instruments. The value of warrants and equity securities may be affected more rapidly, and to a greater extent, by company-specific developments and general market conditions. These risks may increase fluctuations in the Fund's net asset value. The Fund may possess material non-public information about an issuer as a result of its ownership of an adjustable rate instrument or other debt instrument of such issuer. Because of prohibitions on trading in securities of issuers while in possession of such information, the Fund might be unable to enter into a transaction in a security of such an issuer when it would otherwise be advantageous to do so.

Duration Risk

Duration is the sensitivity, expressed in years, of the price of a fixed income security to changes in the general level of interest rates (or yields). Securities with longer durations tend to be more sensitive to interest rate (or yield) changes than securities with shorter durations. Duration differs from maturity in that it considers potential changes to interest rates, and a security's coupon payments, yield, price and par value and call features, in addition to the amount of time until the security matures. The duration of a security will be expected to change over time with changes in market factors and time to maturity. The duration of the Fund's portfolio is not subject to any limits and therefore the portfolio may be very sensitive to interest rate changes.

Zero Coupon Bonds Risk

The market prices of zero coupon bonds of below investment grade quality will normally be affected to a greater extent by interest rate changes, and therefore tend to be more volatile than securities which pay interest currently and in cash.

Floating-Rate and Fixed-to-Floating-Rate Securities Risk

The market value of floating-rate securities is a reflection of discounted expected cash flows based on expectations for future interest rate resets. The market value of such securities may fall in a declining interest rate environment and may also fall in a rising interest rate environment if there is a lag between the rise in interest rates and the reset. This risk may also be present with respect to fixed-to-floating-rate securities in which the Fund may invest. A secondary risk associated with declining interest rates is the risk that income earned by the Fund on floating-rate and fixed-to-floating-rate securities will decline due to lower coupon payments on floating rate securities.

When-Issued and Delayed Delivery Transactions Risk

When-issued and delayed-delivery transactions may involve an element of risk because no interest accrues on the securities prior to settlement and, because securities are subject to market fluctuations, the value of the securities at time of delivery may be less (or more) than their cost. A separate account of the Fund will be established with its custodian consisting of cash equivalents or liquid securities having a market value at all times at least equal to the amount of any delayed payment commitment.

Illiquid Securities Risk

The Fund may invest in securities and other instruments that, at the time of investment, are illiquid. Illiquid securities are securities that are not readily marketable and may include some restricted securities, which are securities that may not be resold to the public without an effective registration statement under the 1933 Act or, if they are unregistered, may be sold only in a privately negotiated transaction or pursuant to an exemption from registration. Illiquid securities involve the risk that the securities will not be able to be sold at the time desired by the Fund or at prices approximating the value at which the Fund is carrying the securities on its books.

Other Risks Associated With Loans

Many senior loans, second lien loans and other loans in which the Fund invests may not be rated by a NRSRO, will not be registered with the SEC or any state securities commission and will not be listed on any national securities exchange. To the extent that a secondary market does exist for certain loans, the market for them may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods. In addition, the amount of public information available with respect to loans generally may be less extensive than that available for registered or exchange listed securities. As a result, the Fund is particularly dependent on the analytical abilities of Symphony with respect to investments in such loans. Symphony's judgment about the

credit quality of a Borrower may be wrong. Economic and other events (whether real or perceived) can reduce the demand for certain loans or loans generally, which may reduce market prices and cause the Fund's net asset value per share to fall. The frequency and magnitude of such changes cannot be predicted. No active trading market may exist for some senior loans and some loans may be subject to restrictions on resale. A secondary market may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods, which may impair the ability to realize full value and thus cause a material decline in the Fund's net asset value. During periods of limited supply and liquidity of loans, the Fund's yield may be lower. Other factors (including, but not limited to, rating downgrades, credit deterioration, a large downward movement in stock prices, a disparity in supply and demand of certain loans and other securities or market conditions that reduce liquidity) can reduce the value of loans and other debt obligations, impairing the Fund's net asset value.

Derivatives Risk, Including the Risk of Swaps

The Fund's use of derivatives involves risks different from, and possibly greater than, the risks associated with investing directly in the investments underlying the derivatives. Whether the Fund's use of derivatives is successful will depend on, among other things, if NFALLC and Symphony correctly forecast market values, interest rates and other applicable factors. If NFALLC and Symphony incorrectly forecast these and other factors, the investment performance of the Fund will be unfavorably affected. In addition, the derivatives market is largely unregulated. It is possible that developments in the derivatives market could adversely affect the Fund's ability to successfully use derivative instruments.

The Fund is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange traded instruments or another third party in the case of over-the-counter instruments) may be unable to meet its obligations. In addition, there is a risk of loss by the Fund of margin deposits in the event of the bankruptcy of the dealer with whom the Fund has an open position in an option or futures or forward contract. Derivative instruments traded in foreign markets may offer less liquidity and greater credit risk than comparable instruments traded in domestic markets. The ability of the Fund to close out its positions also may be affected by exchange imposed daily trading limits on options and futures contracts. If the Fund is unable to close out a position, it will be unable to realize its profit or limit its losses until such time as the option becomes exercisable or expires or the futures or forward contract terminates, as the case may be. The inability to close out options, futures and forward positions could also have an adverse impact on the Fund's ability to use derivative instruments as a hedging strategy.

The Fund may enter into debt-related derivatives instruments including credit default swap contracts and interest rate swaps. Like most derivative instruments, the use of swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. In addition, the use of swaps requires an understanding by NFALLC and Symphony not only of the referenced asset, rate or index, but also of the swap itself. Because they are two-party contracts and because they may have terms of greater than seven days, swap agreements may be considered to be illiquid, increasing the Fund's interest rate risk. Moreover, the Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty. It is possible that developments in the swaps market, including potential government regulation, could adversely affect the Fund's ability to terminate existing swap agreements or to realize amounts to be received under such agreements. The derivatives market is subject to a changing regulatory environment. It is possible that regulatory or other developments in the derivatives market could adversely affect the Fund's ability to successfully use derivative instruments. See also, Risk Factors Security Level Risks Counterparty Risk and Risk Factors Other Risks Hedging Risk and Hedging Transactions in the SAI.

Counterparty Risk

Changes in the credit quality of the companies that serve as the Fund's counterparties with respect to derivatives, insured securities or other transactions supported by another party's credit may affect the value of

those instruments. Certain entities that have served as counterparties in the markets for these transactions have recently incurred significant losses and financial hardships including bankruptcy as a result of exposure to sub-prime mortgages and other lower quality credit investments that have experienced recent defaults or otherwise suffered extreme credit deterioration. As a result, such hardships have reduced these entities capital and called into question their continued ability to perform their obligations under such transactions. By using derivatives or other transactions, the Fund assumes the risk that its counterparties could experience similar financial hardships. In the event of insolvency of a counterparty, the Fund may sustain losses or be unable to liquidate a derivatives position.

Call Risk

The Fund may invest in preferred securities and debt instruments, which are subject to call risk. Preferred securities and debt instruments may be redeemed at the option of the issuer, or called, before their stated maturity date. In general, an issuer will call its preferred securities or debt instruments if they can be refinanced by issuing new instruments which bear a lower interest rate. The Fund is subject to the possibility that during periods of falling interest rates, an issuer will call its high-yielding preferred securities or debt instruments. The Fund would then be forced to invest the unanticipated proceeds at lower interest rates, resulting in a decline in the Fund's income.

Issuer Credit Risk

Issuers of preferred securities and debt instruments in which the Fund may invest may default on their obligations to pay dividends, principal or interest when due. This non-payment would result in a reduction of income to the Fund, a reduction in the value of a preferred security or debt instrument experiencing non-payment and, potentially, a decrease in the net asset value of the Fund. There can be no assurance that liquidation of collateral would satisfy the issuer's obligation in the event of non-payment of scheduled dividend, interest or principal or that such collateral could be readily liquidated. In the event of bankruptcy of an issuer, the Fund could experience delays or limitations with respect to its ability to realize the benefits of any collateral securing a preferred security or debt instrument. To the extent that the credit rating assigned to a security in the Fund's portfolio is downgraded, the market price and liquidity of such security may be adversely affected. Preferred securities are subordinated borrowings to bonds and debt instruments in a company's capital structure in terms of priority to corporate income and assets upon liquidation, and therefore will be subject to greater credit risk than those debt instruments.

Other Risks

Hedging Risk

The Fund's use of derivatives or other transactions to reduce risk involves costs and will be subject to NFALLC and Symphony's ability to predict correctly changes in the relationships of such hedge instruments to the Fund's portfolio holdings or other factors. No assurance can be given that NFALLC and Symphony's judgment in this respect will be correct. In addition, no assurance can be given that the Fund will enter into hedging or other transactions at times or under circumstances in which it may be advisable to do so.

Reinvestment Risk

Reinvestment risk is the risk that income from the Fund's portfolio will decline if and when the Fund invests the proceeds from matured, traded or called securities at market interest rates that are below the portfolio's current earnings rate. A decline in income could affect the market price

of the Common Shares or your overall returns.

Inflation Risk

Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the Common Shares and distributions can decline. In addition, during any period of rising inflation, interest rates on borrowings would likely increase, which would tend to further reduce returns to Common Shareholders.

Borrowing Risk

In addition to borrowing for leverage (See [Leverage](#)), the Fund may borrow for temporary or emergency purposes, pay dividends, repurchase its shares, or clear portfolio transactions. Borrowing may exaggerate changes in the net asset value of the Fund's shares and may affect the Fund's net income. When the Fund borrows money, it must pay interest and other fees, which will reduce the Fund's returns if such costs exceed the returns on the portfolio securities purchased or retained with such borrowings. Any such borrowings are intended to be temporary. However, under certain market conditions, such borrowings might be outstanding for longer periods of time.

Regulatory Risk

To the extent that legislation or state or federal regulators that regulate certain financial institutions impose additional requirements or restrictions with respect to the ability of such institutions to make loans, particularly in connection with highly leveraged transactions, the availability of adjustable rate instruments for investment may be adversely affected. Further, such legislation or regulation could depress the market value of adjustable rate instruments.

Reliance on Investment Adviser

The Fund is dependent upon services and resources provided by its investment adviser, NFALLC, and therefore NFALLC's parent, Nuveen Investments. Nuveen Investments has a substantial amount of indebtedness. Nuveen Investments, through its own business or the financial support of its affiliates, may not be able to generate sufficient cash flow from operations or ensure that future borrowings will be available in an amount sufficient to enable it to pay its indebtedness with scheduled maturities beginning in 2014 or to fund its other liquidity needs. Nuveen Investments' failure to satisfy the terms of its indebtedness, including covenants therein, may generally have an adverse effect on the financial condition of Nuveen Investments.

Anti-Takeover Provisions

The Declaration and By-Laws include provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to open-end status. These provisions could have the effect of depriving the Common Shareholders of opportunities to sell their Common Shares at a premium over the then current market price of the Common Shares. See [Certain Provisions in the Declaration of Trust and By-Laws](#).

Other Investment Companies Risk

The Fund may invest up to 10% of its Managed Assets in the securities of other investment companies. Such securities may be leveraged. As a result, the Fund may be indirectly exposed to leverage through an investment in such securities. Utilization of leverage is a speculative investment technique and involves certain risks. An investment in securities of other investment companies that are leveraged may expose the Fund to higher volatility in the market value of such securities and the possibility that the Fund's long-term returns on such securities (and, indirectly, the long-term returns of the Common Shares) will be diminished.

Deflation Risk

Deflation risk is the risk that prices throughout the economy decline over time, which may have an adverse effect on the market valuation of companies, their assets and revenues. In addition, deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of the Fund's portfolio.

Market Disruption and Geopolitical Risk

The aftermath of the wars in Iraq and Afghanistan, instability in the Middle East and terrorist attacks in the United States and around the world may have a substantial impact on the U.S. and world economies and securities markets. Terrorist attacks closed some of the U.S. securities markets in 2001, and similar events cannot be ruled out in the future. The wars and occupations, terrorism and related geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on U.S. and world economies and markets generally. These risks may adversely affect individual issuers and securities markets, interest rates, secondary trading, investor psychology, inflation and other factors relating to the Common Shares.

Recent Market Conditions. The financial crisis in the United States and many foreign economies over the past several years, including the European sovereign debt and banking crises, has resulted, and may continue to result, in an unusually high degree of volatility in the financial markets, both domestic and foreign. Liquidity in some markets has decreased and credit has become scarcer worldwide.

These market conditions may continue or deteriorate further and may add significantly to the risk of short-term volatility in the Fund. In response to the crisis, the U.S. and other governments and the Federal Reserve and certain foreign central banks have taken steps to support financial markets. Where economic conditions are recovering, they are nevertheless perceived as still fragile. Withdrawal of government support, failure of efforts in response to the crisis, or investor perception that such efforts are not succeeding could adversely impact the value and liquidity of certain securities. Because the situation is widespread and largely unprecedented, it may be unusually difficult to identify both risks and opportunities using past models of the interplay of market forces, or to predict the duration of these market conditions. The severity or duration of these conditions may also be affected by policy changes made by governments or quasi-governmental organizations. Changes in market conditions will not have the same impact on all types of securities. In addition, since 2010, the risks of investing in certain foreign government debt have increased dramatically as a result of the ongoing European debt crisis, which began in Greece and spread throughout various other European countries. These debt crises and the ongoing efforts of governments around the world to address these debt crises have also resulted in increased volatility and uncertainty in the global securities markets and it is impossible to predict the effects of these or similar events in the future on the Fund, though it is possible that these or similar events could have a significant adverse impact on the value and risk profile of the Fund. Instruments in which the Funds may invest, or the issuers of such instruments, may be affected by the new legislation and regulation in ways that are as yet unforeseeable. The Dodd-Frank Act has initiated a dramatic revision of the U.S. financial regulatory framework that will continue to unfold over several years. The Dodd-Frank Act covers a broad range of topics, including (among many others) a reorganization of federal financial regulators; a process intended to improve financial systemic stability and the resolution of potentially insolvent financial firms; new rules for derivatives trading; the creation of a consumer financial protection watchdog; the registration and additional regulation of hedge and private equity fund managers; and new federal requirements for residential mortgage loans. Many of the implementing regulations have not yet been finalized. Accordingly, the ultimate impact of the Dodd-Frank Act, including on the derivative instruments in which the Fund may invest, is not yet certain. The introduction of new international capital and liquidity requirements under Basel III, a global, voluntary regulatory standard on bank capital adequacy, stress testing and market liquidity risk, may cause lending activity within the financial services sector to be constrained as Basel III rules phase in over the next several years.

Certain Affiliations

Certain broker-dealers may be considered to be affiliated persons of the Fund, NFALLC and/or Nuveen Investments. Absent an exemption from the SEC or other regulatory relief, the Fund is generally precluded from effecting certain principal transactions with affiliated brokers, and its ability to purchase securities being underwritten by an affiliated broker or a syndicate including an affiliated broker, or to utilize affiliated brokers for agency transactions, is subject to restrictions. The Fund has not applied for and does not currently intend to apply for such relief. This could limit the Fund's ability to engage in securities transactions, purchase certain adjustable rate senior loans, if applicable, and take advantage of market opportunities. In addition, unless and until the underwriting syndicate is broken in connection with the initial public offering of the Common Shares, the Fund will be precluded from effecting principal transactions with brokers who are members of the syndicate.

Potential Conflicts of Interest Risk

NFALLC and Symphony each provide a wide array of portfolio management and other asset management services to a mix of clients and may engage in ordinary course activities in which their respective interests or those of their clients may compete or conflict with those of the Fund. For example, NFALLC and Symphony may provide investment management services to other funds and accounts that follow investment objectives similar to that of the Fund. In certain circumstances, and subject to its fiduciary obligations under the Investment Advisers Act of 1940, Symphony may have to allocate a limited investment opportunity among its clients, which include closed-end funds, open-end funds, other commingled funds, collateralized loan obligations, collateralized debt obligations, simplified employee pension accounts and other private funds. NFALLC and Symphony have adopted policies and procedures designed to address such situations and other potential conflicts of interests. For additional information about potential conflicts of interest, and the way in which NFALLC and Symphony address such conflicts, please see the Fund's SAI.

MANAGEMENT OF THE FUND

Trustees and Officers

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

Investment Adviser, Sub-Adviser and Portfolio Managers

Investment Adviser. Nuveen Fund Advisors, LLC, the Fund's investment adviser, offers advisory and investment management services to a broad range of mutual fund and closed-end fund clients. NFALLC is responsible for the Fund's overall investment strategy and its implementation. NFALLC also is responsible for managing the Fund's business affairs and providing certain clerical, bookkeeping and other administrative services.

NFALLC, 333 West Wacker Drive, Chicago, Illinois 60606, a registered investment adviser, is a wholly-owned subsidiary of Nuveen Investments. Founded in 1898, Nuveen Investments and its affiliates had approximately \$219 billion of assets under management as of

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December 31, 2012.

Sub-Adviser. Symphony Asset Management, LLC, located at 555 California Street, Suite 2975, San Francisco, CA 94104, serves as the Fund's sub-adviser, pursuant to a sub-advisory agreement between NFALLC and Symphony (the Sub-Advisory Agreement). Symphony, a registered investment adviser, commenced operations in 1994 and had approximately \$11.6 billion in assets under management as of September 30, 2012. Symphony is an indirect wholly-owned subsidiary of Nuveen Investments. Symphony oversees day-to-day investment operations of the Fund. Pursuant to the sub-advisory agreement, Symphony will be compensated for the services it provides to the fund with a portion of the management fee NFALLC receives from the Fund. NFALLC and Symphony retain the right to reallocate investment advisory responsibilities and fees between themselves in the future.

Portfolio Management. Gunther Stein (a Portfolio Manager) is Chief Investment Officer and Chief Executive Office at Symphony. Prior to that, he was Director of Fixed Income Strategies. Mr. Stein is responsible for leading Symphony's fixed-income and equity investments strategies and research and overseeing firm trading. Prior to joining Symphony in 1999, Mr. Stein was a high yield portfolio manager at Wells Fargo Bank, where he managed a high yield portfolio, was responsible for investing in public high yield bonds and bank loans and managed a team of credit analysts.

Scott Caraher (a Portfolio Manager) is a Co-Portfolio Manager and a member of Symphony's fixed-income team, and his responsibilities include portfolio management and trading for Symphony's bank loan strategies and credit and equity research for its fixed-income strategies. Prior to joining Symphony in 2002, Mr. Caraher was an Investment Banking Analyst in the industrial group at Deutsche Banc Alex Brown in New York.

Jenny Rhee (a Portfolio Manager) joined Symphony in 2001 and since then has been responsible for trading and portfolio management of fixed-income securities. In 2008, Ms. Rhee was a Senior Vice President and Portfolio Manager at Basso Capital Management, and returned to Symphony as a Co-Portfolio Manager in 2009. Prior to initially joining Symphony, Ms. Rhee was an analyst with Epoch Partners.

Additional information about the Portfolio Managers' compensation, other accounts managed by the Portfolio Managers and the Portfolio Managers' ownership of securities in the Fund is provided in the SAI. The SAI is available free of charge by calling (800) 257-8787 or by visiting the Fund's website at www.nuveen.com. The information contained in, or that can be accessed through, the Fund's website is not part of this Prospectus or the SAI.

Investment Management and Sub-Advisory Agreements

Investment Management Agreement. Pursuant to an investment management agreement between NFALLC and the Fund (the Investment Management Agreement), the Fund has agreed to pay an annual management fee for the services and facilities provided by NFALLC, payable on a monthly basis, based on the sum of a fund-level fee and a complex-level fee, as described below.

Fund-Level Fee. The annual fund-level fee for the Fund, payable monthly, is calculated according to the following schedule:

<u>Average Daily Managed Assets⁽¹⁾</u>	<u>Fund-Level Fee Rate</u>
For the first \$500 million	0.6500%
For the next \$500 million	0.6375%
For the next \$500 million	0.6250%
For the next \$500 million	0.6125%
For managed assets over \$2 billion	0.6000%

Complex-Level Fee. The annual complex-level fee for the Fund, payable monthly, is calculated according to the following schedule:

<u>Complex-Level Managed Asset Breakpoint Level⁽²⁾</u>	<u>Effective Rate at Breakpoint Level</u>
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\$55 billion	0.2000%
\$56 billion	0.1996%
\$57 billion	0.1989%
\$60 billion	0.1961%
\$63 billion	0.1931%
\$66 billion	0.1900%
\$71 billion	0.1851%

<u>Complex-Level Managed Asset Breakpoint Level⁽²⁾</u>	<u>Effective Rate at Breakpoint Level</u>
\$76 billion	0.1806%
\$80 billion	0.1773%
\$91 billion	0.1691%
\$125 billion	0.1599%
\$200 billion	0.1505%
\$250 billion	0.1469%
\$300 billion	0.1445%

- (1) For the Fund, *Managed Assets* means the total assets of the Fund, minus the sum of its accrued liabilities (other than Fund liabilities incurred for the express purpose of creating leverage). Total assets for this purpose shall include assets attributable to the Fund's use of effective leverage (whether or not those assets are reflected in the Fund's financial statements for purposes of generally accepted accounting principles), such as, but not limited to, the portion of assets in special purpose trusts of which the Fund owns the inverse floater certificates that has been effectively financed by the trust's issuance of floating rate certificates.
- (2) The complex-level fee is calculated based upon the aggregate daily *eligible assets* of all Nuveen Funds. Eligible assets do not include assets attributable to investments in other Nuveen Funds or assets in excess of a determined amount (originally \$2 billion) added to the Nuveen fund complex in connection with NFALLC's assumption of the management of the former First American Funds effective January 1, 2011. With respect to closed-end funds, eligible assets include assets managed by NFALLC that are attributable to financial leverage. For these purposes, financial leverage includes the use of preferred stock and borrowings and certain investments in the residual interest certificates in tender option bond (TOB) trusts, including the portion of assets held by a TOB trust that has been effectively financed by issuance of floating rate securities, subject to an agreement by NFALLC as to certain funds to limit the amount of such assets for determining eligible assets in certain circumstances. As of February 28, 2013, the complex-level fee rate for the Fund was 0.1668%.

In addition to the fee of NFALLC, the Fund pays all other costs and expenses of its operations, including compensation of its trustees (other than those affiliated with NFALLC and Symphony), custodian, transfer agency and dividend disbursing expenses, legal fees, expenses of independent auditors, expenses of repurchasing shares, expenses associated with any Borrowings, expenses of issuing any preferred shares, expenses of preparing, printing and distributing shareholder reports, notices, proxy statements and reports to governmental agencies, and taxes, if any. All fees and expenses are accrued daily and deducted before payment of dividends to investors.

A discussion regarding the basis for the Board of Trustees' decision to renew the Investment Management Agreement for the Fund may be found in the Fund's annual report to shareholders dated July 31 of each year.

Sub-Advisory Agreement. Pursuant to the Sub-Advisory Agreement, Symphony will receive from NFALLC a management fee equal to the portion specified below of the management fee payable by the Fund to NFALLC, payable on a monthly basis:

<u>Average Daily Managed Assets</u>	<u>Percentage of Net Management Fee</u>
Up to \$125 million	50.0%
\$125 million to \$150 million	47.5%
\$150 million to \$175 million	45.0%
\$175 million to \$200 million	42.5%
\$200 million and over	40.0%

A discussion regarding the basis for the Board of Trustees' decision to renew the Sub-Advisory Agreement for the Fund may be found in the Fund's annual report to shareholders dated July 31 of each year.

NET ASSET VALUE

The Fund's net asset value per share is determined as of the close of regular session trading (normally 4:00 p.m., Eastern Time) on each day the NYSE is open for business. Net asset value is calculated by taking the market value of the Fund's total assets, including interest or dividends accrued but not yet collected, less all liabilities, and dividing by the total number of shares outstanding. The result, rounded to the nearest cent, is the net asset value per share. All valuations are subject to review by the Fund's Board of Trustees or its delegate.

The Fund utilizes independent pricing services approved by the Board of Trustees to value portfolio instruments at their market value. If the pricing services are unable to provide a market value or if a significant event occurs such that the valuation(s) provided are deemed unreliable, the Fund may value portfolio instrument(s) at their fair value, which is generally the amount that an owner might reasonably expect to receive upon a current sale. Risks associated with investing in adjustable rate corporate debt instruments including, but not limited to: a limited number of market participants, a lack of publicly-available information, resale restrictions, settlement delays, corporate actions and adverse market conditions may make it difficult to value or sell such instruments. It is expected that the Fund's net asset value will fluctuate as a function of interest rate and credit factors. Because of the short-term nature of such instruments, however, the Fund's net asset value is expected to fluctuate less in response to changes in interest rates than the net asset values of investment companies with portfolios consisting primarily of longer term fixed-income instruments. Because non-U.S. instruments may trade on days when Common Shares are not priced, net asset value can change at times when Common Shares cannot be sold.

Independent pricing services typically value adjustable rate corporate debt instruments utilizing readily available market quotations obtained from broker-dealers making markets in such instruments. Other debt instruments and derivative instruments held by the Funds may be valued by the pricing services utilizing a range of market-based inputs and assumptions, cash flows, transactions for comparable instruments and correlations between instruments for normal, institutional-size trading units when determining market value. Equity securities listed and trading on U.S. national securities exchanges will be valued at the last reported sales price on the principal exchange on the valuation date. Unlisted equity securities traded primarily in a U.S. over-the-counter (OTC) market are valued at the last reported sales price on the valuation date, a quoted price as provided by an approved pricing service or market quotations obtained from brokers making markets in such securities. In the absence of readily available market quotations or, when in the opinion of NFALLC and/or Symphony a significant event has occurred such that market values are deemed unreliable, portfolio instruments may be valued by the Fund at their fair value as determined in good faith by or at the direction of the Fund's Board of Trustees. A range of factors and analysis may be considered when determining fair value including relevant market data, interest rates, credit considerations and/or issuer-specific news. The Fund may rely on an independent fair valuation service in making any such fair value determinations or adjustments.

Generally, trading in many foreign securities that the Fund may hold will be substantially completed each day at various times prior to the close of the NYSE. The values of these securities used in determining the net asset value of the Fund generally will be computed as of such times. Occasionally, events affecting the value of foreign securities may occur between such times and the close of the NYSE, which will not be reflected in the computation of the Fund's net asset value (unless the Fund deems that such events would materially affect its net asset value, in which case an adjustment would be made and reflected in such computation). The Fund may rely on an independent fair valuation service in making any such adjustment. Foreign securities and currency held by the Fund will be valued in U.S. dollars; such values will be computed by the custodian based on foreign currency exchange rate quotations supplied by an independent quotation service.

DISTRIBUTIONS

The Fund pays regular monthly cash distributions to Common Shareholders at a level rate (stated in terms of a fixed cents per Common Share dividend rate) that reflects the past and projected performance of the Fund.

Distributions can only be made from net investment income after paying any accrued dividends to preferred shareholders, if any, or interest and required principal payments on borrowings. The Fund does not currently have any preferred shares outstanding.

The Fund's ability to maintain a level dividend rate will depend on a number of factors. The net income of the Fund includes all interest income accrued on portfolio assets less all expenses of the Fund. Expenses of the Fund are accrued each day. For each year, the Fund will distribute all or substantially all of its net investment income. At least annually, the Fund also intends to distribute substantially all of its net capital gain (which is the excess of net long-term capital gain over net short-term capital loss) and taxable ordinary income, if any, after paying any accrued dividends or making any liquidation payments to preferred shareholders, if any preferred shares are issued in the future, and interest and required principal payments on borrowings. Although it does not now intend to do so, the Board of Trustees may change the Fund's dividend policy and the amount or timing of the distributions, based on a number of factors, including the amount of the Fund's undistributed net investment income and historical and projected investment income and the amount of the expenses and dividend rates on the outstanding preferred shares, if any, and expenses and interest on borrowings.

The Fund might not distribute all or a portion of any net capital gain for a taxable year. If the Fund does not distribute all of its net capital gain for a taxable year, it will pay federal income tax on the retained gain. Each Common Shareholder of record as of the end of the Fund's taxable year will include in income for federal income tax purposes, as long-term capital gain his or her share of the retained gain, will be deemed to have paid his or her proportionate share of the tax paid by the fund on such retained gain, and will be entitled to an income tax credit or refund for that share of the tax. The Fund will treat the retained capital gains as a substitute for equivalent cash distributions. While not currently anticipated, if the Fund makes total distributions during a given calendar year in an amount that exceeds the Fund's net investment income and capital gain for that calendar year, the excess will generally be treated by Common Shareholders as a return of capital for tax purposes.

The Fund reserves the right to change its distribution policy and the basis for establishing the rate of its monthly distributions at any time.

DIVIDEND REINVESTMENT PLAN

If your Common Shares are registered directly with the Fund or if you hold your Common Shares with a brokerage firm that participates in the Fund's Dividend Reinvestment Plan (the "Plan"), you may elect to have all dividends, including any capital gain dividends, on your Common Shares automatically reinvested by the Plan Agent (defined below) in additional Common Shares under the Plan. You may elect to participate in the Plan by contacting Nuveen Investor Services at (800) 257-8787. If you do not participate, you will receive all distributions in cash paid by check mailed directly to you or your brokerage firm by State Street Bank and Trust Company as dividend paying agent (the "Plan Agent").

If you decide to participate in the Plan, the number of Common Shares you will receive will be determined as follows:

(1) If Common Shares are trading at or above net asset value at the time of valuation, the Fund will issue new shares at the then current market price;

(2) If Common Shares are trading below net asset value at the time of valuation, the Plan Agent will receive the dividend or distribution in cash and will purchase Common Shares in the open market, on the NYSE or elsewhere, for the participants' accounts. It is possible that the market price for the Common Shares may increase before the Plan Agent has completed its purchases. Therefore, the average purchase price per share paid by the Plan Agent may exceed the market price at the time of valuation, resulting in the purchase of fewer shares than if the dividend or distribution had been paid in Common Shares issued by the Fund. The Plan Agent will use all

dividends and distributions received in cash to purchase Common Shares in the open market within 30 days of the valuation date. Interest will not be paid on any uninvested cash payments; or

(3) If the Plan Agent begins purchasing Fund shares on the open market while shares are trading below net asset value, but the Fund's shares subsequently trade at or above their net asset value before the Plan Agent is able to complete its purchases, the Plan Agent may cease open-market purchases and may invest the uninvested portion of the distribution in newly-issued Fund shares at a price equal to the greater of the shares' net asset value or 95% of the shares' market value.

You may withdraw from the Plan at any time by giving written notice to the Plan Agent. If you withdraw or the Plan is terminated, you will receive whole shares in your account under the Plan and you will receive a cash payment for any fraction of a share in your account. If you wish, the Plan Agent will sell your shares and send you the proceeds, minus brokerage commissions and a \$2.50 service fee.

The Plan Agent maintains all shareholders' accounts in the Plan and gives written confirmation of all transactions in the accounts, including information you may need for tax records. Upon a repurchase of your shares, the Fund (or its administrative agent) may be required to report to the IRS and furnish to you cost basis and holding period information for Fund shares that you purchased on or after January 1, 2012 (covered shares).

For shares of the Fund held in the Plan, you are permitted to elect from among several permitted cost basis methods. In the absence of an election, the Plan will use first-in first-out (FIFO) methodology for tracking and reporting your cost basis on covered shares as its default cost basis method. The cost basis method you use may not be changed with respect to a repurchase of shares after the settlement date of repurchase. You should consult with your tax advisors to determine the best permitted cost basis method for your tax situation and to obtain more information about how the cost basis reporting rules apply to you.

Common Shares in your account will be held by the Plan Agent in non-certificated form. Any proxy you receive will include all Common Shares you have received under the Plan.

There is no brokerage charge for reinvestment of your dividends or distributions in Common Shares. However, all participants will pay a pro rata share of brokerage commissions incurred by the Plan Agent when it makes open market purchases.

Automatically reinvesting dividends and distributions does not mean that you do not have to pay income taxes due upon receiving dividends and distributions.

If you hold your Common Shares with a brokerage firm that does not participate in the Plan, you will not be able to participate in the Plan and any dividend reinvestment may be effected on different terms than those described above. Consult your financial advisor for more information.

The Fund reserves the right to amend or terminate the Plan if in the judgment of the Board of Trustees the change is warranted. There is no direct service charge to participants in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants. Additional information about the Plan may be obtained by writing to State Street Bank and Trust Company, Attn: ComputerShare Nuveen Investments, P.O. Box 43071, Providence, Rhode Island 02940-3071 or by calling (800) 257-8787.

PLAN OF DISTRIBUTION

The Fund may sell the Common Shares offered under this Prospectus through

at-the-market transactions;

underwriting syndicates; and

privately negotiated transactions.

The Fund will bear the expenses of the offering, including but not limited to, the expenses of preparation of the Prospectus and SAI for the offering and the expense of counsel and auditors in connection with the offering.

Distribution Through At-the-Market Transactions

The Fund has entered into a distribution agreement with Nuveen Securities (the *Distribution Agreement*), which has been filed as an exhibit to the Registration Statement of which this Prospectus is a part. The summary of the *Distribution Agreement* contained herein is qualified by reference to the *Distribution Agreement*. Subject to the terms and conditions of the *Distribution Agreement*, the Fund may from time to time issue and sell its Common Shares through Nuveen Securities to certain broker-dealers which have entered into selected dealer agreements with Nuveen Securities. Currently, Nuveen Securities has entered into a selected dealer agreement with UBS pursuant to which UBS will be acting as Nuveen Securities' sub-placement agent with respect to at-the-market offerings of Common Shares. The selected dealer agreement has been filed as an exhibit to the Registration Statement of which this Prospectus forms a part. The summary of the selected dealer agreement contained herein is qualified by reference to the selected dealer agreement.

Common Shares will only be sold on such days as shall be agreed to by the Fund and Nuveen Securities. Common Shares will be sold at market prices, which shall be determined with reference to trades on the NYSE, subject to a minimum price to be established each day by the Fund. The minimum price on any day will not be less than the current net asset value per Common Share plus the per share amount of the commission to be paid to Nuveen Securities. The Fund and Nuveen Securities will suspend the sale of Common Shares if the per share price of the shares is less than the minimum price.

The Fund will compensate Nuveen Securities with respect to sales of the Common Shares at a commission rate of up to 1.0% of the gross proceeds of the Sale of Common Shares. Nuveen Securities will compensate broker-dealers participating in the offering at a rate of up to 0.8% of the gross proceeds of the Sale of Common Shares sold by that broker-dealer. Settlements of sales of Common Shares will occur on the third business day following the date on which any such sales are made.

In connection with the sale of the Common Shares on behalf of the Fund, Nuveen Securities may be deemed to be an underwriter within the meaning of the 1933 Act, and the compensation of Nuveen Securities may be deemed to be underwriting commissions or discounts. Unless otherwise indicated in a further Prospectus supplement, Nuveen Securities will act as underwriter on a reasonable efforts basis.

The offering of Common Shares pursuant to the *Distribution Agreement* will terminate upon the earlier of (i) the sale of all Common Shares subject thereto or (ii) termination of the *Distribution Agreement*. The Fund and Nuveen Securities each have the right to terminate the *Distribution Agreement* in its discretion at any time.

The Fund currently intends to distribute the shares offered pursuant to this Prospectus primarily through at-the-market transactions, although from time to time it may also distribute shares through an underwriting syndicate or a privately negotiated transaction. To the extent shares are distributed other than through at-the-market transactions, the Fund will file a supplement to this Prospectus describing such transactions.

UBS, its affiliates and their respective employees hold or may hold in the future, directly or indirectly, investment interests in Nuveen Investments, Inc. and its funds. The interests held by employees of UBS or its affiliates are not attributable to, and no investment discretion is held by, UBS or its affiliates.

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The Fund's closing price on the NYSE on May 22, 2013 was \$20.53.

Distribution Through Underwriting Syndicates

The Fund from time to time may issue additional Common Shares through a syndicated secondary offering. In order to limit the impact on the market price of the Fund's Common Shares, underwriters will market and

price the offering on an expedited basis (*e.g.*, overnight or similarly abbreviated offering period). The Fund will launch a syndicated offering on a day, and upon terms, mutually agreed upon between the Fund, Nuveen Securities, one of the Fund's underwriters, and the underwriting syndicate.

The Fund will offer its shares at a price equal to a specified discount of up to 5% from the closing market price of the Fund's Common Shares on the day prior to the offering date. The applicable discount will be negotiated by the Fund and Nuveen Securities in consultation with the underwriting syndicate on a transaction-by-transaction basis. The Fund will compensate the underwriting syndicate out of the proceeds of the offering based upon a sales load of up to 4% of the gross proceeds of the sale of Common Shares. The minimum net proceeds per share to the Fund will not be less than the greater of (i) the Fund's latest net asset value per Common Share or (ii) 91% of the closing market price of the Fund's Common Shares on the day prior to the offering date.

Distribution Through Privately Negotiated Transactions

The Fund, through Nuveen Securities, from time to time may sell directly to, and solicit offers from, institutional and other sophisticated investors, who may be deemed to be underwriters as defined in the 1933 Act for any resale of Common Shares.

The terms of such privately negotiated transactions will be subject to the discretion of the management of the Fund. In determining whether to sell Common Shares through a privately negotiated transaction, the Fund will consider relevant factors including, but not limited to, the attractiveness of obtaining additional funds through the sale of Common Shares, the purchase price to apply to any such sale of Common Shares and the person seeking to purchase the Common Shares.

Common Shares issued by the Fund through privately negotiated transactions will be issued at a price equal to the greater of (i) the net asset value per Common Share or (ii) at a discount ranging from 0% to 5% of the average daily closing market price of the Fund's Common Shares at the close of business on the two business days preceding the date upon which Common Shares are sold pursuant to the privately negotiated transaction. The applicable discount will be determined by the Fund on a transaction-by-transaction basis.

The principal business address of Nuveen Securities is 333 West Wacker Drive, Chicago, Illinois 60606.

DESCRIPTION OF SHARES

Common Shares

The Declaration authorizes the issuance of an unlimited number of Common Shares. The Common Shares being offered have a par value of \$0.01 per share and, subject to the rights of holders of preferred shares, if issued, and borrowings, if incurred, have equal rights to the payment of dividends and the distribution of assets upon liquidation. The Common Shares being offered will, when issued, be fully paid and, subject to matters discussed in Certain Provisions in the Declaration of Trust, non-assessable, and will have no pre-emptive or conversion rights or rights to cumulative voting. Each whole Common Share has one vote with respect to matters upon which a shareholder vote is required, and each fractional share shall be entitled to a proportional fractional vote consistent with the requirements of the 1940 Act and the rules promulgated thereunder, and will vote together as a single class. Whenever the Fund incurs borrowings and/or preferred shares are outstanding, Common Shareholders will not be entitled to receive any cash distributions from the Fund unless all interest on such borrowings has been paid and all

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accrued dividends on preferred shares have been paid, unless asset coverage (as defined in the 1940 Act) with respect to any borrowings would be at least 300% after giving effect to the distributions and asset coverage (as defined in the 1940 Act) with respect to preferred shares would be at least 200% after giving effect to the distributions. See Preferred Shares below.

The Common Shares have been approved for listing on the NYSE and trade under the ticker symbol JSD, subject to notice of issuance. The Fund intends to hold annual meetings of shareholders so long as the Common Shares are listed on a national securities exchange and such meetings are required as a condition to such listing. The Fund will not issue share certificates.

Unlike open-end funds, closed-end funds like the Fund do not provide daily redemptions. Rather, if a shareholder determines to buy additional Common Shares or sell shares already held, the shareholder may conveniently do so by trading on the exchange through a broker or otherwise. Shares of closed-end investment companies may frequently trade on an exchange at prices lower than net asset value. Shares of closed-end investment companies like the Fund have during some periods traded at prices higher than net asset value and have during other periods traded at prices lower than net asset value.

Because the market value of the Common Shares may be influenced by such factors as distribution levels (which are in turn affected by expenses), call protection, dividend stability, portfolio credit quality, net asset value, relative demand for and supply of such shares in the market, general market and economic conditions, and other factors beyond the control of the Fund, the Fund cannot assure you that Common Shares will trade at a price equal to or higher than net asset value in the future. The Common Shares are designed primarily for long-term investors, and investors in the Common Shares should not view the Fund as a vehicle for trading purposes. See [Repurchase of Fund Shares; Conversion to Open-End Fund](#).

Borrowings

The Declaration authorizes the Fund, without approval of the Common Shareholders, to borrow money. In this connection, the Fund may issue notes or other evidence of indebtedness (including bank borrowings or commercial paper) and may secure any such borrowings by mortgaging, pledging or otherwise subjecting as security the Fund's assets. The Fund expects to borrow money at rates generally available to institutional investors. In connection with such Borrowings, the Fund may be required to maintain minimum average balances with the lender or to pay a commitment or other fee to maintain a line of credit. Any such requirements will increase the cost of any such borrowings over the stated interest rate. Under the requirements of the 1940 Act, the Fund, immediately after any such Borrowings, must have an asset coverage of at least 300%. With respect to any such borrowings, asset coverage means the ratio that the value of the total assets of the Fund, less all liabilities and indebtedness not represented by senior securities (as defined in the 1940 Act), bears to the aggregate amount of such borrowings represented by senior securities issued by the Fund. Certain types of borrowings may result in the Fund being subject to covenants in credit agreements relating to asset coverages or portfolio coverages or otherwise. In addition, as with the issuance of preferred shares, certain types of borrowings may result in the Fund being subject to certain restrictions imposed by guidelines of one or more rating agencies that may issue ratings for commercial paper or notes issued by the Fund. Such restrictions may be more stringent than those imposed by the 1940 Act.

The rights of lenders to the Fund to receive interest on and repayment of principal of any such borrowings will be senior to those of the Common Shareholders, and the terms of any such borrowings may contain provisions which limit certain activities of the Fund, including the payment of dividends to Common Shareholders in certain circumstances. Further, the 1940 Act does (in certain circumstances) grant to the lenders to the Fund certain voting rights in the event of default in the payment of interest on or repayment of principal. In the event that such provisions would impair the Fund's eligibility for treatment as a regulated investment company under the Code, the Fund will attempt to repay or restructure the borrowings to preserve that eligibility. Any borrowings will likely be ranked senior or equal to all other existing and future borrowings of the Fund. The Fund may also borrow up to an additional 5% of its total assets for temporary purposes. The Fund may also borrow money for repurchase of its shares or as a temporary measure for extraordinary or emergency situations. See [Investment Restrictions](#) in the SAI.

Preferred Shares

The Declaration authorizes the issuance of an unlimited number of preferred shares in one or more classes or series, with rights as determined by the Board of Trustees, by action of the Board of Trustees without the approval of the Common Shareholders. To date, the Fund has not issued preferred shares. The Fund may issue preferred shares in the future to increase the Fund's leverage.

Limited Issuance of Preferred Shares. Under the 1940 Act, the Fund could issue preferred shares with an aggregate liquidation value of up to one-half of the value of the Fund's total net assets, including any liabilities associated with borrowings, measured immediately after issuance of the preferred shares. Liquidation value means the original purchase price of the shares being liquidated plus any accrued and unpaid dividends. In addition, the Fund is not permitted to declare any cash dividend or other distribution on its Common Shares unless the liquidation value of the preferred shares is less than one-half of the value of the Fund's total net assets (determined after deducting the amount of such dividend or distribution) immediately after the distribution.

Distribution Preference. If issued in the future, the preferred shares would have complete priority over the Common Shares as to distribution of assets.

Liquidation Preference. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Fund, holders of preferred shares, if issued in the future, would be entitled to receive a preferential liquidating distribution (expected to equal the original purchase price per share plus accumulated and unpaid dividends thereon, whether or not earned or declared) before any distribution of assets is made to Common Shareholders.

Voting Rights. Preferred shares are required to be voting shares and to have equal voting rights with Common Shares. Except as otherwise indicated in this Prospectus or the SAI and except as otherwise required by applicable law, holders of preferred shares, if issued in the future, would vote together with Common Shareholders as a single class.

Holdings of preferred shares, if issued in the future, voting as a separate class, would be entitled to elect two of the Fund's trustees (following the establishment of the Fund by an initial trustee, the Declaration provides for a total of no less than two and no more than 15 trustees). The remaining trustees would be elected by Common Shareholders and holders of preferred shares, if issued in the future, voting together as a single class. In the unlikely event that two full years of accrued dividends are unpaid on the preferred shares, if issued in the future, the holders of all outstanding preferred shares, if issued in the future, voting as a separate class, would be entitled to elect a majority of the Fund's trustees until all dividends in arrears have been paid or declared and set apart for payment. In order for the Fund to take certain actions or enter into certain transactions, a separate class vote of holders of preferred shares, if issued in the future, would be required, in addition to the single class vote of the holders of preferred shares, if issued in the future, and Common Shares. See Certain Provisions in the Declaration of Trust and the SAI under Description of Shares Preferred Shares Voting Rights.

Redemption, Purchase and Sale of Preferred Shares. The terms of the preferred shares, if issued in the future, would provide that they may be redeemed by the issuer at certain times, in whole or in part, at the original purchase price per share plus accumulated dividends. Any redemption or purchase of preferred shares, if issued in the future, by the Fund will reduce the leverage applicable to Common Shares, while any issuance of shares by the Fund would increase such leverage.

CERTAIN PROVISIONS IN THE DECLARATION OF TRUST

Under Massachusetts law, shareholders could, under certain circumstances, be held personally liable for the obligations of the Fund. However, the Declaration contains an express disclaimer of shareholder liability for debts or obligations of the Fund and requires that notice of such limited liability be given in each agreement,

obligation or instrument entered into or executed by the Fund or the trustees. The Declaration further provides for indemnification out of the assets and property of the Fund for all loss and expense of any shareholder held personally liable for the obligations of the Fund. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which the Fund would be unable to meet its obligations. The Fund believes that the likelihood of such circumstances is remote.

The Declaration includes provisions that could limit the ability of other entities or persons to acquire control of the Fund or to convert the Fund to open-end status. Specifically, the Declaration requires a vote by holders of at least two-thirds of the Common Shares and preferred shares, if issued in the future, voting together as a single class, except as described below, to authorize (1) a conversion of the Fund from a closed-end to an open-end investment company, (2) a merger or consolidation of the Fund, or a series or class of the Fund, with any corporation, association, trust or other organization or a reorganization of the Fund, or a series or class of the Fund, (3) a sale, lease or transfer of all or substantially all of the Fund's assets (other than in the regular course of the Fund's investment activities), (4) in certain circumstances, a termination of the Fund, or a series or class of the Fund, or (5) a removal of trustees by shareholders (except at the end of a trustee's term), and then only for cause unless, with respect to (1) through (4), such transaction has already been authorized by the affirmative vote of two-thirds of the total number of trustees fixed in accordance with the Declaration or the By-Laws, in which case the affirmative vote of the holders of at least a majority of the Fund's Common Shares and preferred shares, if issued in the future, outstanding at the time, voting together as a single class, is required; provided, however, that where only a particular class or series is affected (or, in the case of removing a trustee, when the trustee has been elected by only one class), only the required vote by the applicable class or series will be required. Approval of shareholders is not required, however, for any transaction, whether deemed a merger, consolidation, reorganization or otherwise whereby the Fund issues shares in connection with the acquisition of assets (including those subject to liabilities) from any other investment company or similar entity. In the case of the conversion of the Fund to an open-end investment company, or in the case of any of the foregoing transactions constituting a plan of reorganization which adversely affects the holders of preferred shares, if issued in the future, the action in question will also require the affirmative vote of the holders of at least two-thirds of the Fund's preferred shares, if issued in the future, outstanding at the time, voting as a separate class, or, if such action has been authorized by the affirmative vote of two-thirds of the total number of trustees fixed in accordance with the Declaration or the By-Laws, the affirmative vote of the holders of at least a majority of the Fund's preferred shares, if issued in the future, outstanding at the time, voting as a separate class. None of the foregoing provisions may be amended except by the vote of at least two-thirds of the Common Shares and preferred shares, if issued in the future, voting together as a single class. The votes required to approve the conversion of the Fund from a closed-end to an open-end investment company or to approve transactions constituting a plan of reorganization which adversely affects the holders of preferred shares, if issued in the future, are higher than those required by the 1940 Act. The Board of Trustees is divided into three classes, such a staggered board could delay for up to two years the replacement of a majority of the Board of Trustees. The Board of Trustees believes that the provisions of the Declaration relating to such higher votes are in the best interest of the Fund and its shareholders. Note, the Fund's staggered Board could delay for up to two years the replacement of a majority of the Board of Trustees. See the SAI under "Certain Provisions in the Declaration of Trust."

The provisions of the Declaration described above could have the effect of depriving the Common Shareholders of opportunities to sell their Common Shares at a premium over the then current market price of the Common Shares by discouraging a third party from seeking to obtain control of the Fund in a tender offer or similar transaction. The overall effect of these provisions is to render more difficult the accomplishment of a merger or the assumption of control by a third party. They provide, however, the advantage of potentially requiring persons seeking control of the Fund to negotiate with its management regarding the price to be paid and facilitating the continuity of the Fund's investment objective and policies. The Board of Trustees of the Fund has

¹ Vacancies caused by the death, resignation, retirement, removal or disqualification of a trustee may be filled in any manner that is consistent with the Declaration and applicable law.

considered the foregoing anti-takeover provisions and concluded that they are in the best interests of the Fund and its Common Shareholders.

Reference should be made to the Declaration on file with the SEC for the full text of these provisions.

REPURCHASE OF FUND SHARES; CONVERSION TO OPEN-END FUND

The Fund is a closed-end investment company and as such its shareholders will not have the right to cause the Fund to redeem their shares. Instead, the Common Shares will trade in the open market at a price that will be a function of several factors, including dividend levels (which are in turn affected by expenses), net asset value, call protection, dividend stability, portfolio credit quality, relative demand for and supply of such shares in the market, general market and economic conditions and other factors. Because shares of closed-end investment companies may frequently trade at prices lower than net asset value, the Fund's Board of Trustees has currently determined that, at least annually, it will consider action that might be taken to reduce or eliminate any material discount from net asset value in respect of Common Shares, which may include the repurchase of such shares in the open market or in private transactions, the making of a tender offer for such shares at net asset value, or the conversion of the Fund to an open-end investment company. The Fund cannot assure you that its Board of Trustees will decide to take any of these actions, or that share repurchases or tender offers will actually reduce market discount.

If the Fund converted to an open-end investment company, it would be required to redeem all preferred shares then outstanding, if any (requiring in turn that it liquidate a portion of its investment portfolio), and the Common Shares would no longer be listed on the NYSE. In contrast to a closed-end investment company, shareholders of an open-end investment company may require the company to redeem their shares at any time (except in certain circumstances as authorized by or under the 1940 Act) at their net asset value, less any redemption charge that is in effect at the time of redemption. See the SAI under Certain Provisions in the Declaration of Trust for a discussion of the voting requirements applicable to the conversion of the Fund to an open-end investment company.

Before deciding whether to take any action if the Common Shares trade below net asset value, the Board would consider all relevant factors, including the extent and duration of the discount, the liquidity of the Fund's portfolio, the impact of any action that might be taken on the Fund or its shareholders, and market considerations. Based on these considerations, even if the Fund's shares should trade at a discount, the Board of Trustees may determine that, in the interest of the Fund and its shareholders, no action should be taken. See the SAI under Repurchase of Fund Shares; Conversion to Open-End Fund for a further discussion of possible action to reduce or eliminate such discount to net asset value. On November 16, 2011, the Fund's Board of Trustees approved an open market share repurchase program under which the Fund may repurchase up to 10% of its Common Shares. To date, the Fund has not repurchased any Common Shares under the program.

TAX MATTERS

The following information is meant as a general summary for U.S. shareholders. Please see the SAI for additional information. Investors should rely on their own tax advisers for advice about the particular federal, state and local tax consequences to them of investing in the Fund.

The Fund intends to qualify for the special tax treatment afforded to regulated investment companies (RICs) under the Code. As long as the Fund qualifies for treatment as a regulated investment company, it pays no federal income tax on the earnings it distributes to shareholders.

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In order to qualify for treatment as a regulated investment company, the Fund must meet certain distribution requirements. Nevertheless, the Fund might not distribute all of its net investment income, and the Fund is not

required to distribute any portion of its net capital gain. If the Fund qualifies for treatment as a regulated investment company but does not distribute all of its net capital gain and net investment income, it will be subject to tax on the amount retained. If the Fund retains any net capital gain, it may designate the retained amount of capital gain as undistributed capital gains in a notice to its shareholders who, if subject to federal income tax on long-term capital gains, (i) will be required to include in income for federal income tax purposes, as long-term capital gain, their share of such undistributed amount; (ii) will be deemed to have paid their proportionate shares of the tax paid by the Fund on such undistributed amount and will be entitled to credit that amount of tax against their federal income tax liabilities, if any; and (iii) will be entitled to claim refunds to the extent the credit exceeds such liabilities. For federal income tax purposes, the tax basis of shares owned by a shareholder of the Fund will be increased by an amount equal to the difference between the amount of undistributed capital gains included in the shareholder's gross income and the tax deemed paid by the shareholder.

Unless your investment in the Fund is through a tax-exempt entity or tax deferred retirement account, such as a 401(k) plan, you will normally have to pay federal income taxes, and any state or local taxes, on the dividends and other distributions you receive from the Fund, whether you take the distributions in cash or reinvest them in additional shares. For U.S. federal income tax purposes, distributions from the Fund's net capital gains (if any) are considered long-term capital gains and may be taxable to you at reduced rates. Distributions from the Fund's net short-term capital gains are taxable as ordinary income. Other dividends are generally taxable as ordinary income. Since the Fund's income is derived primarily from sources that do not pay dividends, it is not expected that a substantial portion of dividends paid by the Fund will qualify for either the dividends-received deduction for corporations or the U.S. federal income tax rates available to noncorporate taxpayers on qualified dividend income. A distribution of an amount in excess of the Fund's current and accumulated earnings and profits will first be treated as a return of capital, which is applied against and reduces the shareholder's basis in his or her shares. To the extent the amount of any such distribution exceeds your basis in your shares, the excess will be treated as gain from a sale or exchange of the shares.

The Fund will report to shareholders annually the U.S. federal income tax status of all Fund distributions.

If the Fund declares a dividend in October, November or December, payable to shareholders of record in such a month, but pays it in January of the following year, you will be taxed on the dividend as if you received it in the year in which it was declared.

Unless your investment in the Fund is through a tax-exempt entity or tax deferred retirement account, when you sell or exchange Fund shares you will generally recognize a capital gain or capital loss in an amount equal to the difference between the net amount of sale proceeds (or, in the case of an exchange, the fair market value of the shares) that you receive and your tax basis for the shares that you sell or exchange.

Investments by the Fund in zero coupon or other discount securities will result in income to the Fund equal to a portion of the excess of the face value of the securities over their issue price (the original issue discount or OID) each year that the securities are held, even though the Fund may receive no cash interest payments or may receive cash interest payments that are less than the income recognized for tax purposes. In addition, any market discount recognized on a market discount bond is taxable as ordinary income. A market discount bond is a bond acquired in the secondary market at a price below redemption value, or below adjusted issue price if issued with original issue discount. Absent an election by the Fund to include the market discount in income as it accrues, gain on the Fund's disposition of such an obligation will be treated as ordinary income rather than capital gain to the extent of the accrued market discount. Because the income required to be recognized by the Fund as a result of the OID and/or market discount rules may not be matched by a corresponding cash payment to the Fund, the Fund may be required to borrow money or dispose of securities to be able to make distributions to its shareholders in order to qualify for treatment as a RIC and eliminate taxes at the Fund level.

A 3.8% Medicare contribution tax generally applies to all or a portion of the net investment income of a shareholder who is an individual and not a nonresident alien for federal income tax purposes and who has adjusted gross income (subject to certain adjustments) that exceeds a threshold amount (\$250,000 if married)

filing jointly or if considered a surviving spouse for federal income tax purposes, \$125,000 if married filing separately, and \$200,000 in other cases). This 3.8% tax also applies to all or a portion of the undistributed net investment income of certain shareholders that are estates and trusts. For these purposes, interest, dividends and certain capital gains are generally taken into account in computing a shareholder's net investment income (among other categories of income).

The repurchase, sale or exchange of Common Shares normally will result in capital gain or loss to holders of Common Shares who hold their shares as capital assets. Generally a shareholder's gain or loss will be long-term capital gain or loss if the shares have been held for more than one year. Present law taxes both long-term and short-term capital gains of corporations at the rates applicable to ordinary income. For non-corporate taxpayers, however, long-term capital gains are taxed at rates of up to 20%. Short-term capital gains and other ordinary income are taxed to non-corporate taxpayers at ordinary income rates.

The Fund will be required in certain cases to withhold (as backup withholding) federal income tax from amounts payable to any shareholder who (1) has provided the Fund either an incorrect tax identification number or no number at all, (2) is subject to backup withholding by the Internal Revenue Service for failure to properly report payments of interest or dividends, (3) has failed to certify to the Fund that such shareholder is not subject to backup withholding, or (4) has not certified that such shareholder is a U.S. person (including a U.S. resident alien). The backup withholding rate is 28%.

CUSTODIAN AND TRANSFER AGENT

The custodian of the assets of the Fund is State Street Bank and Trust Company, One Lincoln Street, Boston, Massachusetts 02110 (Custodian). The Custodian performs custodial, fund accounting and portfolio accounting services. The Fund's transfer, shareholder services and dividend paying agent is also State Street Bank and Trust Company (Transfer Agent). The Transfer Agent is located at 250 Royall Street, Canton, Massachusetts 02021.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP, an independent registered public accounting firm, provides auditing services to the Fund. The principal business address of Ernst & Young LLP is 155 North Wacker Drive, Chicago, Illinois 60606.

LEGAL OPINION

Certain legal matters in connection with the Common Shares will be passed upon for the Fund by Bingham McCutchen LLP, Washington, D.C.

AVAILABLE INFORMATION

The Fund is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act) and the 1940 Act and is required to file reports, proxy statements and other information with the SEC. These documents can be inspected and copied for a fee at

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the SEC's public reference room, 100 F Street, NE, Washington, D.C. 20549, and Northeast Regional Office, Woolworth Building, 233 Broadway, New York, New York 10013-2409. Reports, proxy statements, and other information about the Fund can be inspected at the offices of the NYSE.

This Prospectus does not contain all of the information in the Fund's Registration Statement, including amendments, exhibits, and schedules. Statements in this Prospectus about the contents of any contract or other document are not necessarily complete and in each instance reference is made to the copy of the contract or other document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by this reference.

Additional information about the Fund and Common Shares can be found in the Fund's Registration Statement (including amendments, exhibits, and schedules) on Form N-2 filed with the SEC. The SEC maintains a web site (<http://www.sec.gov>) that contains the Fund's Registration Statement, other documents incorporated by reference, and other information the Fund has filed electronically with the SEC, including proxy statements and reports filed under the Exchange Act.

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1 Million Common Shares

Nuveen Short Duration Credit Opportunities Fund

PROSPECTUS

_____, 2013

LPR-JSD-0513D

The information in this Statement of Additional Information 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 Statement of Additional Information is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MAY 28, 2013

NUVEEN SHORT DURATION CREDIT OPPORTUNITIES FUND

333 West Wacker Drive

Chicago, Illinois 60606

STATEMENT OF ADDITIONAL INFORMATION

, 2013

Nuveen Short Duration Credit Opportunities Fund (the Fund) is a diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund was organized on January 3, 2011.

This Statement of Additional Information (the SAI) relating to Common Shares of the Fund (Common Shares) does not constitute a prospectus, but should be read in conjunction with the Fund's prospectus relating thereto dated , 2013 (the Prospectus). This SAI does not include all information that a prospective investor should consider before purchasing Common Shares. Investors should obtain and read the Prospectus prior to purchasing such shares. In addition, the Fund's financial statements and the independent registered public accounting firm's report therein included in the Fund's annual report dated July 31, 2012, are incorporated herein by reference. Also incorporated by reference is the Fund's unaudited semi-annual report dated January 31, 2013. A copy of the Prospectus may be obtained without charge by calling (800) 257-8787. You may also obtain a copy of the Prospectus on the U.S. Securities and Exchange Commission's SEC web site (<http://www.sec.gov>). Capitalized terms used but not defined in this SAI have the meanings ascribed to them in the Prospectus.

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USE OF PROCEEDS

The net proceeds from the issuance of Common Shares hereunder will be used by the Fund to invest in various securities in accordance with the Fund's investment objective and policies as stated below. To the extent the Fund uses the net proceeds of any offering to invest in securities, it is presently anticipated that the Fund will be able to invest substantially all of such proceeds in securities that meet the Fund's investment objective and policies within one month from the date on which the proceeds from an offering are received by the Fund. Pending such investment, it is anticipated that the proceeds will be invested in short-term or long-term securities issued by the U.S. Government and its agencies or instrumentalities or in high quality, short-term money market instruments. See Risk Factors Leverage Risk and Use of Leverage in the Prospectus.

INVESTMENT RESTRICTIONS

Except as described below, the Fund, as a fundamental policy, may not, without the approval of the holders of a majority of the outstanding common shares and, if issued in the future, preferred voting together as a single class, and, if issued in the future, of the holders of a majority of the outstanding preferred shares voting as a separate class:

- (1) Issue senior securities, as defined in the 1940 Act, except as permitted by the 1940 Act;¹
- (2) Borrow money, except as permitted by the 1940 Act and exemptive orders granted under the 1940 Act;^{1,2}
- (3) Act as underwriter of another issuer's securities, except to the extent that the Fund may be deemed to be an underwriter within the meaning of the Securities Act of 1933, as amended (the Securities Act), in connection with the purchase and sale of portfolio securities or acting as an agent or one of a group of co-agents in originating adjustable rate securities;
- (4) Invest more than 25% of its total assets in securities of issuers in any one industry, provided, however, that such limitation shall not apply to obligations issued or guaranteed by the United States Government or by its agencies or instrumentalities, and provided further that for purposes of this limitation, the term issuer shall not include a lender selling a participation to the Fund together with any other person interpositioned between such lender and the Fund with respect to a participations;³
- (5) Purchase or sell real estate, except pursuant to the exercise by the Fund of its rights under loan agreements and except to the extent that interests in securities the Fund may invest in are considered to be interests in real estate, and this shall not prevent the Fund from investing in securities of companies that deal in real estate or are engaged in the real estate business, including real estate investment trusts, and securities secured by real estate or interests therein and the Fund may hold and sell real estate or mortgages on real estate acquired through default, liquidation, or other distributions of an interest in real estate as a result of the Fund's ownership of such securities;

¹ Section 18(c) of the 1940 Act generally limits a registered closed-end investment company to issuing one class of senior securities representing indebtedness and one class of senior securities representing stock, except that the class of indebtedness or stock may be issued in one or more series, and promissory notes or other evidences of indebtedness issued in consideration of any loan, extension, or renewal thereof, made by a bank or other person and privately arranged, and not intended to be publicly distributed, are not deemed a separate class of senior securities.

² Section 18(a) of the 1940 Act generally prohibits a registered closed-end fund from incurring borrowings if, immediately thereafter, the aggregate amount of its borrowings exceeds 33 1/3% of its total assets.

³ For purposes of this restriction, governments and their political subdivisions are not members of any industry.

(6) Purchase or sell physical commodities unless acquired as a result of ownership of securities or other instruments except pursuant to the exercise by the Fund of its rights under loan agreements and except to the extent that interests in securities the Fund may invest in are considered to be interests in commodities and this shall not prevent the Fund from purchasing or selling options, futures contracts, derivative instruments or from investing in securities or other instruments backed by physical commodities;

(7) Make loans, except as permitted by the 1940 Act and exemptive orders granted under the 1940 Act;⁴ and Section 18(a) of the 1940 Act generally prohibits a registered closed-end fund from incurring borrowings if, immediately thereafter, the aggregate amount of its borrowings exceeds 33 1/3% of its total assets. The Fund has not applied for, and currently does not intend to apply for, any exemptive relief that would allow it to borrow outside of the limits of the 1940 Act; and

(8) With respect to 75% of the value of the Fund's total assets, purchase any securities (other than obligations issued or guaranteed by the U.S. government or by its agencies or instrumentalities), if as a result more than 5% of the Fund's total assets would then be invested in securities of a single issuer or if as a result the Fund would hold more than 10% of the outstanding voting securities of any single issuer, and provided further that for purposes of this restriction, the term "issuer" includes both the Borrower under a loan agreement and the lender selling a participation to the Fund together with any other persons interpositioned between such lender and the Fund with respect to a participation.

For the purpose of applying the limitation set forth in subparagraph (1) above, the Fund may not issue senior securities not permitted by the 1940 Act simply by describing such securities in the Prospectus.

For the purpose of applying the limitation set forth in subparagraph (8) above, a governmental issuer shall be deemed the sole issuer of a security when its assets and revenues are separate from other governmental entities and its securities are backed only by its assets and revenues. Similarly, in the case of a non-governmental issuer, such as an industrial corporation or a privately owned or operated hospital, if the security is backed only by the assets and revenues of the non-governmental issuer, then such non-governmental issuer would be deemed to be the sole issuer. Where a security is also backed by the enforceable obligation of a superior or unrelated governmental or other entity (other than a bond insurer), it shall also be included in the computation of securities owned that are issued by such governmental or other entity. Where a security is guaranteed by a governmental entity or some other facility, such as a bank guarantee or letter of credit, such a guarantee or letter of credit would be considered a separate security and would be treated as an issue of such government, other entity or bank. When a municipal security is insured by bond insurance, it shall not be considered a security that is issued or guaranteed by the insurer; instead, the issuer of such municipal security will be determined in accordance with the principles set forth above. The foregoing restrictions do not limit the percentage of the Fund's assets that may be invested in municipal securities insured by any given insurer.

Under the 1940 Act, the Fund may invest only up to 10% of its Managed Assets in the aggregate in shares of other investment companies and only up to 5% of its Managed Assets in any one investment company, provided the investment does not represent more than 3% of the voting stock of the acquired investment company at the time such shares are purchased. As a stockholder in any investment company, the Fund will bear its ratable share of that investment company's expenses, and will remain subject to payment of the Fund's management, advisory and administrative fees with respect to assets so invested. Holders of common shares would therefore be subject to duplicative expenses to the extent the Fund invests in other investment companies. In addition, the securities of other investment companies may also be leveraged and will therefore be subject to the same leverage risks described herein. As described in the Prospectus in the section entitled "Risk Factors",

⁴ Section 21 of the 1940 Act makes it unlawful for a registered investment company, like the Fund, to lend money or other property if (i) the investment company's policies set forth in its registration statement do not permit such a loan or (ii) the borrower controls or is under common control with the investment company. The Fund has not applied for, and currently does not intend to apply for, such exemptive relief.

the net asset value and market value of leveraged shares will be more volatile and the yield to shareholders will tend to fluctuate more than the yield generated by unleveraged shares.

In addition to the foregoing fundamental investment policies, the Fund is also subject to the following non-fundamental restrictions and policies, which may be changed by the Board of Trustees. The Fund may not:

(1) Purchase securities of open-end or closed-end investment companies except in compliance with the 1940 Act or any exemptive relief obtained thereunder. The Fund will rely on representations of Borrowers in loan agreements in determining whether such Borrowers are investment companies.

(2) Purchase securities of companies for the purpose of exercising control, except to the extent that exercise by the Fund of its rights under loan agreements would be deemed to constitute exercising control.

The restrictions and other limitations set forth above will apply only at the time of purchase of securities and will not be considered violated unless an excess or deficiency occurs or exists immediately after and as a result of an acquisition of securities.

The Fund may be subject to certain restrictions imposed by either guidelines of one or more NRSROs that may issue ratings for preferred shares, if any, commercial paper or notes, or, if the Fund borrows from a lender, by the lender. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed on the Fund by the 1940 Act. If these restrictions were to apply, it is not anticipated that these covenants or guidelines would impede Symphony from managing the Fund's portfolio in accordance with the Fund's investment objective and policies.

INVESTMENT OBJECTIVES, POLICIES AND TECHNIQUES

The following information supplements the discussion of the Fund's investment objective, policies, and techniques that are described in the Prospectus.

INVESTMENT OBJECTIVE

The Fund's investment objective is to provide current income and the potential for capital appreciation. The Fund cannot assure you that it will achieve its investment objective. The Fund's investment objective is a fundamental policy of the Fund.

INVESTMENT PHILOSOPHY AND PROCESS

INVESTMENT PHILOSOPHY. Symphony believes that deep fundamental credit analysis and bottom-up portfolio construction are key to managing risk within the below investment grade corporate credit market. Symphony utilizes an industry focused approach that seeks to select the debt instruments of corporate issuers that provide attractive income opportunities and offer the potential for additional total return through the identification of near-term catalysts (such as restructurings, refinancing, mergers and acquisitions, liquidity events, management changes, rating and earnings announcements) and relative value opportunities. At the same time, Symphony's fundamental approach seeks to evaluate and minimize potential downside risks associated with below investment grade instruments. Additionally, Symphony focuses primarily on liquid securities to help implement its highly active management style, which helps the team manage and optimize risk exposures over the course of the investment cycle.

INVESTMENT PROCESS. In identifying securities for potential purchase, Symphony evaluates the universe of below investment grade corporate issuers from an industry perspective. Symphony's analysts are industry experts and will seek long and short investment opportunities across an issuer's capital structure. Symphony's investment process involves the holistic review of each investment, taking into account such factors

as issuer liquidity, company and industry dynamics, relative value, potential corporate actions, and other possible positive or negative catalysts. Symphony then evaluates the identified investment candidates for liquidity constraints and other technical factors. Symphony also combines its deep industry view with a top-down macro overlay which allows the team to make tactical investments in undervalued debt instruments within appropriate sectors given industry and economic activity, and avoid or short issuers and sectors where the team has a negative outlook. The final portfolio is constructed using risk management and monitoring systems to ensure proper diversification.

INVESTMENT POLICIES

The Fund seeks to achieve its investment objective by investing primarily in a blended portfolio of below-investment grade adjustable rate corporate debt instruments, including senior secured loans, second lien loans and other adjustable rate corporate debt instruments. Adjustable rate loans will represent the Fund's core portfolio and, as discussed below, the Fund also may make limited tactical investments in high yield debt and other debt instruments as described herein. Substantially all of the Fund's portfolio likely will be of below investment grade quality, commonly referred to as junk bonds. The Fund's short duration investment strategy seeks to maintain, under normal market circumstances, an average portfolio duration that, including the effect of leverage, will not exceed two years. Through these investments, the Fund seeks to capitalize on the credit spread opportunity (as measured by the difference in yield between below investment grade instruments and high grade benchmarks) which prevails through all phases of the interest rate cycle, and to offer the opportunity for additional income if interest rates are rising.

The Fund's portfolio will be invested primarily in adjustable rate corporate debt instruments, including senior secured loans, second lien loans, and other adjustable rate corporate debt instruments. Under normal market circumstances, the Fund invests at least 70% of its Managed Assets in adjustable rate senior loans and second lien loans. Senior loans and second lien loans are made to Borrowers that operate in various industries and geographic regions. Senior loans, second lien loans and other adjustable rate instruments pay interest at rates which are determined periodically at short-term intervals on the basis of an adjustable base lending rate, primarily London Interbank Offered Rate (LIBOR), plus a premium, and therefore regarded as having short-term durations. In addition, the Fund may make limited tactical investments in high yield debt and other debt instruments as described herein.

The Fund also may enter into tactical short positions consisting primarily of high yield debt. The high yield debt instruments may have intermediate-term or even long-term durations, but investments in those instruments will not be made in a manner that will cause the Fund's average portfolio duration to exceed two years. Short selling involves selling instruments that may be owned, and if not owned, borrowing the same instruments for delivery to the purchaser, with an obligation to replace the borrowed instruments at a later date. Short selling allows the short seller to profit from declines in market prices to the extent such declines exceed the transaction costs and the costs of borrowing the instruments.

Substantially all of the Fund's portfolio likely will be invested in corporate debt instruments that are, at the time of investment, rated below investment grade or unrated but judged by the portfolio managers to be of comparable quality. A debt instrument is considered investment grade quality if it is rated within the four highest letter grades (BBB or Baa or better) by at least one NRSRO that rates such instrument (even if it is rated lower by another), or if it is unrated by any NRSRO but judged to be of comparable quality by the portfolio managers. Such debt instruments are regarded as having predominately speculative characteristics with respect to the issuer's capacity to pay interest and repay principal, and are commonly referred to as junk bonds or high yield debt, which implies higher price volatility and default risk than investment grade instruments of comparable terms and duration. See Risk Factors Issuer Level Risks Issuer Credit Risk and Risk Factors Issuer Level Risks Below Investment Grade Risk in the Prospectus.

Under normal market circumstances:

The Fund invests at least 70% of its Managed Assets in adjustable rate senior loans and second lien loans.

The Fund may make limited tactical investments in high yield debt and other debt instruments as described herein in an aggregate amount of up to 30% of its Managed Assets.

The Fund may invest up to 20% of its Managed Assets in debt instruments of non-U.S. issuers (which term for purposes of this Prospectus includes Borrowers) that are U.S. dollar or non-U.S. dollar denominated. The Fund's Managed Assets to be invested in senior loans, second lien loans and other debt instruments of non-U.S. issuers may include debt securities of issuers located, or conducting their business, in emerging markets countries.

The Fund may enter into tactical short positions consisting primarily of high yield debt, either directly or through the use of derivatives, including credit default swaps, creating a negative investment exposure or hedging existing long (positive) investment exposure in a notional amount up to 20% of its Managed Assets. Initially, these short positions will not increase the Fund's leverage ratio or overall investment exposure because the Fund will not use any proceeds or cash from short sales to invest in additional debt instruments.

No more than 20% of the Fund's Managed Assets may be invested in debt instruments that are, at the time of investment, rated CCC+ or Caa1 or below by any NRSRO or that are unrated but judged by the portfolio managers to be of comparable quality.

The Fund may invest up to 10% of its Managed Assets in securities of other open- or closed-end investment companies (including exchange-traded funds, often referred to as ETFs) that invest primarily in securities of the types in which the Fund may invest directly.

The Fund may enter into certain derivative transactions as a hedging technique to protect against potential adverse changes in the market value of portfolio securities. The Fund also may use derivatives to attempt to protect the net asset value of the Fund, to facilitate the sale of certain portfolio instruments, to manage the Fund's effective interest rate exposure, and as a temporary substitute for purchasing or selling particular securities. From time to time, the Fund also may enter into derivative transactions to create investment exposure to the extent such transactions may facilitate implementation of its strategy more efficiently than through outright purchases or sales of portfolio instruments.

Under normal circumstances, the Fund will maintain an average duration of two years or less for its portfolio, including the effect of leverage. Duration is defined as modified duration, which is the measure of a debt instrument's or a portfolio's price sensitivity with respect to changes in market yield adjusted to reflect the effect of the Fund's effective leverage. Prices of instruments with shorter durations tend to be less sensitive to interest rate changes than instruments with longer durations. In general, the value of a portfolio of instruments with a shorter duration can be expected to be less sensitive to interest rate changes than a portfolio with a longer duration. The Fund may utilize derivative instruments to shorten the effective interest rate redetermination period of senior loans in its portfolio as senior loans typically have a stated term of between one and eight years. See the Fund's prospectus under "The Fund's Investments Portfolio Composition and Other Information Adjustable Rate Corporate Debt Instruments Senior Loans."

During temporary defensive periods or in order to keep the Fund's case fully invested, including during the period when the net proceeds of the offering of Common Shares are first being invested, the Fund may deviate from its investment policies and objective. During such periods, the Fund may invest up to 100% of its Managed Assets in short-term investments, including high quality, short-term securities or may invest in short-, intermediate-, or long-term U.S. Treasury Bonds. There can be no assurance that such strategies will be successful.

The Fund cannot change its investment objective or fundamental policies without the approval of the holders of a majority of the outstanding Common Shares. When used with respect to particular shares of the Fund, a majority of the outstanding shares means (i) 67% or more of the shares present at a meeting, if the holders of more than 50% of the shares are present or represented by proxy, or (ii) more than 50% of the shares, whichever is less. See Description of Shares and Debt Preferred Shares Voting Rights in the Fund's Prospectus and in this SAI for additional information with respect to the voting rights of holders of Preferred Shares.

PORTFOLIO COMPOSITION

The following table sets forth certain information with respect to the composition of the Fund's securities as of January 31, 2013.

Portfolio Allocation*	Percent
Variable Rate Senior Loan Interests	83.5%
Corporate Bonds	11.5%
Short-Term Investments	5.0%
Total	100%

* The relative percentages of the value of the investments attributable the securities could change over time as a result of rebalancing the Fund's assets by Symphony, market value fluctuations, issuance of additional shares and other events.

ADJUSTABLE RATE DEBT INSTRUMENTS

The Fund's portfolio will be invested primarily in adjustable rate corporate debt instruments, including senior secured loans, second lien loans, and other adjustable rate corporate debt instruments. Adjustable rate instruments pay interest at rates which are determined periodically at short-term intervals on the basis of an adjustable base lending rate plus a premium.

Senior Loans. Under normal market circumstances, the Fund invests at least 70% of its Managed Assets in adjustable rate senior loans and second lien loans. The Fund may invest in (i) senior loans made by banks or other financial institutions to Borrowers, (ii) assignments of such interests in senior loans, or (iii) participation interests in senior loans. Senior loans hold the most senior position in the capital structure of a Borrower, are typically secured with specific collateral and have a claim on the assets and/or stock of the Borrower that is senior to that held by subordinated debt holders and stockholders of the Borrower. The capital structure of a Borrower may include senior loans, senior and junior subordinated debt, preferred stock and common stock issued by the Borrower, typically in descending order of seniority with respect to claims on the Borrower's assets. The proceeds of senior loans primarily are used by Borrowers to finance leveraged buyouts, recapitalizations, mergers, acquisitions, stock repurchases, refinancings, internal growth and for other corporate purposes. A senior loan is typically originated, negotiated and structured by a U.S. or non-U.S. commercial bank, insurance company, finance company or other financial institution (Agent) for a lending syndicate of financial institutions which typically includes the Agent (Lenders). The Agent typically administers and enforces the senior loan on behalf of the other Lenders in the syndicate. In addition, an institution, typically but not always the Agent, holds any collateral on behalf of the Lenders. The Fund normally will rely primarily on the Agent to collect principal of and interest on a senior loan. Also, the Fund usually will rely on the Agent to monitor compliance by the Borrower with the restrictive covenants in a loan agreement.

Senior loans typically have rates of interest that are redetermined either daily, monthly, quarterly or semi-annually by reference to a base lending rate plus a premium or credit spread. These base lending rates are primarily LIBOR, and secondarily the prime rate offered by one or more major U.S. banks (the Prime Rate)

and the certificate of deposit (CD) rate or other base lending rates used by commercial lenders. As adjustable rate loans, the frequency of how often a senior loan resets its interest rate will impact how closely such senior loans track current market interest rates. The senior loans held by the Fund will have a dollar-weighted average period until the next interest rate adjustment of approximately 90 days or less. As a result, as short-term interest rates increase, interest payable to the Fund from its investments in senior loans should increase, and as short-term interest rates decrease, interest payable to the Fund from its investments in senior loans should decrease. The Fund may utilize derivative instruments to shorten the effective interest rate redetermination period of senior loans in its portfolio. Senior loans typically have a stated term of between one and eight years. In the experience of Symphony, the average life of senior loans in recent years has been approximately two years because of prepayments.

The Fund primarily purchases senior loans by assignment from a participant in the original syndicate of Lenders or from subsequent assignees of such interests. The purchaser of an assignment typically succeeds to all the rights and obligations under the loan agreement with the same rights and obligations as the assigning Lender. Assignments may, however, be arranged through private negotiations between potential assignees and potential assignors, and the rights and obligations acquired by the purchaser of an assignment may differ from, and be more limited than, those held by the assigning Lender.

The Fund may purchase participation interests in the original syndicate making senior loans. Loan participation interests typically represent direct participations in a loan to a corporate Borrower, and generally are offered by banks or other financial institutions or lending syndicates. The Fund may participate in such syndications, or can buy part of a senior loan, becoming a part Lender. When purchasing a participation interest, the Fund assumes the credit risk associated with the corporate Borrower and may assume the credit risk associated with an interposed bank or other financial intermediary. The participation interests in which the Fund may invest may not be rated by any NRSRO.

The Fund may purchase and retain in its portfolio senior loans where payable by Borrowers that have experienced, or may be perceived to be likely to experience, credit problems, including involvement in or recent emergence from bankruptcy reorganization proceedings or other forms of debt restructuring. Such investments may provide opportunities for enhanced income as well as capital appreciation. At times, in connection with the restructuring of a senior loan either outside of bankruptcy court or in the context of bankruptcy court proceedings, the Fund may determine or be required to accept equity securities or junior debt instruments in exchange for all or a portion of a senior loan. See *Portfolio Composition Other Investments Warrants and Equity Securities*.

Second Lien Loans and Unsecured Loans. The Fund may invest in second lien loans and other unsecured loans. Such loans are made by public and private corporations and other non-governmental Borrowers for a variety of purposes. As in the case of senior loans, the Fund may purchase interests in second lien loans and unsecured loans through assignments or participations.

Second lien loans have similar characteristics as senior loans except that such interests are second in lien property rather than first. Second lien loans are second in priority of payment to one or more senior loans of the related Borrower and are typically secured by a second priority security interest or lien to or on specified collateral securing the Borrower's obligation under the interest. They typically have similar protections and rights as senior loans. Second lien loans are not (and by their terms cannot become) subordinate in priority of payment to any obligation of the related Borrower other than senior loans of such Borrower. Second lien loans may feature fixed or floating rate interest payments. Because second lien loans are second to senior loans, they present a greater degree of investment risk but often pay interest at higher rates reflecting this additional risk. In addition, second lien loans of below investment grade quality share many of the risk characteristics of other below investment grade debt instruments.

Unsecured loans generally have lower priority in right of payment compared to holders of secured interests of the Borrower. Unsecured loans are not secured by a security interest or lien to or on specified collateral securing the Borrower's obligation under the interest. Unsecured loans by their terms may be or may become subordinate in right of payment to other obligations of the Borrower, including senior loans, second lien loans and other interests. Unsecured loans may have fixed or adjustable floating rate interest payments. Because unsecured loans are subordinate to Senior Loans and other secured debt of the Borrower, they present a greater degree of investment risk but often pay interest at higher rates reflecting this additional risk. Such investments generally are of below investment grade quality. Unsecured loans of below investment grade quality share the same risks of other below investment grade debt instruments.

Adjustable Rate Subordinated Loans. The subordinated loans in which the Fund may invest are typically privately-negotiated investments that rank subordinate in priority of payment to senior debt, such as senior loans, and are often unsecured. Because subordinated interests may rank lower as to priority of payment than senior loans and second lien loans of the Borrower, they may present a greater degree of investment risk than senior loans and second lien loans but often pay interest at higher rates reflecting this additional risk. Other than their more subordinated status, such investments have many characteristics and risks similar to senior loans and second lien loans discussed above. Subordinated interests of below investment grade quality share risks of other below investment grade debt instruments. Subordinated loans rank senior to common and preferred equity in a Borrower's capital structure. Subordinated loans may have elements of both debt and equity instruments, offering fixed or adjustable rates of return in the form of interest payments associated with senior debt, while providing lenders an opportunity to participate in the capital appreciation of a Borrower, if any, through an equity interest. This equity interest may take the form of warrants or direct equity investments which will be in conjunction with the subordinated loans. Due to their higher risk profile and often less restrictive covenants as compared to senior loans, subordinated loans generally earn a higher return than secured senior loans. The warrants associated with subordinated loans are typically detachable, which allows lenders the opportunity to receive repayment of their principal on an agreed amortization schedule while retaining their equity interest in the Borrower. Subordinated loans also may include a put feature, which permits the holder to sell its equity interest back to the Borrower at a price determined through an agreed formula. Symphony believes that there are investment opportunities in the subordinated loan segment, which it believes create the potential for attractive risk-adjusted returns.

The Fund may invest in subordinated loans that are primarily unsecured and that provide for relatively high, adjustable rates of interest, providing the Fund with significant current interest income. The subordinated loans in which the Fund may invest may have interest-only payments in the early years, with amortization of principal deferred to the later years of the subordinated loans. In some cases, the Fund may acquire subordinated loans that, by their terms, convert into equity or additional debt instruments or defer payments of interest for the first few years after issuance. Also, in some cases the subordinated loans in which the Fund may invest will be collateralized by a subordinated lien on some or all of the assets of the Borrower. Typically, subordinated loans in which the Fund may invest will have maturities of four to eight years.

The subordinated loan industry is highly specialized and the Fund will rely on Symphony and its employees' expertise in sourcing, evaluating, structuring, documenting and monitoring such investments by the Fund.

Certain Structured Notes. The Fund invests in structured notes (as defined below) that are designed to provide returns and risks that emulate those of senior loans, second lien loans and other adjustable rate corporate debt instruments.

The Fund acting as Originating Lender, Sole Lender and/or Agent. The Fund, in connection with its investments in senior secured loans, second lien loans and other loans, particularly those made to middle-market companies, may act as one of the group of lenders originating a loan (Originating Lender), may purchase the entire amount of a particular loan (Sole Lender), and may act as Agent in the negotiation of the terms of a loan and in the formation of a group of investors in a Borrower's loan.

When the Fund acts as an Originating Lender or Sole Lender it will generally participate in structuring the loan, and may share in an origination fee paid by the Borrower. When the Fund is an Originating Lender or Sole Lender it will generally have a direct contractual relationship with the Borrower, and may enforce compliance by the Borrower with the terms of the loan agreement. As Sole Lender the Fund generally also would have full voting and consent rights under the applicable loan agreement.

Acting in the capacity of an Agent with respect to a loan may subject the Fund to certain risks in addition to those associated with the Fund's role as a lender.

The Fund's ability to receive fee income also may be constrained by certain requirements for qualifying as a regulated investment company under the Internal Revenue Code of 1986, as amended (the "Code"). The Fund intends to comply with those requirements and may limit its investments in loans in which it acts as Originating Lender, Sole Lender or Agent in order to do so.

OTHER INVESTMENTS

The Fund may invest in fixed or floating rate debt instruments and other securities as described below:

The Fund may invest in structured products, such as structured notes. As a fundamental policy, the Fund will not invest in collateral loan obligations. Generally, investments in structured products are interests in entities organized and operated for the purpose of restructuring the investment characteristics of underlying investment interests or securities.

Structured Notes and Other Structured Products. The Fund may invest in structured notes issued by a financial institution. Structured notes are privately negotiated debt obligations, swap agreements or economically equivalent instruments where the principal and/or interest is determined by reference to the performance of a benchmark asset, market or interest rate (an "embedded index"), such as selected securities or loans, an index of securities or loans, or specified interest rates, or the differential performance of two assets or markets. Structured notes may be issued by corporations, including banks, as well as by governmental agencies. Structured notes frequently are assembled in the form of medium-term notes, but a variety of forms are available and may be used in particular circumstances. The terms of such structured notes normally provide that their principal and/or interest payments are to be adjusted upwards or index while the structured notes are outstanding. As a result, the interest and/or principal payments that may be made on a structured product may vary widely, depending on a variety of factors, including the volatility of the embedded index and the effect of changes in the embedded index on principal and/or interest payments. The rate of return on structured notes may be determined by applying a multiplier to the performance or differential performance of the referenced index(es) or other asset(s). Application of the multiplier involves leverage that will serve to magnify the potential for gain and the risk of loss. Symphony may utilize structured notes for investment purposes and also for risk management purposes, such as to reduce the duration and interest rate sensitivity of the Fund's portfolio. While structured notes may offer the potential for a favorable rate of return from time to time, they also entail certain risks. Structured notes may be less liquid than other debt instruments, and the price of structured notes may be more volatile. In some cases, depending on the terms of the embedded index, a structured note may provide that the principal and/or interest payments may be adjusted below zero. Structured notes also may involve significant credit risk and risk of default by the counterparty. Although structured notes are not necessarily illiquid, NFALLC believes that currently most structured notes are illiquid. Like other sophisticated strategies, the Fund's use of structured notes may not work as intended. If the value of the embedded index changes in a manner other than that expected by Symphony, principal and/or interest payments received on the structured notes may be substantially less than expected.

The Fund may have the right to receive payments to which it is entitled only from the structured product, and generally does not have direct rights against the issuer or the entity that sold the assets to the structured product trust. While certain structured products enable the investor to acquire interests in a pool of securities without the brokerage and other expenses associated with directly holding the same securities, investors in

structured products generally pay their share of the structured product's administrative and other expenses. Structured products may be private investment funds (structured as trusts or other types of pooled investment companies that are excluded from the definition of investment company under the 1940 Act by the operation of Section 3(c) (1) or 3(c) (7) thereof) or investment companies that are registered under the 1940 Act. Investment in such products involve operating expenses and fees that are in addition to the expenses and fees of the Fund, and such expenses and fees are borne indirectly by holders of Common Shares. For structured products that are registered under the 1940 Act, please also see Portfolio Composition Other Investment Companies.

Debtor-In-Possession Loans (DIPs). The Fund may invest in debtor-in-possession loans (DIPs), which are newly issued loans in connection with special situation restructuring and refinancing transactions. DIPs are loans to a debtor-in-possession in a proceeding under the U.S. bankruptcy code that have been approved by the bankruptcy court. DIPs are typically adjustable rate and fully secured by a lien on the debtor's otherwise unencumbered assets or secured by a junior lien on the debtor's encumbered assets (so long as the loan is fully secured based on the most recent current valuation or appraisal report of the debtor). DIPs are often required to close with certainty and in a rapid manner in order to satisfy existing creditors and to enable the issuer to emerge from bankruptcy or to avoid a bankruptcy proceeding.

Derivatives. The Fund may engage in certain derivative instruments. Such instruments may include credit default swaps, or other derivative instruments whose prices, in Symphony's opinion, correlate with the prices of the Fund's investments. Credit default swaps may require initial premium (discount) payments as well as periodic payments (receipts) related to the interest leg of the swap or to the default of a reference obligation. If the Fund is a seller of a contract, the Fund would be required to pay the par (or other agreed upon) value of a referenced debt obligation to the counterparty in the event of a default or other credit event by the reference issuer, such as a U.S. or foreign corporate issuer, with respect to such debt obligations. In return, the Fund would receive from the counterparty a periodic stream of payments over the term of the contract provided that no event of default has occurred. If no default occurs, the Fund would keep the stream of payments and would have no payment obligations. As the seller, the Fund would be subject to investment exposure on the notional amount of the swap. If the Fund is a buyer of a contract, the Fund would have the right to deliver a referenced debt obligation and receive the par (or other agreed-upon) value of such debt obligation from the counterparty in the event of a default or other credit event (such as a credit downgrade) by the reference issuer, such as a U.S. or foreign corporation, with respect to its debt obligations. In return, the Fund would pay the counterparty a periodic stream of payments over the term of the contract provided that no event of default has occurred. If no default occurs, the counterparty would keep the stream of payments and would have no further obligations to the Fund. Interest rate swaps involve the exchange by the Fund with a counterparty of their respective commitments to pay or receive interest, such as an exchange of fixed-rate payments for floating rate payments. The Fund will usually enter into interest rate swaps on a net basis; that is, the two payment streams will be netted out in a cash settlement on the payment date or dates specified in the instrument, with the Fund receiving or paying, as the case may be, only the net amount of the two payments.

The Fund may utilize certain derivative instruments as a hedging technique to protect against potential adverse changes in the market value of portfolio securities. The Fund also may use derivatives to attempt to protect the net asset value of the Fund, to facilitate the sale of certain portfolio securities, to manage the Fund's effective interest rate exposure as a temporary substitute for purchasing or selling particular securities. From time to time, the Fund also may utilize derivative instruments to create investment exposure to the extent such derivatives may facilitate implementation of its strategy more efficiently than through outright purchases or sales of portfolio securities.

Other derivative instruments that may be used, or other transactions that may be entered into, by the Fund may include the purchase or sale of futures contracts on securities, credit-linked notes, securities indices, other indices or other financial instruments; options on futures contracts; exchange-traded and over-the-counter options on securities or indices; index linked securities; swaps; and currency exchange transactions. Some, but not all, of the derivative instruments may be traded and listed on an exchange. The positions in derivatives will be marked-to-market daily at the closing price established on the exchange or at a fair value.

There is no assurance that these derivative strategies will be available at any time or that NFALLC and Symphony will determine to use them for the Fund or, if used, that the strategies will be successful.

Other Corporate Debt Instruments. Corporate debt instruments generally are used by corporations to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and normally must repay the amount borrowed on or before maturity. Certain debt instruments in which the Fund may invest may be perpetual in that they have no maturity date and some may be convertible into equity securities of the issuer or its affiliates. The Fund may invest in debt instruments of any quality and such debt instruments may be secured or unsecured. In addition, certain debt instruments in which the Fund may invest may be subordinated to the payment of an issuer's senior debt.

U.S. Government Securities. U.S. Government securities include (1) U.S. Treasury obligations, which differ in their interest rates, maturities and times of issuance: U.S. Treasury bills (maturities of one year or less), U.S. Treasury notes (maturities of one year to ten years) and U.S. Treasury bonds (generally maturities of greater than ten years) and (2) obligations issued or guaranteed by U.S. Government agencies and instrumentalities that are supported by any of the following: (i) the full faith and credit of the U.S. Treasury, (ii) the right of the issuer to borrow an amount limited to a specific line of credit from the U.S. Treasury, (iii) discretionary authority of the U.S. Government to purchase certain obligations of the U.S. Government agency or instrumentality or (iv) the credit of the agency or instrumentality. The Fund also may invest in any other security or agreement collateralized or otherwise secured by U.S. Government securities. Agencies and instrumentalities of the U.S. Government include but are not limited to: Federal Land Banks, Federal Financing Banks, Banks for Cooperatives, Federal Intermediate Credit Banks, Farm Credit Banks, Federal Home Loan Banks, FHLMC, FNMA, GNMA, Student Loan Marketing Association, United States Postal Service, Small Business Administration, Tennessee Valley Authority and any other enterprise established or sponsored by the U.S. Government. Because the U.S. Government generally is not obligated to provide support to its instrumentalities, the Fund invests in obligations issued by these instrumentalities only if Symphony determines that the credit risk with respect to such obligations is minimal.

The principal of and/or interest on certain U.S. Government securities which may be purchased by the Fund could be (i) payable in non-U.S. currencies rather than U.S. dollars or (ii) increased or diminished as a result of changes in the value of the U.S. dollar relative to the value of non-U.S. currencies. The value of such portfolio securities may be affected favorably by changes in the exchange rate between foreign currencies and the U.S. dollar.

Commercial Paper. Commercial paper represents short-term unsecured promissory notes issued in bearer form by corporations such as banks or bank holding companies and finance companies. The rate of return on commercial paper may be linked or indexed to the level of exchange rates between the U.S. dollar and a foreign currency or currencies.

Warrants and Equity Securities. The Fund may acquire equity securities and warrants issued by an issuer or its affiliates as part of a package of investments in the issuer or its affiliates issued in connection with an adjustable rate instrument or other debt instrument of the issuer. The Fund also may convert a warrant so acquired into the underlying security. Investments in warrants and equity securities entail certain risks in addition to those associated with investments in adjustable rate instruments or other debt instruments. The value of warrants and equity securities may be affected more rapidly, and to a greater extent, by company-specific developments and general market conditions. These risks may increase fluctuations in the Fund's net asset value. The Fund may possess material non-public information about an issuer as a result of its ownership of an adjustable rate instrument or other debt instrument of such issuer. Because of prohibitions on trading in securities of issuers while in possession of such information the Fund might be unable to enter into a transaction in a security of such an issuer when it would otherwise be advantageous to do so.

Below Investment Grade Securities. Investments in below investment grade securities generally provide greater income and increased opportunity for capital appreciation than investments in higher quality securities, but they also typically entail greater price volatility and principal and income risk, including the possibility of issuer default and bankruptcy. Issuers of below investment grade securities may be highly leveraged and may not have available to them more traditional methods of financing. Securities in the lowest investment grade category also may be considered to possess some speculative characteristics by certain rating agencies. In addition, analysis of the creditworthiness of issuers of below investment grade securities may be more complex than for issuers of higher quality securities. Below investment grade securities may be more susceptible to real or perceived adverse economic and competitive industry conditions than investment grade securities. A projection of an economic downturn or of a period of rising interest rates, for example, could cause a decline in lower-grade security prices because the advent of a recession could lessen the ability of an issuer to make principal and interest payments on its debt obligations. If an issuer of below investment grade securities defaults, in addition to risking payment of all or a portion of interest and principal, the Fund may incur additional expenses to seek recovery. In the case of below investment grade securities structured as zero coupon or payment-in-kind securities, their market prices will normally be affected to a greater extent by interest rate changes, and therefore tend to be more volatile than securities which pay interest currently and in cash. Symphony seeks to reduce these risks through diversification, credit analysis and attention to current developments and trends in both the economy and financial markets.

The secondary market for below investment grade securities may not be as liquid as the secondary market for more highly rated securities, a factor which may have an adverse effect on the Fund's ability to dispose of a particular security. There are fewer dealers in the market for below investment grade securities than for investment grade obligations. The prices quoted by different dealers may vary significantly and the spread between the bid and ask price is generally much larger than for higher quality instruments. Under adverse market or economic conditions, the secondary market for below investment grade securities could contract further, independent of any specific adverse changes in the condition of a particular issuer, and these instruments may become illiquid. As a result, the Fund could find it more difficult to sell these securities or may be able to sell the securities only at prices lower than if such securities were widely traded. Prices realized upon the sale of such lower rated or unrated securities, under these circumstances, may be less than the prices used in calculating the Fund's net asset value.

Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the values and liquidity of below investment grade securities, especially in a thinly traded market. When secondary markets for below investment grade securities are less liquid than the market for investment grade securities, it may be more difficult to value the securities because such valuation may require more research, and elements of judgment may play a greater role in the valuation because there is less reliable, objective data available. During periods of thin trading in these markets, the spread between bid and asked prices is likely to increase significantly and the Fund may have greater difficulty selling its portfolio securities. The Fund will be more dependent on Symphony's research and analysis when investing in below investment grade securities. Symphony seeks to minimize the risks of investing in all securities through in-depth credit analysis and attention to current developments in interest rates and market conditions.

A general description of the ratings of securities by Moody's, S&P and Fitch is set forth in Appendix A to this SAI. The ratings of Moody's, S&P and Fitch represent their opinions as to the quality of the securities they rate. It should be emphasized, however, that ratings are general and are not absolute standards of quality. Consequently, in the case of debt obligations, certain debt obligations with the same maturity, coupon and rating may have different yields while debt obligations with the same maturity and coupon with different ratings may have the same yield. For these reasons, the use of credit ratings as the sole method of evaluating lower-grade securities can involve certain risks. For example, credit ratings evaluate the safety of principal and interest payments, not the market value risk of lower-grade securities. Also, credit rating agencies may fail to change credit ratings in a timely fashion to reflect events since the security was last rated.

Symphony does not rely solely on credit ratings when selecting securities for the Fund, and develops its own independent analysis of issuer credit quality.

The Fund's credit quality policies apply only at the time a security is purchased, and the Fund is not required to dispose of a security in the event that a rating agency or Symphony downgrades its assessment of the credit characteristics of a particular issue. In determining whether to retain or sell such a security, Symphony may consider such factors as its assessment of the credit quality of the issuer of such security, the price at which such security could be sold and the rating, if any, assigned to such security by other rating agencies. However, analysis of the creditworthiness of issuers of below investment grade securities may be more complex than for issuers of higher quality debt instruments.

Convertible Securities. Convertible securities are bonds, debentures, notes, preferred securities or other securities that may be converted or exchanged (by the holder or the issuer) into shares of the underlying common stock (or cash or securities of equivalent value) at a stated exchange ratio or predetermined price (the "conversion price"). Convertible securities have general characteristics similar to both debt instruments and common stocks. The interest paid on convertible securities may be fixed or floating rate. Floating rate convertible securities may specify an interest rate or rates that are conditioned upon changes to the market price of the underlying common stock. Convertible securities also may be issued in zero coupon form with an original issue discount. See *Portfolio Composition Other Investments Zero Coupon Bonds*. Although to a lesser extent than with debt instruments, the market value of convertible securities tends to decline as interest rates increase and, conversely, tends to increase as interest rates decline. In addition, because of the conversion feature, the market value of convertible securities tends to vary with fluctuations in the market value of the underlying common stocks and, therefore, will also react to variations in the general market for common stocks. Depending upon the relationship of the conversion price to the market value of the underlying common stock, a convertible security may trade more like a common stock than a debt instrument. A convertible security generally entitles the holder to receive interest paid or accrued until the convertible security matures or is redeemed, converted or exchanged. Convertible securities rank senior to common stock in a corporation's capital structure and, therefore, generally entail less risk than the corporation's common stock, although the extent to which such risk is reduced depends in large measure upon the degree to which the convertible security sells above its value as a debt obligation. Before conversion, convertible securities have characteristics similar to non-convertible debt obligations and can provide for a stable stream of income with generally higher yields than common stocks. However, convertible securities fall below debt obligations of the same issuer in order of preference or priority in the event of a liquidation, and are typically unrated or rated lower than such debt obligations. In addition, contingent payment convertible securities allow the issuer to claim deductions based on its nonconvertible cost of debt which generally will result in deductions in excess of the actual cash payments made on the securities (and accordingly, holders will recognize income in amounts in excess of the cash payments received). There can be no assurance of current income because the issuers of the convertible securities may default on their obligations. The convertible securities in which the Fund may invest may be below investment grade quality.

Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar credit quality because of the potential for capital appreciation. A convertible security, in addition to providing current income, offers the potential for capital appreciation through the conversion feature, which enables the holder to benefit from any increases in the market price of the underlying common stock. The common stock underlying convertible securities may be issued by a different entity than the issuer of the convertible securities.

The value of convertible securities is influenced by both the yield of non-convertible securities of comparable issuers and by the value of the underlying common stock. The value of a convertible security viewed without regard to its conversion feature (*i.e.*, strictly on the basis of its yield) is sometimes referred to as its "investment value." The investment value of the convertible security typically will fluctuate based on the credit quality of the issuer and will fluctuate inversely with changes in prevailing interest rates. However, at the same time, the convertible security will be influenced by its "conversion value," which is the market value of the underlying common stock that would be obtained if the convertible security were converted. Conversion value

fluctuates directly with the price of the underlying common stock, and will therefore be subject to risks relating to the activities of the issuer and/or general market and economic conditions. Depending upon the relationship of the conversion price to the market value of the underlying security, a convertible security may trade more like an equity security than a debt instrument.

If, because of a low price of the common stock, the conversion value is substantially below the investment value of the convertible security, the price of the convertible security is governed principally by its investment value. If the conversion value of a convertible security increases to a point that approximates or exceeds its investment value, the value of the security will be principally influenced by its conversion value. A convertible security will sell at a premium over its conversion value to the extent investors place value on the right to acquire the underlying common stock while holding a fixed-income security.

Mandatory convertible securities are distinguished as a subset of convertible securities because the conversion is not optional and the conversion price at maturity (or redemption) is based solely upon the market price of the underlying common stock, which may be significantly less than par or the price (above or below par) paid. Mandatory convertible securities may be called for conversion by the issuer after a particular date and under certain circumstances (including at specified price) established upon its issuance. For these reasons, the risks associated with the investing in mandatory convertible securities most closely resemble the risks inherent in common stocks. Mandatory convertible securities customarily pay a higher coupon yield to compensate for the potential risk of additional price volatility and loss upon redemption. Since the correlation of common stock risk increases as the security approaches its redemption date, there can be no assurance that the higher coupon will compensate for the potential loss. If a mandatory convertible security is called for conversion, the Fund will be required to either convert it into the underlying common stock or sell it to a third party, which may have an adverse effect on the Fund's ability to achieve its investment objective. Convertible securities generally offer lower interest or dividend yields than non-convertible fixed-income securities of similar credit quality because of the potential for capital appreciation. The market values of convertible securities tend to decline as interest rates increase and, conversely, to increase as interest rates decline. However, a convertible security's market value also tends to reflect the market price of the common stock of the issuing company, particularly when the stock price is greater than the convertible security's conversion price. The conversion price is defined as the predetermined price or exchange ratio at which the convertible security can be converted or exchanged for the underlying common stock. As the market price of the underlying common stock declines below the conversion price, the price of the convertible security tends to be increasingly influenced more by the yield of the convertible security than by the market price of the underlying common stock.

Repurchase Agreements. The Fund may invest in repurchase agreements. A repurchase agreement is a contractual agreement whereby the seller of securities agrees to repurchase the same security at a specified price on a future date agreed upon by the parties. The agreed-upon repurchase price determines the yield during the Fund's holding period. Repurchase agreements are considered to be loans collateralized by the underlying security that is the subject of the repurchase contract. The Fund will only enter into repurchase agreements with registered securities dealers or domestic banks that, in the opinion of Symphony, present minimal credit risk. The risk to the Fund is limited to the ability of the issuer to pay the agreed-upon repurchase price on the delivery date; however, although the value of the underlying collateral at the time the transaction is entered into always equals or exceeds the agreed-upon repurchase price, if the value of the collateral declines there is a risk of loss of both principal and interest. In the event of default, the collateral may be sold but the Fund might incur a loss if the value of the collateral declines, and might incur disposition costs or experience delays in connection with liquidating the collateral. In addition, if bankruptcy proceedings are commenced with respect to the seller of the security, realization upon the collateral by the Fund may be delayed or limited. Symphony will monitor the value of the collateral at the time the transaction is entered into and at all times subsequent during the term of the repurchase agreement in an effort to determine that such value always equals or exceeds the agreed-upon repurchase price. In the event the value of the collateral declines below the repurchase price, Symphony will demand additional collateral from the issuer to increase Symphony of the collateral to at least that of the repurchase price, including interest.

Non-U.S. Companies. The Fund may invest up to 50% of its Managed Assets in dollar-denominated securities of non-U.S. companies through the direct investment in securities of such companies and through depositary receipts. [For purposes of identifying non-U.S. companies, the Fund will use a Bloomberg classification, which employs the following factors listed in order of importance: (i) the country in which the company's management is located, (ii) the country in which the company's securities are primarily listed, (iii) the country from which the company primarily receives revenue, and (iv) the company's reporting currency.] The Fund may purchase depositary receipts such as American Depositary Receipts (ADRs), European Depositary Receipts (EDRs) and Global Depositary Receipts (GDRs). ADRs, EDRs and GDRs are certificates evidencing ownership of shares of foreign issuers and are alternatives to purchasing directly the underlying foreign securities in their national markets and currencies.

The Fund may invest in dollar-denominated securities of emerging markets issuers. Emerging markets issuers are those (i) whose securities are traded principally on a stock exchange or over-the-counter in an emerging market country, (ii) organized under the laws of an emerging market country or (iii) whose principal place of business or principal office(s) is in an emerging market country. Emerging market countries include any country other than Canada, the United States and the countries comprising the MSCI EAFE® Index (currently, Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom).

Zero Coupon Bonds. The Fund's investments in debt instruments may be in the form of a zero coupon bond. A zero coupon bond is a bond that typically does not pay interest either for the entire life of the obligation or for an initial period after the issuance of the obligation. When held to its maturity, the holder receives the par value of the zero coupon bond, which generates a return equal to the difference between the purchase price and its maturity value. A zero coupon bond is normally issued and traded at a deep discount from face value. This original issue discount (OID) approximates the total amount of interest the security will accrue and compound prior to its maturity and reflects the payment deferral and credit risk associated with the instrument. Because zero coupon securities and other OID instruments do not pay cash interest at regular intervals, the instruments' ongoing accruals require ongoing judgments concerning the collectability of deferred payments and the value of any associated collateral. As a result, these securities may be subject to greater value fluctuations and less liquidity in the event of adverse market conditions than comparably rated securities that pay cash on a current basis. Because zero coupon bonds, and OID instruments generally, allow an issuer to avoid or delay the need to generate cash to meet current interest payments, they may involve greater payment deferral and credit risk than coupon loans and bonds that pay interest currently or in cash. The Fund generally will be required to distribute dividends to shareholders representing the income of these instruments as it accrues, even though the Fund will not receive all of the income on a current basis or in cash. Thus, the Fund may have to sell other investments, including when it may not be advisable to do so, and use the cash proceeds to make income distributions to its shareholders. For accounting purposes, these cash distributions to shareholders will not be treated as a return of capital.

Further, NFALLC collects management fees on the value of a zero coupon bond or OID instrument attributable to the ongoing non-cash accrual of interest over the life of the bond or other instrument. As a result, NFALLC receives non-refundable cash payments based on such non-cash accruals while investors incur the risk that such non-cash accruals ultimately may not be realized.

WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS

The Fund may buy and sell securities on a when-issued or delayed delivery basis, making payment or taking delivery at a later date, normally within 15-45 days of the trade date. On such transactions the payment obligation and the interest rate are fixed at the time the buyer enters into the commitment. Beginning on the date the Fund enters into a commitment to purchase securities on a when-issued or delayed delivery basis, the Fund is required under rules of the Securities and Exchange Commission (the SEC) to maintain in a separate account liquid

assets, consisting of cash, cash equivalents or liquid securities having a market value at all times of at least equal to the amount of any delayed payment commitment. The Fund may enter into contracts to purchase securities on a forward basis (*i.e.*, where settlement will occur more than 60 days from the date of the transaction) only to the extent that the Fund specifically collateralizes such obligations with a security that is expected to be called or mature within sixty days before or after the settlement date of the forward transaction. The commitment to purchase securities on a when-issued, delayed delivery or forward basis may involve an element of risk because no interest accrues on the bonds prior to settlement and at the time of delivery the market value may be less than their cost.

SEGREGATION OF ASSETS

As a closed-end investment company registered with the SEC, the Fund is subject to the federal securities laws, including the 1940 Act, the rules thereunder, and various interpretive positions of the SEC and its staff. In accordance with these laws, rules and positions, the Fund must set aside (often referred to as asset segregation) liquid assets, or engage in other SEC or staff-approved by the independent registered public accounting firm. Under the established policy, all audit and tax services and related fees require the specific approval of the Audit Committee. For audit-related services and all other services, the Audit Committee has determined specific services and dollar thresholds under which such services would be considered pre-approved. To the extent that management requests services other than these pre-approved services, or beyond the dollar thresholds, the Audit Committee must specifically approve the services. In situations where approval of such services is required prior to the next regularly scheduled meeting of the Audit Committee, the Audit Committee has delegated authority to approve such services to the Chairman of the Audit Committee. Furthermore, under the established policy, the independent registered public accounting firm is prohibited from performing the non-audit services identified by the SEC and the Public Company Accounting Oversight Board (PCAOB) as prohibited. The policy also requires management to periodically prepare reports for the Audit Committee on the Company's use of the independent registered public accounting firm.

Table of Contents**AUDIT COMMITTEE REPORT TO STOCKHOLDERS (continued)****Fees Paid to Independent Registered Public Accounting Firm**

The following table represents fees for professional audit services rendered by Deloitte & Touche LLP for the audit of the Company's consolidated financial statements as of and for the years ended September 30, 2016 and September 30, 2015 and fees billed for other services rendered by Deloitte & Touche LLP during that period. All of such fees were approved in accordance with the Pre-approval Policy described above.

Year Ended September 30	2016 (\$)	2015 (\$)
Audit Fees	2,438,570	2,484,620
Audit Related Fees(1)	137,050	169,710
Tax Fees	417,418	770,783
All Other Fees	7,708	123
Total	3,000,746	3,425,236

(1) Audit Related Fees consist of assurance and related services that are reasonably related to the performance of the audit of the financial statements. This category includes fees for pension and benefit plan audits, consultations concerning accounting and financial reporting standards, assistance with statutory financial reporting, consultation on general internal control matters or Sarbanes-Oxley Act assistance, due diligence related to mergers and acquisitions, and other auditing procedures and issuance of special purpose reports. In November 2016, the Audit Committee recommended and approved the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm.

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PROPOSAL 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has selected the accounting firm of Deloitte & Touche LLP to serve as the Company's independent registered public accounting firm for the fiscal year ending September 30, 2017. The decision of the Audit Committee to appoint Deloitte & Touche LLP was based on careful consideration of the firm's qualifications as an independent registered public accounting firm. Deloitte & Touche LLP was originally selected by the Audit Committee as the Company's independent registered public accounting firm effective December 6, 2007.

Although the Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of any independent registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, the Audit Committee and the Board are requesting, as a matter of policy, that stockholders ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending September 30, 2017. The Audit Committee is not required to take any action as a result of the outcome of the vote on this proposal. However, if the stockholders do not ratify the appointment, the Audit Committee would investigate the reasons for the stockholders rejection and would consider whether to retain Deloitte & Touche LLP or to appoint another independent registered public accounting firm. Furthermore, even if the appointment is ratified, the Audit Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders.

A proposal to ratify the appointment of Deloitte & Touche LLP for the current year will be presented at the Annual Meeting. A representative from Deloitte & Touche LLP is expected to attend the Annual Meeting and will have the opportunity to make a statement, if he or she desires to do so, and be available to answer appropriate questions.

Your Board unanimously recommends a vote FOR the ratification of the appointment of the independent registered public accounting firm presented in Proposal 2.

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PROPOSAL 3 ADVISORY RESOLUTION REGARDING THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS

As required by Section 14A of the Securities Exchange Act of 1934, we are offering our stockholders an opportunity to cast an advisory vote on the compensation of our named executive officers, as disclosed in this proxy statement. Additionally, and in response to the advisory vote of our stockholders at our 2010 Annual Meeting regarding the recommended frequency of such an advisory resolution, we have presented this proposal to stockholders on an annual basis. Every six years we are required to hold a vote regarding the frequency of such an advisory resolution. Accordingly, a proposal regarding the frequency of such resolution is presented as Proposal 4 in this proxy statement. Although the vote is non-binding, we value continuing and constructive feedback from our stockholders on compensation and other important matters. The Board and the Compensation Committee will consider the voting results when making future compensation decisions.

As described in the Compensation Discussion and Analysis section of this proxy statement, we believe that our Executive Compensation Program (1) provides a competitive total compensation program that enables us to attract, retain and motivate a high-performance executive management team, and (2) aligns the interests of the NEOs with the interests of our stockholders in different ways, by focusing on both short-term and long-term performance goals, by promoting ownership of the Company, and by linking individual performance to our fundamental financial performance. For example:

We encourage long-term stock ownership by our executive officers with award features, such as graduated vesting on stock option awards at 25% per year beginning on the first anniversary of the grant date.

We have stock ownership guidelines that require our CEO to own shares of our common stock equal to 5 times annual base salary; our CFO and business group Presidents to own shares of our common stock equal to 3 times annual base salary; and our Corporate Vice Presidents to own shares of our common stock equal to 2 times annual base salary, other than in special circumstances as may be determined by the Compensation Committee.

Our annual incentive compensation plans are aligned between Company executives and all other employees of the Company to promote unified achievement of Company goals and objectives.

We establish total compensation (base salary, annual short-term cash incentives, and long-term incentives) for each NEO that is competitive with total compensation for executives in comparable positions at companies in our peer comparator group.

We place a strong emphasis on variable compensation, which is designed so that the payout opportunity is directly linked to the achievement of pre-determined financial performance metrics, with upside opportunity for exceeding the pre-determined goals.

Our allocation of cash compared to non-cash compensation is weighted significantly toward cash-based compensation in order to (1) minimize the extent to which the interests of existing stockholders are diluted by equity used as compensation and (2) balance operating performance with delivering returns to our stockholders.

In light of our fiscal year 2016 financial results, we believe that the compensation paid to our NEOs in fiscal year 2016 was aligned with our financial performance for the reasons discussed under the caption

Compensation Discussion and Analysis Compensation Philosophy and Strategy Fiscal Year 2016 Pay for Performance.

We believe that proper administration of our Executive Compensation Program should result in the development of a management team that improves our fundamental financial performance and provides value to the long-term interests of the Company and its stockholders. Additional information relevant to your vote can be found in the Compensation Discussion and Analysis and Executive Compensation sections of this proxy statement.

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PROPOSAL 3 ADVISORY RESOLUTION REGARDING THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS (continued)

For these reasons, we recommend that stockholders vote in favor of the following resolution:

RESOLVED, that the compensation paid to Woodward's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion presented in Woodward's proxy statement for its 2016 Annual Meeting of Stockholders, is hereby APPROVED.

Your Board unanimously recommends that you vote FOR this advisory resolution.

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PROPOSAL 4 ADVISORY VOTE ON THE FREQUENCY OF FUTURE ADVISORY VOTES ON NAMED EXECUTIVE OFFICER COMPENSATION

The Dodd-Frank Act and Section 14A of the Exchange Act enable our stockholders to indicate their preference at least once every six years regarding how frequently we should solicit a non-binding advisory vote on the compensation of our named executive officers as disclosed in our proxy statement. Our last such vote was in January 2011. Accordingly, we are asking our stockholders to indicate whether they would prefer an advisory vote every one, two or three years. Alternatively, stockholders may abstain from casting a vote.

After considering the benefits and consequences of each alternative, our Board recommends that the advisory vote on the compensation of our named executive officers be submitted to the stockholders every year as it has done since 2011. In formulating its recommendation, our Board considered that compensation decisions are made annually and that an annual advisory vote on executive compensation will allow stockholders to provide more frequent and direct input on our compensation philosophy, policies and practices.

The alternative among one year, two years or three years that receives the highest number of votes from the holders of shares of our common stock present in person or by proxy and entitled to vote at the Annual Meeting will be deemed to be the frequency preferred by our stockholders. Abstentions and broker non-votes will have no effect on this proposal.

While our Board believes that its recommendation is appropriate at this time, the stockholders are not voting to approve or disapprove that recommendation, but are instead asked to indicate their preference, on an advisory basis, as to whether the non-binding advisory vote on the approval of our named executive officer compensation should be held every year, two years or three years.

Our Board and our Compensation Committee value the opinions of our stockholders in this matter and, to the extent there is any significant vote in favor of one time period over another, will take into account the outcome of this vote when making future decisions regarding the frequency of holding future advisory votes on the compensation of our named executive officers. However, because this is an advisory vote and therefore not binding on our Board or the Compensation Committee, our Board or Compensation Committee may decide that it is in the best interests of our stockholders that we hold an advisory vote on the compensation of our named executive officers more or less frequently than the option preferred by our stockholders. The results of the vote will not be construed to create or imply any change or addition to the fiduciary duties of our board of directors.

Your Board unanimously recommends a vote to hold future advisory votes on named executive officer compensation every ONE YEAR

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PROPOSAL 5 APPROVAL OF THE WOODWARD, INC. 2017 OMNIBUS INCENTIVE PLAN

The Woodward Board of Directors (the Board) has adopted, subject to stockholder approval, the Woodward, Inc. 2017 Omnibus Incentive Plan (the 2017 Plan). A copy of the 2017 Plan is attached to this proxy statement as Exhibit A. The Board intends that the 2017 Plan will replace the 2006 Omnibus Incentive Plan (the 2006 Plan), which expired by its terms in 2016.

The purposes of the 2017 Plan are to attract and retain the best available individuals for positions of substantial responsibility, and to provide to such individuals additional incentives that are aligned with and promote the success of the Company. The 2017 Plan also is designed to encourage stock ownership by employees, consultants, or non-employee directors who are granted awards under the 2017 Plan (Participants), thereby further aligning their interests with those of the Company s stockholders and to permit the payment of compensation that is intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code (the Code). In developing the specific terms of the 2017 Plan, the Board considered proxy advisory firm guidelines in order to increase the likelihood of a positive recommendation from those firms.

Why Stockholders Should Approve the 2017 Plan

The Company does not have an active equity incentive plan. If approved by the stockholders, the 2017 Plan will replace the Company s expired 2006 Plan. No additional grants may be made under the 2006 Plan. If the 2017 Plan is not approved, the Company will be placed at a competitive disadvantage, making it more difficult to attract, retain and motivate its employees, officers and non-employee directors (such directors, Outside Directors).

Equity awards are an important component of the Company s compensation program. The 2017 Plan will help the Company to continue to attract and retain the services of qualified employees, officers and Outside Directors.

Equity incentives align the interests of our employees, officers and Outside Directors with those of other stockholders. Equity incentives appropriately incent recipients to focus on growth in stockholder value.

The 2017 Plan provides flexibility. The Company will be able to continue to adapt the compensation of key individuals to accommodate changes in best practices, law, accounting principles and corporate objectives.

Approval of the 2017 Plan includes approval of the 2017 Plan for purposes of Section 162(m) of the Code. Stockholder approval of the 2017 Plan permits the Compensation Committee of the Board (the Committee) to grant to employees awards that are intended to be fully tax deductible to the Company notwithstanding the Code Section 162(m) limits.

Effect of Stockholder Approval of 2017 Plan

If stockholders do not approve the 2017 Plan, we will not use the 2017 Plan for future grants, and any Awards (as defined below, including options, bonus opportunities and any other Awards) that previously were granted under the 2017 Plan will be cancelled. Except for the options and target cash incentive opportunities discussed below in the Eligibility and Grants Outstanding under the 2017 Plan sections of this Proposal 5, no grants are currently outstanding under the 2017 Plan.

Shares Initially Available Under the 2017 Plan

As of November 21, 2016, a total of 61,704,788 shares of common stock of the Company (Shares) were outstanding. An aggregate of two million Shares initially will be available for issuance under the 2017 Plan. Of this number, only 200,000 Shares may be issued as awards of restricted stock, restricted stock units, performance units or performance shares (Full Value Awards).

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PROPOSAL 5 APPROVAL OF THE WOODWARD, INC. 2017 OMNIBUS INCENTIVE PLAN (continued)

The number of aggregate Shares to initially be available was determined based on analysis of various factors, including historical burn rate, potential dilution, industry plan cost standards, and our anticipated equity compensation needs. In 2014, 2015 and 2016, the 2006 Plan's average burn rate was 1.34 percent, calculated as follows:

The Aggregate Number of Shares Subject to Awards Granted during the Year

Weighted Average Number of Shares Outstanding during the Year

The potential dilution to current stockholders that could result from the future issuance of Shares available under the 2017 Plan, in addition to Shares subject to awards outstanding under the 2006 Plan, would be approximately 10.18 percent, calculated as follows:

New Shares Requested + Shares Subject to Outstanding Awards

New Shares Requested + Shares Subject to Outstanding Awards + Total Common Shares Outstanding

Based on these factors and the Company's recent grant practices, the Shares requested for use and reserved under the 2017 Plan are currently expected to meet our equity grant needs for approximately two years. The Shares reserved may, however, last for more or less than two years depending on currently unknown factors, such as the number of grant recipients, future grant practices of our peers, and the Share price.

Status of the 2006 Plan

As of November 21, 2016, 4,836,176 million Shares were subject to outstanding awards granted under the 2006 Plan, including 4,811,815 options, with an average exercise price of \$35.35 and an average remaining term of 5.97 years, and 24,361 Full Value Awards.

The terms and conditions of outstanding awards under the 2006 Plan will not be affected by the approval of the 2017 Plan, and the 2006 Plan will remain in effect with respect to such awards. However, if an outstanding award under the 2006 Plan is cancelled or forfeited, the Shares subject to that award will not again be available for grants under the 2006 Plan, nor will it be added to the pool of Shares available under the 2017 Plan.

2017 Plan Summary

This summary of the 2017 Plan's principal features is qualified in its entirety by reference to the 2017 Plan, which is attached to this proxy statement as Exhibit A.

The 2017 Plan permits the Company to grant various types of incentive awards, including: (1) stock options, (2) stock appreciation rights, (3) restricted stock, (4) performance units, (5) performance shares, (6) restricted stock units, (7) other stock-based awards, (8) annual incentive awards, and (9) cash-based awards (individually, an Award, and collectively, Awards).

Code Section 162(m) limits the tax deduction available to public companies for annual compensation paid to the chief executive officer and the three other most highly paid executive officers other than the chief financial officer (covered employees) in excess of \$1 million, unless the compensation qualifies as performance-based or is otherwise exempt. The 2017 Plan permits, but does not require, the Committee to award to covered employees compensation that is intended to be exempt from the tax deduction limits of Code Section 162(m), in part by setting the following per person limits on awards that an individual Participant can receive in any fiscal year of the Company (Fiscal Year) under the 2017 Plan: (i) no more than 600,000 Shares may be subject to stock options and stock appreciation rights (subject to an additional award of an additional 900,000 in the fiscal year of hire); (ii) no more than 150,000 Shares may be subject to Full Value Awards (subject to an additional award of an additional 50,000 in the fiscal year of hire); and (iii) the maximum amount that may be paid for all performance periods ending during a Fiscal Year) with respect to cash-based Awards is \$10,000,000. No Outside Director may be granted Awards which, in the aggregate, exceed \$300,000, provided that such amount is increased to \$450,000 in the Fiscal Year of his or her initial service as an Outside Director.

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PROPOSAL 5 APPROVAL OF THE WOODWARD, INC. 2017 OMNIBUS INCENTIVE PLAN (continued)

Shares Reserved

The 2017 Plan authorizes the grant of awards with respect to an aggregate of 2 million Shares of common stock of the Company (Shares), which is equal to approximately 3.2 percent of the Company's outstanding Shares as of November 21, 2016. Of the 2 million Shares, an aggregate of only 200,000 Shares may be issued as Full Value Awards. Shares issued under the 2017 Plan may either be (i) authorized but unissued shares or (ii) Shares that have been or may be reacquired in the open market, in private transactions, or otherwise. As of November 21, 2016, the closing price of our common stock on NASDAQ was \$67.70 per Share.

The 2017 Plan does not permit what is known as liberal share recycling. Upon exercise of a stock appreciation right settled in Shares, the gross number of Shares covered by the portion of the Award so exercised will cease to be available under the 2017 Plan. Shares that have been actually issued under the 2017 Plan pursuant to any Award will not be returned to the 2017 Plan and will not become available for future grant or sale under the 2017 Plan, except that if unvested Shares of Full Value Awards are repurchased by the Company or are forfeited to the Company, those Shares will become available for future grant or sale under the 2017 Plan (unless the 2017 Plan is terminated). Shares used to pay the exercise price or purchase price of an Award, acquired in open market transactions using option proceeds, and/or used to satisfy withholding taxes related to the Award will not be available for future grant or sale under the 2017 Plan.

If an option or stock appreciation right expires or becomes unexercisable without having been exercised in full, then the unexercised Shares subject thereto will become available for future grant or sale under the 2017 Plan (unless the 2017 Plan has terminated). If a Full Value Award is forfeited or repurchased by the Company due to a failure to vest, then the forfeited or repurchased Shares subject thereto will become available for future grant or sale under the 2017 Plan (unless the 2017 Plan has terminated). To the extent an Award is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the 2017 Plan.

Administration

The 2017 Plan will be administered by the Committee of the Board or another committee duly appointed by the Board (the Committee). The 2017 Plan requires that the Committee consist of at least two directors, both of whom qualify as non-employee directors under Rule 16b-3 of the Securities Exchange Act of 1934 and as outside directors under Code Section 162(m). Except to the extent prohibited by applicable laws, the Committee may delegate to one or more individuals the day-to-day administration of the 2017 Plan and/or any of the functions assigned to the Committee in the 2017 Plan. Any such delegation may be revoked by the Committee at any time.

Subject to the other provisions of the 2017 Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Committee will have the authority, in its discretion:

- a) to select the employees, Outside Directors and consultants of the Company and its subsidiaries (Service Providers) to whom Awards may be granted;

- b) to determine the number of Shares or dollar amount to be covered by each Award;
- c) to approve forms of Award agreements for use under the 2017 Plan;
- d) to determine the terms and conditions, not inconsistent with the terms of the 2017 Plan, of any Award based in each case on such factors as the Committee will determine, including, but not limited to, the exercise price of an Award, the time or times when Awards vest or may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions and any restriction or limitation regarding any Award or the Shares relating thereto;
- e) to construe and interpret the terms of the 2017 Plan and each Award;

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PROPOSAL 5 APPROVAL OF THE WOODWARD, INC. 2017 OMNIBUS INCENTIVE PLAN (continued)

- f) to prescribe, amend and rescind rules and regulations relating to the 2017 Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable foreign laws or for qualifying for favorable tax treatment under applicable foreign laws;
- g) to modify or amend each Award, including, but not limited to, the discretionary authority to accelerate the vesting of Awards, to extend the post-termination exercisability period of Awards and to extend the maximum term of an option (but in no event longer than 10 years from the date of the Award);
- h) to determine the manner in which Participants may satisfy any applicable tax obligations;
- i) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Committee;
- j) to allow a Participant, in compliance with applicable laws including, but not limited to, Code Section 409A, to defer the receipt of the payment of cash or the issuance of Shares that would otherwise be due to such Participant under an Award;
- k) to impose such restrictions, conditions or limitations as the Committee determines appropriate as to the timing and manner of any resales by a Participant or other subsequent transfers by the Participant of any Shares issued as a result of or under an Award, including without limitation, (i) restrictions under an insider trading policy, (ii) restrictions as to the use of a specified brokerage firm for such resales or other transfers, and (iii) requirements for holding Shares in order to comply with Share ownership policies or guidelines adopted by the Company from time to time;
- l) to require that the Participant's rights, payments and benefits with respect to an Award (including amounts received upon the settlement or exercise of an Award) will be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance criteria of an Award, as may be specified in an Award Agreement at the time of grant, or later if (i) applicable laws require the Company to adopt a policy requiring such reduction, cancellation, forfeiture or recoupment, or (ii) pursuant to an amendment of an outstanding Award; and
- m) to make all other determinations the Committee deems necessary or advisable for administering the 2017 Plan.

Eligibility

Service Providers (including the persons named in the Summary Compensation Table below) will be eligible to receive Awards under the 2017 Plan. The actual number of individuals who will receive Awards cannot be determined in advance because the Committee has the discretion to select the Participants. As of September 30, 2016, approximately 7,000 persons, including approximately 6,900 employees, 100 consultants, and 9 Outside Directors, would have been eligible to receive awards under the 2017 Plan. On September 30, 2016, 164 persons, including 155 employees, 9 Outside Directors and 0 consultants were selected to receive Awards under the 2017 Plan, subject to stockholder approval of the 2017 Plan.

On October 3, 2016, the Committee granted option Awards to certain employees and all of our executive officers and Outside Directors. These option Awards grant a total of 785,800 Shares at an exercise price of \$62.57 and are described in more detail below in the Grants Outstanding Under the 2017 Plan section of this Proposal 5. These options have been granted subject to stockholder approval. Therefore, if stockholders do not approve the 2017 Plan, these options will be cancelled and the Award recipient will not receive any payment in exchange for cancellation of the Awards.

On November 15, 2016, the Committee granted Awards consisting of target cash incentive opportunities to our executive officers. These target cash incentive opportunities to our NEOs totaled \$2,159,800 under the WVIP program and \$1,084,450 under the Cash LTI program, each of which is pursuant to the authority provided under

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PROPOSAL 5 APPROVAL OF THE WOODWARD, INC. 2017 OMNIBUS INCENTIVE PLAN (continued)

the 2017 Plan. These Awards are described for our NEOs in more detail below in the Grants Outstanding Under the 2017 Plan section of this Proposal 5. If stockholders do not approve the 2017 Plan, these target cash incentive opportunities will be cancelled and the Award recipients will not receive any payment in exchange for cancellation of these Awards.

Duration

The 2017 Plan is effective as of September 14, 2016, the date of its adoption by the Board, and will remain in effect thereafter until determined by the Board. However, the 2017 Plan will terminate at the 2017 Annual Meeting of Stockholders of the Company if the 2017 Plan is not approved by an affirmative vote of the holders of a majority of the shares that are present in person or by proxy and entitled to vote at the meeting. No options intended to be incentive stock options may be granted after September 13, 2026, unless further stockholder approval (after the 2017 Annual Meeting) is obtained.

Adjustments

The 2017 Plan provides for equitable adjustment by the Committee, in the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, reincorporation, reclassification, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs. In the event of any such occurrence, the Committee, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the 2017 Plan, will adjust the number and class of shares of stock that may be issued under the 2017 Plan and/or the number, class and price of shares of stock covered by each outstanding Award.

No Repricing

The 2017 Plan expressly prohibits option repricing and certain other actions known as an Exchange Program. The Committee may not implement an Exchange Program (as defined) unless stockholders approve an amendment to the 2017 Plan that permits the implementation of an Exchange Program. We are not requesting stockholders to approve any such amendment at this time.

Performance Goals

The Committee in its discretion may make performance goals applicable to a Participant with respect to an Award. Performance goals are measured over one or more specified periods referred to as performance periods. Performance periods may not be shorter than one fiscal quarter. The maximum duration of performance periods under the amended 2017 Plan is twenty fiscal quarters. Therefore, if stockholders approve the amended 2017 Plan, the performance goals applicable to an Award will be measured over a performance period determined by the Committee but in any case not shorter than one fiscal quarter and not longer than five fiscal years.

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If the Committee desires that an Award be intended to qualify as performance-based compensation under Code Section 162(m) (discussed below), then at the Committee's discretion, one or more of the following performance goals or criteria may apply:

Cash flow;

Earnings;

Product and operational metrics;

Revenue; and/or

Total shareholder return.

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PROPOSAL 5 APPROVAL OF THE WOODWARD, INC. 2017 OMNIBUS INCENTIVE PLAN (continued)

Each of these goals is defined in the 2017 Plan and may be measured, as applicable (1) in absolute terms, (2) in combination with more than one performance goal, (3) in relative terms (including, but not limited to, as compared to results for other periods of time, and/or against another company or companies or index or indices), (4) with respect to equity, assets or human resources (for example, on a per-share or per-capita basis), (5) against the performance of the Company as a whole or a business unit or units or products of the Company, (6) on a pre-tax or after-tax basis, and/or (7) taking into consideration other factors as determined by the Committee in accordance with the 2017 Plan. The Committee may determine whether any element(s) or item(s) will be included in or excluded from the calculation of any performance goal with respect to any participants.

Minimum Vesting Requirements

No Full Value Award will be scheduled to vest earlier than the one-year anniversary of the grant date of such Award, subject to the other provisions of the 2017 Plan. Notwithstanding the foregoing, Full Value Awards that result in the issuance of an aggregate of up to five percent (5%) of the Shares initially available under the 2017 Plan may be granted to Service Providers, or such outstanding Awards modified, to the extent otherwise permissible under the 2017 Plan, without regard to such one-year minimum vesting requirement.

Options

The exercise price of each option will be determined by the Committee and set forth in the Award Agreement; provided, however, that such exercise price may generally not be less than one hundred percent (100%) of the fair market value of a Share on the grant date of the Award. The maximum term of each option will be ten (10) years from its Grant Date or such shorter term as may be provided by the Committee and set forth in the Award agreement. The Committee will determine whether the options are intended to be incentive stock options (which may receive more favorable tax treatment to the Participant under the Code) or nonqualified stock options (which do not qualify as incentive stock options).

The Committee may provide for the acceptable form of consideration for exercising an option, including the method of payment. Such consideration may consist of:

- a) cash;
- b) check;
- c) promissory note, to the extent permitted by applicable laws;
- d)

other Shares, provided that such Shares have a fair market value on the date of surrender equal to the aggregate exercise price for the Shares with respect to which such option will be exercised and provided that accepting such Shares will not result in any adverse accounting consequences to the Company, as the Committee determines in its sole discretion;

- e) consideration received by the Company under a broker-assisted (or other) cashless exercise program (whether through a broker or otherwise) implemented by the Company in connection with the 2017 Plan;
- f) by net exercise;
- g) such other consideration and method of payment for the issuance of Shares to the extent permitted by applicable laws; or
- h) any combination of the foregoing methods of payment.

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PROPOSAL 5 APPROVAL OF THE WOODWARD, INC. 2017 OMNIBUS INCENTIVE PLAN (continued)

Restricted Stock Awards and Restricted Stock Units

Restricted stock awards consist of Shares transferred to Participants, without payment, as additional compensation for their services to the Company or one of its subsidiaries. Restricted stock units consist of a contractual right of the Participant to receive Shares, or cash equal in value to those shares, in the future, without payment, as additional compensation for their services to the Company or one of its subsidiaries. Restricted stock awards and restricted stock units awarded under the 2017 Plan will be subject to such terms and conditions as the Committee determines are appropriate, including without limitation, restrictions on the sale or other disposition of such shares.

Performance Units and Performance Shares

The Committee may grant performance units and/or performance shares. Each performance unit will have an initial value that is established by the Committee on or before the Grant Date. Each performance share will have an initial value equal to the fair market value of a Share on the grant date. The Committee will set performance objectives or other vesting provisions in its discretion which, depending on the extent to which they are met, will determine the number or value of performance units/shares that will be paid out to the Participant.

Covered Employee Annual Incentive Awards

Under the 2017 Plan, the Committee may designate certain employees as eligible to receive a monetary payment with respect to a Fiscal Year based on a percentage of an incentive pool equal to the greatest of: (a) three percent (3%) of the Company's consolidated operating earnings for the fiscal year, (b) two percent (2%) of the Company's operating cash flow for the fiscal year, or (c) five percent (5%) of the Company's net income for the fiscal year. The Committee will allocate an incentive pool percentage to each eligible employee for each fiscal year. In no event may (i) the incentive pool percentage for any one employee exceed fifty percent (50%) of the total pool, or (ii) the sum of the incentive pool percentages for all eligible employees exceed one hundred percent (100%) of the total pool.

Cash-Based Awards

The Committee may grant other cash-based Awards in such amounts and upon such terms and conditions as the Committee, in its sole discretion, determines, provided that such terms and conditions are otherwise consistent with the terms and conditions of the 2017 Plan. The maximum amount that may be paid for all performance periods ending during a Fiscal Year with respect to cash-based awards is \$10 million.

Other Stock-Based Awards

The Committee may grant other stock-based awards not otherwise described by the terms of the 2017 Plan, including the grant or offer for sale of unrestricted Shares, in such amounts and upon such terms and conditions as the Committee, in its sole discretion, determines, provided that such terms and conditions are otherwise consistent with the terms and conditions of the 2017 Plan. Such Awards may involve the transfer of actual Shares to Participants, or the payment in cash or otherwise of amounts based on the value of Shares and may include, without limitation, Awards designed to comply with or take advantage of the applicable local laws of jurisdictions other than the United

States.

Awards to Outside Directors

Non-employee members of the Board are eligible to be granted Awards under the 2017 Plan. However, in any Fiscal Year, no Outside Director may receive Awards (the value of which will be based on their grant date fair value determined in accordance with generally accepted accounting principles) that, in the aggregate, exceed \$300,000, provided that such amount is increased to \$450,000 in the Fiscal Year of an Outside Director's initial service as such.

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PROPOSAL 5 APPROVAL OF THE WOODWARD, INC. 2017 OMNIBUS INCENTIVE PLAN (continued)

Change in Control

If a successor corporation does not assume or substitute for an Award upon such change in control to the successor, then (i) each Participant will fully vest in and have the right to exercise all of his or her outstanding options and stock appreciation rights, and (ii) all restrictions on restricted stock and restricted stock units will lapse. With respect to awards with performance-based vesting that are not assumed or substituted for, unless the applicable award agreement provides otherwise, all performance goals or other vesting criteria will be deemed achieved at target levels (prorated based on the portion of the performance period that has elapsed as of immediately prior to the closing of the transaction), and all other terms and conditions will be deemed met. In addition, if an option or stock appreciation right is not assumed or substituted for, the administrator will notify the Participant in writing or electronically that the option or stock appreciation right will be exercisable for a period of time determined by the administrator, in its sole discretion, and the option or stock appreciation right will terminate upon the expiration of such period.

For Awards granted to our Outside Directors that are assumed or substituted for in a merger or change in control, upon the termination of an Outside Director's service as a director of our or the successor corporation (other than a voluntary resignation that is not made at the successor's request), then (i) the Outside Director will fully vest in and have the right to exercise all of his or her outstanding options and stock appreciation rights, (ii) all restrictions on the Outside Director's restricted stock and restricted stock units will lapse, and (iii) with respect to the non-employee director's awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at target levels (prorated based on the portion of the performance period that elapsed as of immediately prior to the closing of the transaction) and all other terms and conditions will be deemed met.

Except as provided above, upon a change in control, each Award will be subject to the terms of the applicable Award agreement that was provided by the Committee for that Award.

Transferability

Awards may not be transferred for value or other consideration. Shares issued pursuant to a Restricted Stock Award or pursuant to the early exercise of an option (Restricted Shares) generally may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction, except or in accordance with the laws of descent and distribution.

Amendment and Termination

The Company, by action of the Board or its authorized Committee, may at any time and for any reason amend, alter, suspend or terminate the 2017 Plan, or any part thereof. However, the Company will obtain stockholder approval of any amendment to the 2017 Plan to the extent necessary and desirable to comply with applicable laws. Any amendment, alteration, suspension or termination of the 2017 Plan will not impair in any material way the rights or obligations of any Participant under any Award that is outstanding as of the effective date of the 2017 Plan amendment, alteration, suspension or termination, without the written consent of the Participant. A termination of the 2017 Plan will not affect the Committee's ability to exercise its authority under the 2017 Plan with respect to any Awards that are outstanding as of the effective date of the termination. No Award may be granted during any period of

suspension or after termination of the 2017 Plan.

Federal Income Tax Consequences

The following discussion is a brief summary of the principal United States federal income tax consequences of the 2017 Plan for a Participant who is a U.S. tax resident under the provisions of the Code currently in effect. The Code and its regulations are subject to change. This summary is not intended to be exhaustive and does not describe, among other things, state, local or foreign income and other tax consequences. The specific tax consequences to a Participant will depend upon that Participant's individual circumstances.

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PROPOSAL 5 APPROVAL OF THE WOODWARD, INC. 2017 OMNIBUS INCENTIVE PLAN (continued)

Options and Stock Appreciation Rights

Under existing law and regulations, the grant of options and stock appreciation rights will not result in income taxable to the employee or director. At the time of the exercise of a nonqualified stock option, the Participant will be taxed at ordinary income tax rates on the excess of the fair market value, at the time of exercise, of the shares purchased over the option's exercise price. At the time of the exercise of a stock appreciation right, the Participant will be taxed at ordinary income tax rates on the amount of the cash, or the fair market value of the shares, received by the employee upon exercise. No taxable income is reportable by a Participant when an incentive stock option is exercised (although the exercise may subject the Participant to alternative minimum tax and/or may affect the determination of the Participant's alternative minimum tax). If the Participant exercises an incentive stock option and later sells or otherwise disposes of the shares more than two years after the grant date and more than one year after the exercise date, the difference between the sale price and the exercise price will be taxed as capital gain or loss. If the Participant exercises the option and then later sells or otherwise disposes of the shares before the end of the two- or one-year holding periods described above, he or she generally will have ordinary income at the time of the sale equal to the fair market value of the shares on the exercise date (or the sale price, if less) minus the exercise price of the option.

Restricted Stock Awards

A Participant in the 2017 Plan who is granted a restricted stock award will not be taxed upon the acquisition of such Shares so long as the interest in such Shares is subject to a substantial risk of forfeiture within the meaning of Code Section 83. Upon lapse or release of the restrictions, the recipient will be taxed at ordinary income tax rates on an amount equal to the then current fair market value of the Shares. Any such awards that are not subject to a substantial risk of forfeiture will be taxed at the time of grant. The basis of Restricted Shares held after lapse or termination of restrictions will be equal to their fair market value on the date of lapse or termination of restrictions, and upon subsequent disposition any further gain or loss will be a long-term or short-term capital gain or loss, depending upon the length of time the Shares are held. A recipient of a restricted stock Award may elect to be taxed at ordinary income tax rates on the full fair market value of the Restricted Shares at the time of grant. If this election is made, the basis of the Shares acquired will be equal to the fair market value at the time of grant, no tax will be payable upon the subsequent lapse or release of the restrictions, and any gain or loss upon disposition will be a capital gain or loss.

Restricted Stock Units

A Participant who is granted a restricted stock unit will not be taxed upon the grant of the award. Upon receipt of payment of cash or Shares pursuant to a restricted stock unit, the Participant will realize ordinary income in an amount equal to any cash received and the fair market value of any Shares received.

Performance Awards, Cash-Based Awards, and Other Stock-Based Awards

A recipient of a performance Award, cash-based Award or other stock-based Award generally will realize ordinary income at the time Shares are transferred or cash is paid to the grantee with respect to such award.

Tax Effect for the Company

The Company generally will be entitled to a tax deduction in connection with an Award under the 2017 Plan in an amount equal to the ordinary income recognized by a Participant and at the time that the Participant recognizes such income (for example, the exercise of a nonqualified stock option). As described above, special rules limit the deductibility of compensation paid to our Chief Executive Officer and to our three other most highly compensated named executive officers (other than our Chief Executive Officer and our Chief Financial Officer). Under Code Section 162(m), the annual compensation paid to any of these specified executives will be deductible only to the extent that it does not exceed \$1,000,000. However, we can preserve the deductibility of certain compensation in excess of \$1,000,000 if the conditions of Code Section 162(m) are met. These conditions include stockholder approval of the 2017 Plan, setting limits on the number of Awards that any

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PROPOSAL 5 APPROVAL OF THE WOODWARD, INC. 2017 OMNIBUS INCENTIVE PLAN (continued)

individual may receive and for Awards other than certain stock options and establishing performance criteria that must be met before the Award actually will vest or be paid. The 2017 Plan has been designed to permit (but not require) the Committee to grant Awards that are intended to qualify as performance-based for purposes of satisfying the conditions of Code Section 162(m), thereby potentially permitting us to receive a federal income tax deduction in connection with such Awards.

Section 409A

Section 409A of the Code imposes certain requirements on nonqualified deferred compensation arrangements, including requirements on an individual's election to defer compensation and requirements on the individual's selection of the timing and form of distribution of the deferred compensation. Section 409A also generally provides that distributions must be made on or following the occurrence of certain events (such as the individual's separation from service, a predetermined date, or the individual's death). Section 409A imposes restrictions on an individual's ability to change his or her distribution timing or form of distribution after the compensation has been deferred. For certain individuals who are officers, Section 409A requires that such individual's distribution commence no earlier than six months after such officer's separation from service. Certain awards under the 2017 Plan may be designed to be subject to the requirements of Section 409A in form and in operation. For example, restricted stock units that provide for a settlement date following the vesting date may be subject to Section 409A. If an award under the 2017 Plan is subject to and fails to satisfy the requirements of Section 409A, the recipient of that award will recognize ordinary income on the amounts deferred under the award, to the extent vested, which may be prior to when the compensation is actually or constructively received. Also, if an award that is subject to Section 409A fails to comply with the requirements of Section 409A, Section 409A imposes an additional 20 percent federal penalty tax on compensation recognized as ordinary income, as well as interest on such deferred compensation.

Awards will be designed and operated in such a manner that they are intended to be either exempt from the application of, or comply with, the requirements of Section 409A such that the grant, payment, settlement or deferral thereof, as applicable, will not be subject to the additional tax or interest applicable under Section 409A, except as otherwise determined in the sole discretion of the Committee. The 2017 Plan and each Award Agreement is intended to meet the requirements of Section 409A, to the extent applicable, and will be construed and interpreted in accordance with such intent, except as otherwise determined in the sole discretion of the Committee. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Section 409A, the Award will be granted, paid, settled or deferred in a manner that will meet the requirements of Section 409A, such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A. In no event will the Company or other Employer have any obligation under the 2017 Plan to reimburse a Participant for any taxes or other costs that may be imposed on the Participant as a result of Section 409A.

Grants Outstanding under the 2017 Plan

The number and type of Awards (if any) that Service Provider may receive under the 2017 Plan is in the discretion of the Committee and, therefore, cannot be determined in advance. As stated above, on October 3, 2016, the Committee approved grants of options under the 2017 Plan to certain of our executive officers, employees and all of our Outside Directors. In addition, on November 15, 2016, the Committee set target cash incentive opportunities under the WVIP

and the Cash LTI to our executive officers, each pursuant to the authority provided under the 2017 Plan to award cash incentives and other cash-based Awards. Our executive officers and Outside Directors will be eligible to receive future Awards under the 2017 Plan, our executive officers and Outside Directors have an interest in the approval of the 2017 Plan by stockholders. All Awards that have been made under the 2017 Plan, including the WVIP and Cash LTI incentive opportunities, were conditioned on stockholder approval of the 2017 Plan and will be cancelled if stockholders do not approve the 2017 Plan. The following table sets forth information with respect to the Awards that have been granted (and will be ratified upon stockholder approval of the 2017 Plan) under the 2017 Plan to the executive officers

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named in the Summary Compensation Table, to all current executive officers as a group and to all other employees as a group. Additional Awards may be granted to these individuals and groups in the future, as determined in the discretion of the Committee.

NAME OF INDIVIDUAL OR IDENTITY OF GROUP AND POSITION	OPTIONS GRANTED IN 2016 (#)(1)	EXERCISE PRICE PER SHARE (\$)	VVIP TARGET BONUS PAYOUT (\$)(2)	Cash LTI TARGET BONUS PAYOUT (\$)(3)
Thomas A. Gendron Chairman, Chief Executive Officer and President	181,200	62.57	925,000	462,500
Robert F. Weber, Jr. Vice Chairman, Chief Executive Officer and Treasurer	37,700	62.57	378,750	202,000
A. Christopher Fawzy Corporate Vice President, General Counsel, Corporate Secretary and Chief Compliance Officer	24,700	62.57	266,500	102,500
Martin V. Glass President, Airframe Systems	23,300	62.57	284,050	152,950
Sagar A. Patel President, Aircraft Turbine Systems	25,400	62.57	305,500	164,500
All current executive officers as a group	334,700	62.57		
All current Outside Directors as a group	63,000	62.57		
All other employees (including all current	388,100	62.57		

officers who are not executive officers)

as a group

- (1) Options granted consist of non-qualified options issued for a maximum 10-year term. Options vest over four years at the rate of 25% per year, subject to continued status as a Service Provider. The exercise price represents the Woodward closing price as reported on NASDAQ on the grant date of October 3, 2016.
- (2) The WVIP amounts consist of target annual short-term incentive compensation under the WVIP. The payment of actual WVIP bonuses, if any, will be based on levels of achievement of overarching and specific performance metrics previously set by the Committee. The overarching performance metric relates to achievement net earnings and determines the maximum WVIP bonuses that can be paid to the NEOs. Our NEOs are eligible to receive bonuses under the WVIP of a maximum of 1.0% of net earnings for the Chairman & CEO, 0.4% of net earnings for the CFO, and 0.33% of net earnings for each of the other NEOs. The specific performance metrics are intended to guide the Committee's use of negative discretion to arrive at actual WVIP bonus amounts that are less than the maximum available. The specific performance metrics for these WVIP bonuses relate to the Company's adjusted EPS, the Company's adjusted EBITDA margin, Business Group adjusted OEAB margin and strategic performance measures. If at the end of the performance period, the Committee believes that the achievement of the specific performance metrics under the WVIP is not reflective of the Company's expected level of performance, the Committee may in its discretion modify the amount of any bonus to be awarded under the WVIP, but not above the maximum bonuses available based on achievement of the overarching net earnings goal.
- (3) The Cash LTI amounts consist of target cash long-term compensation under the LTI Plan. The payment of actual Cash LTI amounts, if any, will be based on levels of achievement of two separate goals for earnings previously set by the Committee, specifically relative earnings per share and return on capital.

Your Board unanimously recommends that you vote FOR the approval of the Woodward, Inc. 2017

Omnibus Incentive Plan.

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STOCKHOLDER NOMINATIONS AND PROPOSALS FOR 2017 ANNUAL MEETING

Stockholders who, in accordance with SEC Rule 14a-8, wish to present proposals for inclusion in our proxy statement and form of proxy to be distributed in connection with next year's Annual Meeting must submit their proposals so that they are received by us at our principal executive offices no later than the close of business on August 11, 2017. Proposals should be sent to the attention of the Corporate Secretary. More information regarding stockholder proposals under Rule 14a-8, including procedural and substantive requirements and reasons why the Company may exclude the proposal from its proxy statement may be found in Rule 14a-8.

Under our Bylaws, certain procedures are provided that a stockholder must follow to nominate persons for election as directors or to introduce an item of business at an annual meeting of stockholders (other than a proposal brought pursuant to SEC Rule 14a-8). These procedures provide that nominations for director and/or an item of business to be introduced at an annual meeting of stockholders must be submitted in writing to the Corporate Secretary of the Company at our principal executive offices by a stockholder of record on both the date of giving notice and the record date for the annual meeting. In general, our Bylaws require that such a notice for nominating a director or introducing an item of business at the 2017 Annual Meeting must be received not earlier than September 27, 2017 and not later than October 27, 2017. However, if the 2017 Annual Meeting is called for a date that is not within 30 days before or after the anniversary date of the 2016 Annual Meeting, the notice must be received not later than the close of business on the tenth day following the date on which notice of the date of the 2017 Annual Meeting was mailed or public disclosure of the date of the 2017 Annual Meeting was made, whichever first occurs, or no less than 90 days or more than 120 days prior to the 2017 Annual Meeting. To be in proper form, a stockholder's notice must include the specified information concerning the proposal or nominee. A stockholder who wishes to submit a proposal or nomination is encouraged to seek independent counsel about our Bylaws and SEC requirements. We will not consider any proposal or nomination that does not meet the Bylaws and SEC requirements for submitting a proposal or nomination.

Notices of intention to nominate a director or present proposals at the 2017 Annual Meeting should be addressed to the Corporate Secretary, Woodward, Inc., 1081 Woodward Way, Fort Collins, Colorado 80524. We reserve the right to reject, rule out of order, or take other appropriate action with respect to any nomination or proposal that does not comply with these and other applicable requirements.

HOUSEHOLDING OF PROXY MATERIALS

In an effort to reduce printing costs and postage fees, we have adopted a practice approved by the SEC called householding. Under this practice, stockholders who have the same address and last name and do not participate in electronic delivery of proxy materials will receive only one copy of our proxy materials, unless one or more of these stockholders notifies us that he or she wishes to continue receiving individual copies. Stockholders who participate in householding will continue to receive separate proxy cards.

If you share an address with another stockholder and received only one set of proxy materials and would like to request a separate copy of these materials or any other proxy materials in the future, please: (1) mail your request to Woodward, Inc., 1081 Woodward Way, Fort Collins, Colorado 80524, Attn: Corporate Secretary; (2) send an e-mail to investor.relations@woodward.com; or (3) call our Investor Relations department at 1-815-639-2340. Additional copies of the proxy materials will be sent within 30 days after receipt of your request. Similarly, you may also contact

us if you received multiple copies of the proxy materials and would prefer to receive a single copy in the future.

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OTHER MATTERS

Woodward is soliciting this proxy on behalf of its Board and will bear the entire cost of proxy solicitation, including the preparation, assembly, printing, mailing and distribution of the proxy materials. This solicitation is being made by mail, but also may be made personally or by facsimile, telephone, messenger, or via the Internet. The Company has employed Morrow Sodali, 470 West Ave., Third Floor, Stamford, CT 06902, to solicit proxies for the Annual Meeting from brokers, bank nominees, other institutional holders, and certain individual stockholders. The Company has agreed to pay \$6,500, plus the out-of-pocket expenses of Morrow Sodali, for these services. The Company will also pay the regular charge of brokers and other nominees who hold shares of record for forwarding proxy material to the beneficial owners of such shares.

We are not aware of any additional matters to be acted upon at the meeting other than those discussed in this statement. If any other matter is presented, proxy holders will vote on the matter in their discretion.

By Order of the Board of Directors

WOODWARD, INC.

A. Christopher Fawzy

Corporate Secretary

December 9, 2016

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EXHIBIT A WOODWARD, INC. 2017 OMNIBUS INCENTIVE PLAN

**WOODWARD, INC.
2017 OMNIBUS INCENTIVE PLAN**

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EXHIBIT A WOODWARD, INC. 2017 OMNIBUS INCENTIVE PLAN

SECTION 1

BACKGROUND

1.1 General. The Plan permits the grant of Incentive Stock Options, Nonqualified Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units, Performance Shares, Performance Units, Covered Employee Annual Incentive Awards, Cash-Based Awards and/or Other Stock-Based Awards.

1.2 Effective Date. The Plan is effective as of the Effective Date, provided that the Plan is approved by an affirmative vote of the holders of a majority of the Shares that are present in person or by proxy and entitled to vote at the 2016 Annual Meeting of Stockholders of the Company. Awards may be granted before the receipt of such approval, but such Awards will be null and void if such approval is not in fact received.

1.3 Purposes. The purposes of the Plan are to (a) attract and retain the best available individuals for positions of substantial responsibility, (b) provide additional incentive to such individuals, and (c) promote the success of the Company's business. The Plan also is designed to encourage stock ownership by Participants, thereby aligning their interests with those of the Company's shareholders and to permit the payment of compensation that qualifies as performance-based compensation under Section 162(m) of the Code.

SECTION 2

DEFINITIONS

The following words and phrases will have the following meanings unless a different meaning is plainly required by the context:

2.1 Administrator means the Board or any Committee that administers the Plan in accordance with Section 4.

2.2 Applicable Laws mean the legal and regulatory requirements relating to the administration of equity or cash-based awards, including but not limited to, under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which Shares are listed or quoted and the applicable laws of any foreign country or jurisdiction where Awards are, or will be, granted.

2.3 Award means, individually or collectively, a grant under the Plan of Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units, Performance Shares, Performance Units, Covered Employee Annual Incentive Awards, Cash-Based Awards and/or Other Stock-Based Awards.

2.4 Award Agreement means, with respect to each Award, the written or electronic agreement setting forth the terms and conditions of the Award, which will comply with and be subject to the terms and conditions of the Plan.

2.5 Board means the Board of Directors of the Company.

2.6 Cash-Based Award means an Award granted pursuant to Section 13, which is denominated in cash and specifies a payment amount or payment range (which may be expressed as a percentage of the Participant's base salary, a dollar amount or a result of a formula or other matrix).

2.7 Cash Flow means cash generated from business activities (including, but not by way of limitation, Operating Cash Flow).

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EXHIBIT A WOODWARD, INC. 2017 OMNIBUS INCENTIVE PLAN

2.8 Change in Control means the occurrence of any of the following events:

- (a) A change in the ownership of the Company that occurs on the date that any one person, or more than one person acting as a group (Person), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than fifty percent (50%) of the total voting power of the stock of the Company; provided, however, that for purposes of this subsection, the acquisition of additional stock by any one Person, who is considered to own more than fifty percent (50%) of the total voting power of the stock of the Company will not be considered a Change in Control. Further, if the stockholders of the Company immediately before such change in ownership continue to retain, immediately after the change in ownership, in substantially the same proportions as their ownership of shares of the Company s voting stock immediately prior to the change in ownership, direct or indirect beneficial ownership of fifty percent (50%) or more of the total voting power of the stock of the Company or of the ultimate parent entity of the Company, such event will not be considered a Change in Control under this subsection;
- (b) A change in the effective control of the Company that occurs on the date that a majority of Directors is replaced during any twelve (12) month period by Directors whose appointment or election is not endorsed by a majority of the Directors prior to the date of the appointment or election. For purposes of this subsection, if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control; or
- (c) A change in the ownership of a substantial portion of the Company s assets that occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than fifty percent (50%) of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. For purposes of this subsection, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of this Section 2.8, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

Notwithstanding the foregoing, a transaction will not be deemed a Change in Control unless the transaction qualifies as a change in control event within the meaning of Section 409A.

Further and for the avoidance of doubt, a transaction will not constitute a Change in Control if its primary purpose is to: (A) change the jurisdiction of the Company s incorporation, or (B) create a holding company that will be owned in substantially the same proportions by the persons who held the Company s securities immediately before such transaction.

2.9 Code means the U.S. Internal Revenue Code of 1986, as amended. Any reference to a specific section of the Code will include such section and any valid regulation or other applicable guidance that has been promulgated under such section and is in effect.

- 2.10 Committee means a committee of Directors or of other individuals satisfying Applicable Laws who have been appointed by the Board, or a duly authorized committee of the Board, as set forth in Section 4.
- 2.11 Common Stock means the common stock of the Company.

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- 2.12 Company means Woodward, Inc., a Delaware corporation, or any successor thereto.
- 2.13 Consolidated Operating Earnings mean the consolidated earnings before income taxes of the Company, computed in accordance with generally accepted accounting principles, but shall exclude the effects of Extraordinary Items.
- 2.14 Consultant means any consultant, independent contractor or advisor who has been engaged by an Employer to render bona fide services to the Employer, but who is not an Employee or Director, provided that a Consultant will include only those persons to whom the issuance of Shares may be registered under Form S-8 promulgated under the Securities Act or any successor registration statement.
- 2.15 Covered Employee means any Employee who would be considered a covered employee within the meaning of Section 162(m).
- 2.16 Covered Employee Annual Incentive Award means an Award granted to a Covered Employee pursuant to Section 12.
- 2.17 Determination Date means the latest possible date that will not jeopardize the qualification of an Award as performance-based compensation under Section 162(m).
- 2.18 Director means a member of the Board.
- 2.19 Disability means a permanent and total disability within the meaning of Section 22(e)(3) of the Code, provided that in the case of Awards other than Incentive Stock Options, the Administrator may, in its discretion, determine whether a permanent and total disability exists in accordance with uniform and non-discriminatory standards adopted by the Administrator from time to time.
- 2.20 Earnings mean net earnings (including, but not by way of limitation, Consolidated Operating Earnings).
- 2.21 Effective Date means September 14, 2016.
- 2.22 Employee means any person, including an Officer and/or Director, who provides services as an employee of an Employer. Neither service as a Director nor payment of a director's fee by the Company will be sufficient to constitute employment by the Company.
- 2.23 Employer means, with respect to a Service Provider, the Company or the Company's Parent or Subsidiary for which the Participant performs services as an Employee, Consultant or Director.
- 2.24 Exchange Act means the U.S. Securities Exchange Act of 1934, as amended. Any reference to a specific section of the Exchange Act includes such section and any valid regulation, rule or other applicable guidance that has been promulgated under such section and is in effect.

2.25 Exchange Program means a program under which (i) outstanding Awards are surrendered or cancelled in exchange for awards of the same type (which may have higher or lower Exercise Prices and different terms), awards of a different type, and/or cash, (ii) Participants would have the opportunity to transfer any outstanding Awards to a financial institution or other person or entity selected by the Administrator, and/or (iii) the Exercise Price of an outstanding Option or Stock Appreciation Right is reduced. For the avoidance of doubt, (a) actions permitted under Section 14 do not constitute an Exchange Program, and (b) as set forth in Section 5.5, the Administrator may not implement any Exchange Program.

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EXHIBIT A WOODWARD, INC. 2017 OMNIBUS INCENTIVE PLAN

2.26 Exercise Price means, with respect to an Option or Stock Appreciation Right, the price at which a Share may be purchased by the Participant pursuant to the exercise thereof.

2.27 Extraordinary Items mean (a) extraordinary, unusual, and/or nonrecurring items of gain or loss; (b) gains or losses on the disposition of a business; (c) changes in tax or accounting regulations or laws; or (d) the effect of a merger or acquisition, all of which must be identified in the audited financial statements, including footnotes, or Management Discussion and Analysis section of the Company's annual report.

2.28 Fair Market Value means, as of any date, the value of Common Stock determined as follows:

(a) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation, the New York Stock Exchange, the NASDAQ Global Select Market, the NASDAQ Global Market or the NASDAQ Capital Market of The NASDAQ Stock Market, its Fair Market Value will be the closing sales price for the Common Stock as quoted on such exchange or system on the day of determination (or, if no closing sales price was reported on that date, as applicable, on the last trading date such closing sales price was reported), as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(b) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share will be the mean between the high bid and low asked prices for the Common Stock on the day of determination (or, if no bids and asks were reported on that date, as applicable, on the last trading date such bids and asks were reported), as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

(c) In the absence of an established market for the Common Stock, the Fair Market Value will be determined in good faith by the Administrator.

Notwithstanding the foregoing under this Section, for federal, state and local income tax reporting purposes, Fair Market Value will be determined by the Administrator in accordance with uniform and nondiscriminatory standards adopted by it from time to time.

2.29 Fiscal Quarter means a fiscal quarter within a Fiscal Year.

2.30 Fiscal Year means the fiscal year of the Company.

2.31 Full Value Awards mean Awards other than in the form of an Option or Stock Appreciation Right, and which is settled by the issuance of Shares.

2.32 Grant Date means, with respect to an Award, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator. The Grant Date of an Award will in no event be earlier than the date the Award is approved by the Administrator.

2.33 Incentive Stock Option means an Option that by its terms qualifies and otherwise is intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

2.34 Net Income means consolidated net income before taxes for a determination period, as reported in the Company's annual report to shareholders or as otherwise reported to the Company's shareholders.

2.35 Nonqualified Stock Option means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.

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- 2.36 Officer means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act.
- 2.37 Operating Cash Flow means cash flow from operating activities as defined in FASB Accounting Standards Codification Topic 230, Statement of Cash Flows, or its successor.
- 2.38 Option means a stock option to purchase Shares granted pursuant to Section 6. An Option's Award Agreement will specify whether the Option is an Incentive Stock Option or a Nonqualified Stock Option.
- 2.39 Other Stock-Based Award means an Award granted pursuant to Section 13, which is payable in, valued in whole or in part by reference to, or otherwise based on or related to Shares, including, but not limited to, Shares granted purely as a bonus and not subject to any restrictions or conditions, but excluding any Option, Stock Appreciation Right, Restricted Stock Award, Restricted Stock Unit, Performance Share or Performance Unit.
- 2.40 Outside Director means a Director who is not an Employee.
- 2.41 Parent means a parent corporation, as defined in Section 424(e) of the Code.
- 2.42 Participant means a Service Provider to whom an Award has been granted.
- 2.43 Performance Goals will have the meaning set forth in Section 11.
- 2.44 Performance Period means any Fiscal Year or such other period longer or shorter than a Fiscal Year but, in any case, not shorter than one (1) Fiscal Quarter or longer than twenty (20) Fiscal Quarters, as determined by the Administrator in its sole discretion.
- 2.45 Performance Share means an Award denominated in Shares, which may be earned in whole or in part upon attainment of Performance Goals or other vesting or performance criteria as the Administrator may determine, as provided in Section 10.
- 2.46 Performance Unit means an Award denominated in units, which may be earned in whole or in part upon attainment of Performance Goals or other vesting or performance criteria as the Administrator may determine and which may be settled for cash, Shares or other securities or a combination of the foregoing, as provided in Section 10.
- 2.47 Period of Restriction means the period during which Restricted Shares are subject to a substantial risk of forfeiture (based on the passage of time, continued status as a Service Provider, the achievement of target levels of performance, the achievement of Performance Goals, or the occurrence of other events as determined by the Administrator), as provided in Section 7.
- 2.48 Plan means this 2017 Omnibus Incentive Plan, as hereafter amended from time to time.

2.49 Product and Operational Metrics mean objective and measurable goals for the quality, design, creation, introduction, manufacture or delivery of products, including, but not by way of limitation, with respect to design specifications or requirements, market penetration and/or that do not exceed specified defect levels.

2.50 Restricted Shares means Shares issued pursuant to a Restricted Stock Award or pursuant to the early exercise of an Option.

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EXHIBIT A WOODWARD, INC. 2017 OMNIBUS INCENTIVE PLAN

- 2.51 Restricted Stock Award means an Award granted pursuant to Section 7.
- 2.52 Restricted Stock Unit means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 8. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.
- 2.53 Revenue means net revenue.
- 2.54 Rule 16b-3 means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.
- 2.55 Section 16(b) means Section 16(b) of the Exchange Act.
- 2.56 Section 162(m) means Section 162(m) of the Code.
- 2.57 Section 409A means Section 409A of the Code.
- 2.58 Securities Act means the U.S. Securities Act of 1933, as amended. Any reference to a specific section of the Securities Act includes such section and any valid regulation, rule or other guidance that has been promulgated under such section and is in effect.
- 2.59 Service Provider means an Employee, Director or Consultant.
- 2.60 Share mean a share of Common Stock.
- 2.61 Stock Appreciation Right means an Award, granted alone or in connection with an Option, pursuant to Section 9.
- 2.62 Subsidiary means a subsidiary corporation, as defined in Section 424(f) of the Code.
- 2.63 Tax Obligations means the tax, social insurance and/or social security liability obligations and requirements in connection with an Award, including, without limitation, (i) all federal, state, and local income, employment and any other taxes (including the Participant's Federal Insurance Contributions Act (FICA) obligation) that are required to be withheld by the Employer, (ii) the Participant's and, to the extent required by the Employer, the Employer's fringe benefit tax liability, if any, associated with the grant, vesting, or exercise of the Award or sale of Shares issued under the Award, and (iii) any other taxes, social insurance and/or social security liabilities or premium the responsibility for which the Participant has, or has agreed to bear, with respect to such Award (or exercise thereof or issuance of Shares or other consideration thereunder).
- 2.64 Total Shareholder Return means the total return (change in price, including treatment of dividends, if any, as determined by the Administrator) of a Share.

SECTION 3

SHARES SUBJECT TO THE PLAN

3.1 General. Subject to adjustment as provided in Section 14, the total number of Shares that may be issued under the Plan is 2,000,000 Shares (the Share Authorization). The Shares issuable under the Plan may be authorized, but unissued, or reacquired Common Stock.

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3.2 **Lapsed Awards** .. If an Option or Stock Appreciation Right expires or becomes unexercisable without having been exercised in full, then the unexercised Shares subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). If a Full Value Award is forfeited or repurchased by the Company due to a failure to vest, then the forfeited or repurchased Shares subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). Upon exercise of a Stock Appreciation Right settled in Shares, the gross number of Shares covered by the portion of the Award so exercised will cease to be available under the Plan. Shares that have been issued under the Plan pursuant to any Award will not be returned to the Plan and will not become available for future grant or sale under the Plan; provided, however, that if unvested Shares of Full Value Awards are repurchased by the Company or are forfeited to the Company, such Shares will become available for future grant or sale under the Plan (unless the Plan is terminated). Shares used to pay the Exercise Price or purchase price of an Award and/or used to satisfy the Tax Obligations related to the Award will cease to be available for future grant or sale under the Plan. To the extent an Award is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan. For purposes of clarification, no Shares purchased by the Company with proceeds received from the exercise of an Option will become available for issuance under the Plan. Notwithstanding the foregoing and, subject to adjustment as provided in Section 14, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options will equal the aggregate Share number stated in Section 3.1, plus, to the extent allowable under Section 422 of the Code, any Shares that become available for issuance under the Plan pursuant to this Section 3.2.

3.3 **Full Value Awards**. Notwithstanding any contrary Plan provision, no more than 200,000 Shares of the Share Authorization may be granted as Full Value Awards.

3.4 **Share Reserve**. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Plan.

SECTION 4

ADMINISTRATION OF THE PLAN

4.1 **Procedure**.

4.1.1 **Multiple Administrative Bodies Permitted**. Different Committees with respect to different groups of Service Providers may administer the Plan.

4.1.2 **Section 162(m)**. To the extent that the Administrator determines it to be desirable to qualify Awards as performance-based compensation within the meaning of Section 162(m), the Plan will be administered by a Committee of two (2) or more outside directors within the meaning of Section 162(m).

4.1.3 **Rule 16b-3**. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder will be structured to satisfy the requirements for exemption under Rule 16b-3.

4.1.4 Other Administration. Other than as provided above, the Plan will be administered by (a) the Board or (b) a Committee, which committee will be constituted to satisfy Applicable Laws.

4.1.5 Delegation of Authority for Day-to-Day Administration. Except to the extent prohibited by Applicable Laws, the Administrator may delegate to one or more individuals the day-to-day administration of the Plan and any of the functions assigned to the Administrator in the Plan. Any such delegation may be revoked by the Administrator at any time.

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4.2 Powers of the Administrator. Subject to the other provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator will have the authority, in its discretion:

- (a) to determine Fair Market Value;
- (b) to select the Service Providers to whom Awards may be granted;
- (c) to determine the number of Shares to be covered by each Award;
- (d) to approve forms of Award Agreements for use under the Plan;
- (e) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award. Such terms and conditions include, but are not limited to, the Exercise Price, the time or times when Awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Administrator will determine;
- (f) to construe and interpret the terms of the Plan and Awards;
- (g) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable foreign laws or for qualifying for favorable tax treatment under applicable foreign laws;
- (h) to modify or amend each Award, including, but not limited to, the discretionary authority to accelerate the vesting of Awards, to extend the post-termination exercisability period of Awards, and to extend the term of an Option (subject to the maximum term permitted under the Plan);
- (i) to allow Participants to satisfy Tax Obligations in such manner as prescribed in Section 16;
- (j) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator;
- (k) to allow a Participant, in compliance with Applicable Laws including, but not limited to, Section 409A, to defer the receipt of the payment of cash or the issuance of Shares that would otherwise be due to such Participant under an Award; and
- (l) to impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by a Participant or other subsequent transfers by the Participant of any Shares issued as a result of or under an Award, including without limitation, (i) restrictions under an insider trading policy, (ii) restrictions as to the use of a specified brokerage firm for such resales or other transfers, and (iii) requirements for holding Shares in order to comply with Share ownership policies or guidelines adopted by the Company from time to time;

(m) to require that the Participant's rights, payments and benefits with respect to an Award (including amounts received upon the settlement or exercise of an Award) will be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award, as may be specified in an Award Agreement at the time of grant, or later if (i) Applicable Laws require the Company to adopt a policy requiring such reduction, cancellation, forfeiture or recoupment, or (ii) pursuant to an amendment of an outstanding Award; and

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(n) to make all other determinations deemed necessary or advisable for administering the Plan.

4.3 **Binding Effect of Administrator's Decisions.** The Administrator's decisions, determinations and interpretations with respect to the Plan or Awards will be final and binding on all Participants and any other holders of Awards, and will be given the maximum possible deference permitted by law.

SECTION 5

LIMITS

5.1 **General Share Limits** . Notwithstanding any contrary Plan provision, for so long as the Company is a publicly held corporation within the meaning of Section 162(m) and the deduction limitations of Section 162(m) are applicable to the Company's Covered Employees, then, subject to adjustment as provided in Section 14, the limits specified in this Section 5.1 will apply to any grants of the following types of Awards:

5.1.1 **Fiscal Year Limit on Options and/or SARs.** No Participant may be granted, during any Fiscal Year, Options and/or SARs covering more than a total of 600,000 Shares; provided, however, that during the Fiscal Year in which a Participant first becomes an Employee (the Fiscal Year of Hire), the Participant may be granted Options and/or SARs covering up to a total of an additional 900,000 Shares.

5.1.2 **Fiscal Year Limit on Full Value Awards.** No Participant may be granted, during any Fiscal Year, Full Value Awards covering more than a total of 150,000 Shares; provided, however, that during the Fiscal Year of Hire, the Participant may be granted Full Value Awards covering up to a total of an additional 50,000 Shares.

5.1.3 **Fiscal Year Limit on Cash-Based Awards.** The maximum amount that may be paid for all Performance Periods ending during a Fiscal Year) with respect to Cash-Based Awards is \$10,000,000. As an example for illustration purposes only, if a Participant has two Performance Periods that end during a single Fiscal Year (for example, an annual Performance Period and a multi-year Performance Period), the total combined amount that the Participant may be paid for those two Performance Periods is \$10 million. For this purpose, an amount that is paid to a Participant in a Fiscal Year that is after the Fiscal Year in which the applicable Performance Period ended (for example, but not by way of limitation, early in the next Fiscal Year following certification of actual results versus the applicable Performance Goals or because it is deferred under a deferred compensation arrangement) will be considered paid for the Fiscal Year in which the applicable Performance Period ended. To the extent permitted under Section 162(m), subsequent increases in the value of the deferred amount pursuant to the deferred compensation arrangement will not count against the limit in this Section 5.1.3.

5.1.4 **Fiscal Year Limit on Covered Employee Annual Incentive Awards.** The total amount that may be awarded or credited in any Fiscal Year with respect to a Covered Employee Annual Incentive Award will be determined in Section 12.

5.2 **Fiscal Year Limit on Outside Director Awards and Other Compensation.** No Outside Director may be granted, in any Fiscal Year, Awards (the value of which will be based on their Grant Date fair value determined in

accordance with generally accepted accounting principles) which, in the aggregate, exceed \$300,000, provided that such amount is increased to \$450,000 in the Fiscal Year of his or her initial service as an Outside Director. Any Awards or other compensation provided to an individual for his or her services as an Employee, or for his or her services as a Consultant other than as an Outside Director, will be excluded for purposes of the limitations in this Section 5.2.

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5.3 **Minimum Vesting Requirement for Full Value Awards.** No Full Value Award will vest earlier than the one (1) year anniversary of the Grant Date of such Award, subject to the other provisions of the Plan. Notwithstanding the foregoing, Full Value Awards that result in the issuance of an aggregate of up to five percent (5%) of the Share Authorization (as defined in Section 3.1) may be granted to Service Providers, or such outstanding Awards modified, to the extent otherwise permissible under the Plan, without regard to such one (1) year minimum vesting requirement.

5.4 **Incentive Stock Option Limits.**

5.4.1 **\$100,000 Limitation.** Notwithstanding any designation of an Option as an Incentive Stock Option in an Award Agreement, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Participant during any calendar year (under all plans of any Employer) exceeds one hundred thousand dollars (\$100,000), the portion of the Options falling within such limit will be Incentive Stock Options and the excess Options will be treated as Nonqualified Stock Options. For these purposes, Incentive Stock Options will be taken into account in the order in which they were granted. The Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted.

5.4.2 **Maximum Term.** In the case of an Incentive Stock Option granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of any Employer, the term of the Incentive Stock Option will be five (5) years from its Grant Date or such shorter term as may be provided by the Administrator and set forth in the Award Agreement.

5.4.3 **Exercise Price.** In the case of an Incentive Stock Option granted to an Employee who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the any Employer, the Exercise Price of the Option will be no less than one hundred ten percent (110%) of the Fair Market Value per Share on the Grant Date. In the case of an Incentive Stock Option granted to any Employee other than an Employee described in immediately preceding sentence, the Exercise Price of the Option will be no less than one hundred percent (100%) of the Fair Market Value per Share on the Grant Date.

5.4.4 **Employee Only Eligibility.** Incentive Stock Options may be granted only to Employees.

5.5 **No Exchange Program Permitted .** The Administrator may not implement any Exchange Program.

SECTION 6

OPTIONS

6.1 **Grant of Options.** Subject to the limits of Section 5 and the other terms and conditions of the Plan, the Administrator, at any time and from time to time, may grant Options to Service Providers in such amounts as the Administrator, in its sole discretion, determines.

6.2 **Award Agreement.** Each Option will be evidenced by an Award Agreement that will specify the Exercise Price of the Option, the maximum term of the Option, the number of Shares covered by the Option, any conditions to

exercise the Option, and such other terms and conditions of the Option as the Administrator, in its discretion, determines, provided that such terms and conditions are otherwise consistent with the terms and conditions of the Plan. The Award Agreement also will specify whether the Option is intended to be an Incentive Stock Option or a Nonqualified Stock Option.

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6.3 **Maximum Term of Option.** The maximum term of each Option will be ten (10) years from its Grant Date or such shorter term as may be provided by the Administrator and set forth in the Award Agreement, subject to Section 5.4.2.

6.4 **Exercise Price and Consideration.**

6.4.1 **Exercise Price.** The Exercise Price of each Option will be determined by the Administrator and set forth in the Award Agreement; provided, however, that such Exercise Price may not be less than one hundred percent (100%) of the Fair Market Value of a Share on the Grant Date, subject to Section 5.4.3. Notwithstanding the foregoing, Options may be granted with an Exercise Price of less than one hundred percent (100%) of the Fair Market Value per Share on the Grant Date pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code.

6.4.2 **Form of Consideration.** The Administrator will determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator will determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of: (a) cash; (b) check; (c) promissory note, to the extent permitted by Applicable Laws; (d) other Shares, provided that such Shares have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price for the Shares with respect to which such Option will be exercised and provided that accepting such Shares will not result in any adverse accounting consequences to the Company, as the Administrator determines in its sole discretion; (e) consideration received by the Company under a broker-assisted (or other) cashless exercise program (whether through a broker or otherwise) implemented by the Company in connection with the Plan; (f) by net exercise; (g) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws; or (h) any combination of the foregoing methods of payment.

6.5 **Exercise of Option.**

6.5.1 **Procedure for Exercise; Rights as a Stockholder.** Each Option will be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share.

An Option will be deemed exercised when the Company receives: (a) a notice of exercise (in such form as the Administrator may specify from time to time) from the person entitled to exercise the Option, and (b) full payment of the Exercise Price for the Shares with respect to which the Option is exercised (including satisfaction of all Tax Obligations with respect thereto). Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her legal spouse. Until such Shares are issued and delivered (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares, notwithstanding the exercise of the Option. The Company will issue and deliver (or cause to be issued and delivered) such Shares promptly after the Option is exercised. No adjustment will be made for any dividend or other right for which the record date is prior to the date the

Shares are issued and delivered, except as provided in Section 14.

Exercising an Option in any manner will decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

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6.5.2 **Termination of Relationship as a Service Provider.** If a Participant ceases to be a Service Provider, other than as the result of the Participant's death or Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of termination of Participant's status as a Service Provider (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for three (3) months following the termination of Participant's status as a Service Provider, but in no event later than the expiration of the term of such Option as set forth in the Award Agreement.

6.5.3 **Disability of Participant.** If a Participant ceases to be a Service Provider as a result of the Participant's Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent the Option is vested on the date of Disability (but in no event may the Option be exercised later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for twelve (12) months following termination of Participant's status as a Service Provider due to Disability, but in no event later than the expiration of the term of such Option as set forth in the Award Agreement.

6.5.4 **Death of Participant.** If a Participant dies while he or she is a Service Provider, the Option may be exercised following the Participant's death within such period of time as is specified in the Award Agreement to the extent the Option is vested on the date of the Participant's death (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement), by the Participant's designated beneficiary under the Plan, provided such beneficiary has been properly designated prior to Participant's death in a form acceptable to the Administrator and to the extent permitted by Applicable Laws. In the absence of such beneficiary designation (or to the extent not permitted by Applicable Laws), then such Option may be exercised by the personal representative of the Participant's estate or by the person(s) to whom the Option is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution. In the absence of a specified time in the Award Agreement, the Option will remain exercisable for twelve (12) months following termination of Participant's status as a Service Provider due to death, but in no event later than the expiration of the term of such Option as set forth in the Award Agreement.

SECTION 7

RESTRICTED STOCK AWARDS

7.1 **Grant of Restricted Stock Awards.** Subject to the limits of Section 5 and the other terms and conditions of the Plan, the Administrator, at any time and from time to time, may grant Restricted Stock Awards to Service Providers in such amounts as the Administrator, in its sole discretion, determines.

7.2 **Award Agreement.** Each Restricted Stock Award will be evidenced by an Award Agreement that will specify the Period of Restriction (if any), the number of Restricted Shares subject to the Award, and such other terms and conditions of the Award as the Administrator, in its sole discretion, determines, provided that such terms and conditions are otherwise consistent with the terms and conditions of the Plan. Unless the Administrator determines otherwise, the Company as escrow agent will hold the Restricted Shares until the restrictions on such Shares have lapsed.

7.3 Transferability. Except as provided in this Section 7 or the Award Agreement, Restricted Shares may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction.

7.4 Other Restrictions. The Administrator, in its sole discretion, may impose such other restrictions on Restricted Shares as it may deem advisable or appropriate.

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7.5 **Legend on Certificates.** The Administrator, in its sole discretion, may require that a legend be placed on any certificates representing Restricted Shares to give appropriate notice of the applicable restrictions on such Shares.

7.6 **Removal of Restrictions.** Except as otherwise provided in this Section 7, Restricted Shares will be released from escrow as soon as practicable after the last day of the applicable Period of Restriction or at such other time as the Administrator may determine (including after satisfaction of all Tax Obligations with respect thereto). Subject to vesting limitations in Section 5.3, the Administrator, in its discretion, may accelerate the time at which any restrictions will lapse or be removed.

7.7 **Voting Rights.** During the Period of Restriction, Service Providers holding Restricted Shares may exercise full voting rights with respect to those Shares, unless the Administrator determines otherwise.

7.8 **Dividends and Other Distributions.** During the Period of Restriction, Service Providers holding Restricted Shares will be entitled to receive any dividends and/or other distributions paid with respect to such Shares, unless the Administrator provides otherwise. If any such dividends or distributions are paid in Shares, such Shares will be subject to the same restrictions on transferability and forfeitability as the Restricted Shares with respect to which they were paid.

7.9 **Section 162(m) Performance Restrictions** For purposes of qualifying grants of Restricted Stock Awards as performance-based compensation under Section 162(m), the Administrator, in its discretion, may set restrictions based upon the achievement of Performance Goal(s). The Performance Goal(s) will be set by the Administrator on or before the Determination Date. In granting Restricted Stock Awards that are intended to qualify under Section 162(m), the Administrator will follow any procedures determined by it from time to time to be necessary or appropriate to ensure qualification of the Award under Section 162(m) (e.g., in determining the Performance Goal(s)).

SECTION 8 RESTRICTED STOCK UNITS

8.1 **Grant of Restricted Stock Units.** Subject to the limits of Section 5 and the other terms and conditions of the Plan, the Administrator, at any time and from time, may grant Restricted Stock Units to Service Providers in such amounts as the Administrator, in its sole discretion, determines.

8.2 **Award Agreement.** Each Award of Restricted Stock Units will be evidenced by an Award Agreement that will specify the number of Restricted Stock Units, the vesting criteria of the Award, the form of payout of the Award, which, subject to Section 8.5, may be left to the discretion of the Administrator, and such other terms and conditions of the Award as the Administrator, in its sole discretion, determines, provided that such terms and conditions are otherwise consistent with the terms and conditions of the Plan.

8.3 **Vesting Criteria and Other Terms.** The Administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Participant. The Administrator may set vesting criteria based upon the achievement of Company-wide, divisional, business unit, or individual goals (including, but not limited to, continued status as a Service Provider), applicable federal or state securities laws or any other basis determined by the Administrator in its sole discretion.

8.4 Earning Restricted Stock Units. Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as determined by the Administrator. Notwithstanding the foregoing, subject to the vesting limitations in Section 5.3, at any time after the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout.

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8.5 **Form and Timing of Payment.** Payment of earned Restricted Stock Units will be made as soon as practicable after the date(s) determined by the Administrator and set forth in the Award Agreement (including after satisfaction of all Tax Obligations with respect thereto). The Administrator, in its sole discretion, may pay earned Restricted Stock Units in cash, Shares, or a combination of both.

8.6 **Cancellation.** On the date set forth in the Award Agreement, all unearned Restricted Stock Units will be forfeited to the Company.

8.7 **Section 162(m) Performance Restrictions.** For purposes of qualifying grants of Restricted Stock Units as performance-based compensation under Section 162(m), the Administrator, in its discretion, may set restrictions based upon the achievement of Performance Goal(s). The Performance Goal(s) will be set by the Administrator on or before the Determination Date. In granting Restricted Stock Units which are intended to qualify under Section 162(m), the Administrator will follow any procedures determined by it from time to time to be necessary or appropriate to ensure qualification of the Award under Section 162(m) (e.g., in determining the Performance Goal(s)).

SECTION 9 STOCK APPRECIATION RIGHTS

9.1 **Grant of Stock Appreciation Rights.** Subject to the limits of Section 5 and the other terms and conditions of the Plan, the Administrator, at any time and from time to time, may grant Stock Appreciation Rights to Service Providers in such amounts as the Administrator, in its sole discretion, determines.

9.2 **Award Agreement.** Each Stock Appreciation Right grant will be evidenced by an Award Agreement that will specify the Exercise Price of the Stock Appreciation Right, the term of the Stock Appreciation Right, any conditions to exercise the Stock Appreciation Right, and such other terms and conditions of the Award as the Administrator, in its discretion, determines, provided that such terms and conditions are otherwise consistent with the terms and conditions of the Plan.

9.3 **Exercise Price and Other Terms.** The Exercise Price of each Stock Appreciation Right will be determined by the Administrator and set forth in the Award Agreement; provided, however, that such Exercise Price may not be less than one hundred percent (100%) of the Fair Market Value per Share on the Grant Date. Notwithstanding the foregoing, Stock Appreciation Rights may be granted with an Exercise Price of less than one hundred percent (100%) of the Fair Market Value per Share on the Grant Date pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code.

9.4 **Expiration of Stock Appreciation Rights.** A Stock Appreciation Right will expire on the date determined by the Administrator, in its sole discretion, and set forth in the Award Agreement. Notwithstanding the foregoing, the rules of Section 6.3 relating to the maximum term and Section 6.5 relating to exercise also will apply to Stock Appreciation Rights.

9.5 **Payment of Stock Appreciation Right Amount.** Upon exercise of a Stock Appreciation Right (including satisfaction of all Tax Obligations with respect thereto), a Participant will be entitled to receive payment from the Company in an amount determined by multiplying:

- (a) The difference between the Fair Market Value of a Share on the date of exercise over the Exercise Price; times
- (b) The number of Shares with respect to which the Stock Appreciation Right is exercised.

At the discretion of the Administrator, the payment upon any Stock Appreciation Right exercise may be in cash, in Shares of equivalent value, or in some combination thereof. No adjustment will be made for any

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dividend or other right for which the record date is prior to the date the Shares, if applicable, are issued and delivered, except as provided in Section 14.

SECTION 10 PERFORMANCE UNITS AND PERFORMANCE SHARES

10.1 **Grant of Performance Units/Shares.** Subject to the limits of Section 5 and the other terms and conditions of the Plan, the Administrator, at any time and from time to time, may grant Performance Units and/or Performance Shares to Service Providers in such amounts as the Administrator, in its sole discretion, determines.

10.2 **Value of Performance Units/Shares.** Each Performance Unit will have an initial value that is established by the Administrator on or before the Grant Date. Each Performance Share will have an initial value equal to the Fair Market Value of a Share on the Grant Date.

10.3 **Performance Objectives and Other Terms.** The Administrator will set performance objectives or other vesting provisions (including, without limitation, continued status as a Service Provider) in its discretion which, depending on the extent to which they are met, will determine the number or value of Performance Units/Shares that will be paid out to the Participant. Each Award of Performance Units/Shares will be evidenced by an Award Agreement that will specify the Performance Period and such other terms and conditions as the Administrator, in its sole discretion, determines, provided that such terms and conditions are otherwise consistent with the terms and conditions of the Plan. The Administrator may set performance objectives based upon the achievement of Company-wide, divisional, business unit or individual goals (including, but not limited to, continued status as a Service Provider), applicable federal or state securities laws, or any other basis determined by the Administrator in its discretion.

10.4 **Earning of Performance Units/Shares.** After the applicable Performance Period has ended, the holder of Performance Units/Shares will be entitled to receive a payout of the number of Performance Units/Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives or other vesting provisions have been achieved. After the grant of a Performance Unit/Share, subject to the vesting limitations under Section 5.3, the Administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such Performance Unit/Share.

10.5 **Form and Timing of Payment of Performance Units/Shares.** Payment of earned Performance Units/Shares will be made as soon as practicable after the expiration of the applicable Performance Period (including after satisfaction of all Tax Obligations with respect thereto). The Administrator, in its sole discretion, may pay earned Performance Units/Shares in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Units/Shares at the close of the applicable Performance Period) or in a combination thereof.

10.6 **Cancellation of Performance Units/Shares.** On the date set forth in the Award Agreement, all unearned or unvested Performance Units/Shares will be forfeited to the Company.

10.7 Section 162(m) Performance Restrictions. For purposes of qualifying grants of Performance Units/Shares as performance-based compensation under Section 162(m), the Administrator, in its discretion, may set restrictions based upon the achievement of Performance Goal(s). The Performance Goal(s) will be set by the Administrator on or before the Determination Date. In granting Performance Units/Shares which are intended to qualify under Section 162(m), the Administrator will follow any procedures determined by it from time to time to be necessary or appropriate to ensure qualification of the Award under Section 162(m) (e.g., in determining the Performance Goal(s)).

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SECTION 11 PERFORMANCE-BASED COMPENSATION UNDER SECTION 162(M)

11.1 **General.** If the Administrator, in its discretion, decides to grant an Award intended to qualify as performance-based compensation under Section 162(m), the provisions of this Section 11 will control over any contrary provision in the Plan; provided, however, that the Administrator in its discretion may grant Awards that are not intended to qualify as performance-based compensation under Section 162(m) to such Participants that are based on Performance Goal(s) or other specific criteria or goals but that do not satisfy the requirements of this Section.

11.2 **Performance Goals.** The granting and/or vesting of Restricted Stock Awards, Restricted Stock Units, Performance Shares, Performance Units and other incentives under the Plan may be made subject to the attainment of performance goals relating to one or more business criteria within the meaning of Section 162(m) and may provide for a targeted level or levels of achievement (Performance Goals) including (a) Cash Flow; (b) Earnings; (c) Product and Operational Metrics; (d) Revenue; and (e) Total Shareholder Return.

Any Performance Goal used may be measured (i) in absolute terms, (ii) in combination with another Performance Goal or Goals (for example, but not by way of limitation, as a ratio or matrix), (iii) in relative terms (including, but not limited to, as compared to results for other periods of time, against other objective metrics, and/or against another company, companies or an index or indices), (iv) with respect to equity, assets or human resources of the Company, (including, for example, on a per-share or per-capita basis), (v) against the performance of the Company as a whole or a specific business unit(s) (including acquired business units), business segment(s) or product(s) of the Company, (vi) on a pre-tax or after-tax basis, and/or (vii) on a GAAP (generally accepted accounting principles) or non-GAAP basis. For example, but not by way of limitation, the Administrator could determine that Restricted Stock Units will be earned for a Performance Period for the achievement of goals for Earnings calculated before interest, taxes, depreciation and amortization. As another example, the Administrator could determine that Restricted Stock Units will be earned for a Performance Period for the achievement of goals for Earnings divided by the number of Shares that are outstanding (in other words, Earnings per Share).

Performance Goals may differ from Participant to Participant and from Award to Award. Prior to the Determination Date, the Administrator, in its discretion, will determine whether any significant element(s) or item(s) will be included in or excluded from the calculation of any Performance Goal with respect to any Participants. As determined in the discretion of the Administrator prior to the Determination Date, achievement of Performance Goals for a particular Award may be calculated in accordance with the Company's financial statements, prepared in accordance with GAAP, or as adjusted for certain costs, expenses, gains and losses to provide non-GAAP measures of operating results

11.3 **Procedures.** To the extent necessary to comply with the performance-based compensation provisions of Section 162(m), with respect to any Award granted subject to Performance Goal(s), within the first twenty-five percent (25%) of the Performance Period, but in no event more than ninety (90) days following the commencement of any Performance Period (or such other time as may be required or permitted by Section 162(m)), the Administrator will, in writing, (a) designate one or more Participants to whom an Award will be made, (b) select the Performance Goal(s) applicable to the Performance Period, (c) establish the Performance Goal(s), and amounts of such Awards, as applicable, which may be earned for such Performance Period, and (d) specify the relationship between Performance Goal(s) and the amounts of such Awards, as applicable, to be earned by each Participant for such Performance

Period. Following the completion of each Performance Period, the Administrator will certify in writing whether the applicable Performance Goal(s) have been achieved for such Performance Period. In determining the amounts earned by a Participant, the Administrator will have the

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right to reduce or eliminate (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Administrator may deem relevant to the assessment of individual or corporate performance for the Performance Period. A Participant will be eligible to receive payment pursuant to an Award for a Performance Period only if the Performance Goal(s) for such period are achieved (and all Tax Obligations with respect thereto are satisfied).

11.4 **Additional Limitations**. Notwithstanding any other provision of the Plan, any Award that is granted to a Participant and is intended to constitute qualified performance based compensation under Section 162(m) will be subject to any additional limitations set forth in the Code (including any amendment to Section 162(m)) or any regulations and rulings issued thereunder that are requirements for qualification as qualified performance-based compensation as described in Section 162(m), and the Plan will be deemed amended to the extent necessary to conform to such requirements.

SECTION 12

COVERED EMPLOYEE ANNUAL INCENTIVE AWARDS

12.1 **Establishment of Incentive Pool**. The Committee may designate Covered Employees who are eligible to receive a monetary payment with respect to a Fiscal Year based on a percentage of an incentive pool equal to the greater of: (a) three percent (3%) of the Company's Consolidated Operating Earnings for the Fiscal Year, (b) two percent (2%) of the Company's Operating Cash Flow for the Fiscal Year, or (c) five percent (5%) of the Company's Net Income for the Fiscal Year. The Administrator will allocate an incentive pool percentage to each designated Covered Employee for each Fiscal Year. In no event may (i) the incentive pool percentage for any one Covered Employee exceed fifty percent (50%) of the total pool, and (ii) the sum of the incentive pool percentages for all Covered Employees cannot exceed one hundred percent (100%) of the total pool.

12.2 **Determination of Covered Employees' Portions**. As soon as possible after the determination of the incentive pool for a Fiscal Year, the Administrator will calculate each Covered Employee's allocated portion of the incentive pool based upon the percentage established at the beginning of the Fiscal Year. Each Covered Employee's incentive award then will be determined by the Administrator based on the Covered Employee's allocated portion of the incentive pool subject to adjustment in the sole discretion of the Administrator. In no event may the portion of the incentive pool allocated to a Covered Employee be increased in any way, including as a result of the reduction of any other Covered Employee's allocated portion. The Administrator will retain the discretion to adjust such Awards downward.

SECTION 13

CASH-BASED AWARDS AND OTHER STOCK-BASED AWARDS

13.1 **Grant of Cash-Based Awards**. Subject to the limits of Section 5 and the other terms and conditions of the Plan, the Administrator, at any time and from time to time, may grant Cash-Based Awards in such amounts and upon such terms and conditions as the Administrator, in its sole discretion, determines, provided that such terms and

conditions are otherwise consistent with the terms and conditions of the Plan.

13.2 Grant of Other Stock-Based Awards. Subject to the limits of Section 5 and the other terms and conditions of the Plan, the Administrator, at any time and from time to time, may grant Other Stock-Based Awards not otherwise described by the terms of the Plan (including the grant or offer for sale of unrestricted Shares) in such amounts and upon such terms and conditions as the Administrator, in its sole discretion, determines, provided that such terms and conditions are otherwise consistent with the terms and conditions of the Plan. Such Awards may involve the transfer of actual Shares to Participants, or the payment in cash or otherwise of amounts based on the value of Shares and may include, without limitation, Awards designed to comply with or take advantage of the applicable local laws of jurisdictions other than the United States.

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13.3 **Value of Cash-Based and Other Stock-Based Awards.** Each Cash-Based Award will specify a payment amount or payment range (which may be expressed as a percentage of the Participant's base salary, a dollar amount or a result of a formula or other matrix), as determined by the Administrator. Each Other Stock-Based Award will be expressed in terms of Shares or units based on Shares, as determined by the Administrator. The Administrator may establish performance or vesting criteria in its discretion. If the Administrator exercises its discretion to establish such criteria, the number and/or value of Cash-Based Awards or Other Stock-Based Awards that will be paid out to the Participant will depend on the extent to which the criteria are met.

13.4 **Payment of Cash-Based and Other Stock-Based Awards.** Payment, if any, with respect to a Cash-Based Award or Other Stock-Based Award, will be made in accordance with the terms of the Award, in cash or Shares as the Administrator determines.

13.5 **Termination.** The Administrator will determine the extent to which the Participant will have the right to receive Cash-Based Awards or Other Stock-Based Awards following termination of the Participant's status as a Service Provider. Such provisions will be determined in the sole discretion of the Administrator, may be included in an agreement entered into with each Participant, but need not be uniform among all Awards of Cash-Based Awards or Other Stock-Based Awards, and may reflect distinctions based on the reasons for termination.

SECTION 14

ADJUSTMENTS; DISSOLUTION OR LIQUIDATION; MERGER OR CHANGE IN CONTROL

14.1 **Adjustments.** In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, reincorporation, reclassification, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs, the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will adjust the number and class of shares of stock that may be issued under the Plan and/or the number, class, and price of shares of stock covered by each outstanding Award, and the numerical Share limits in Sections 3 and 5.

14.2 **Dissolution or Liquidation.** In the event of the proposed dissolution or liquidation of the Company, the Administrator will notify each Participant holding an outstanding Award as soon as practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised, an Award will terminate immediately prior to the consummation of such proposed action.

14.3 **Change in Control.** In the event of a Change in Control:

(a) Each then-outstanding Award will be treated as the Administrator determines (subject to the provisions of the following paragraph) without a Participant's consent, including, without limitation, that (i) Awards will be assumed, or substantially equivalent awards will be substituted, by the acquiring or succeeding corporation (or an affiliate thereof) with appropriate adjustments as to the number and kind of shares and prices; (ii) upon written notice to a Participant,

that the Participant's Awards will terminate upon or immediately prior to the Change in Control; (iii) outstanding Awards will vest and become exercisable, realizable, or payable, or restrictions applicable to an Award will lapse, in whole or in part upon the Change in Control, and, to the extent the Administrator determines, terminate upon or immediately prior to the Change in Control; (iv) (A) an Award will terminate in exchange for an amount of cash and/or property, if any, equal to the amount that would have been attained upon the exercise of such Award or realization of the Participant's rights as of the date of the Change in Control (and, for the avoidance of doubt, if as of the date of the Change in Control the Administrator determines in good faith that no amount would have been attained upon the

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EXHIBIT A WOODWARD, INC. 2017 OMNIBUS INCENTIVE PLAN

exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company, without payment), or (B) an Award will be replaced with other rights or property selected by the Administrator in its sole discretion; or (v) any combination of the foregoing. In taking any of the actions permitted under this Section 14.3, the Administrator will not be obligated to treat all Awards, all Awards held by a Participant or other holder, or all Awards of the same type, similarly.

(b) If the successor corporation does not assume or substitute for an outstanding Award or portion thereof, as described in subsection (a)(i), and, for the avoidance of doubt, notwithstanding the minimum vesting requirement set forth in Section 5.3, (i) the Participant will fully vest in and have the right to exercise any such outstanding Option or Stock Appreciation Right, including Shares as to which such Award would not otherwise be vested or exercisable, (ii) all time-based vesting restrictions on any such Award will lapse, and (iii) the payout level attainable under any such Award with performance-based vesting restrictions will be deemed to have been earned as of the date of the Change in Control based on either (A) the actual level of achievement of all relevant performance criteria against the applicable target level(s) measured as of the date of the Change in Control, or (B) the deemed achievement of all relevant performance criteria against the applicable target level(s) measured as of the date of the Change in Control, with a pro rata payout based on the number of days within the applicable Performance Period that has elapsed before the Change in Control, as determined by the Administrator, and, in each such case, all other applicable vesting criteria and other terms and conditions of the Award will be deemed to have been satisfied, unless specifically provided otherwise in the applicable Award Agreement or other written agreement between the Participant and the Company or other Employer. The treatment of any other Awards will be determined by the Administrator in connection with the grant thereof, as reflected in the applicable Award Agreement. In addition, if an Option or Stock Appreciation Right is not assumed or substituted in the event of a Change in Control, the Administrator will notify the Participant in writing or electronically that such Option or Stock Appreciation Right will be exercisable for a period of time determined by the Administrator in its sole discretion, and the Option or Stock Appreciation Right will terminate upon the expiration of such period.

For the purposes of this Section 14.3, an Award will be considered assumed if, following the Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, or other securities or property) received in the Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Change in Control is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of an Option or Stock Appreciation Right or upon the payout of a Restricted Stock Unit, Performance Unit, Performance Share or Other Stock-Based Award, for each Share subject to such Award, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the Change in Control.

Notwithstanding anything in this Section 14.3 to the contrary, and unless otherwise provided in an Award Agreement, an Award that vests, is earned or paid out upon the satisfaction of one or more Performance Goals or other performance criteria will not be considered assumed if the Company or its successor modifies any of such goals or criteria without the Participant's consent; provided, however, that a modification to such goals or criteria only to reflect

the successor corporation's post-Change in Control corporate structure will not be deemed to invalidate an otherwise valid Award assumption.

Notwithstanding anything in this Section to the contrary, if a payment under an Award Agreement is subject to Section 409A and if the change in control definition contained in the Award Agreement does not comply with the definition of "change in control event" for purposes of a distribution under Section 409A, then

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EXHIBIT A WOODWARD, INC. 2017 OMNIBUS INCENTIVE PLAN

any payment of an amount that otherwise is accelerated under this Section will be delayed until the earliest time that such payment would be permissible under Section 409A without triggering any penalties applicable under Section 409A.

14.4 **Outside Director Awards.** With respect to Awards granted to an Outside Director that are assumed or substituted for, if on the date of or following such assumption or substitution, the Participant's status as a Director or a director of the successor corporation, as applicable, is terminated other than upon a voluntary resignation by the Participant (unless such resignation is at the request of the acquirer), then the Participant will fully vest in and have the right to exercise Options and/or Stock Appreciation Rights as to all of the Shares underlying such Award, including those Shares which would not otherwise be vested or exercisable, all restrictions on Restricted Stock Awards, Restricted Stock Units and Other Stock-Based Awards will lapse, and, with respect to Awards with performance-based vesting, all performance or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met, unless specifically provided otherwise under the applicable Award Agreement or other written agreement between the Participant and the Company or other Employer.

SECTION 15

ADDITIONAL PROVISIONS OF AWARDS

15.1 **Legal Compliance Required.** In no event will Shares be issued or delivered pursuant to the exercise or settlement of an Award unless such exercise or settlement and the issuance and delivery of such Shares complies or will comply with Applicable Laws, as determined by the Administrator, with such determination subject to the further approval of counsel for the Company.

15.2 **Section 409A.** Awards will be designed and operated in such a manner that they are either exempt from the application of, or comply with, the requirements of Section 409A such that the grant, payment, settlement or deferral thereof, as applicable, will not be subject to the additional tax or interest applicable under Section 409A, except as otherwise determined in the sole discretion of the Administrator. The Plan and each Award Agreement is intended to meet the requirements of Section 409A, to the extent applicable, and will be construed and interpreted in accordance with such intent, except as otherwise determined in the sole discretion of the Administrator. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Section 409A, the Award will be granted, paid, settled or deferred in a manner that will meet the requirements of Section 409A, such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A. In no event will the Company or other Employer have any obligation under the Plan to reimburse a Participant for any taxes or other costs that may be imposed on the Participant as a result of Section 409A.

15.3 **Investment Representations.** As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

15.4 Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction or to complete or comply with the requirements of any registration or other qualification of the Shares under any state, federal or foreign law or under the rules and regulations of the U.S. Securities and Exchange Commission, the stock exchange on which Shares of the same class are then listed, or any other governmental or regulatory body, which authority, registration, qualification or rule compliance is deemed by the Company's counsel to be necessary or advisable for the issuance and sale of any Shares hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority, registration, qualification or rule compliance will not have been obtained.

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15.5 **Forfeiture Events.** The Administrator may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award will be subject to the reduction, cancellation, forfeiture, or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of the Award. Notwithstanding any contrary provision of the Plan, an Award will be subject to the Company's clawback policy or other compensation recoupment policy as may be established and/or amended from time to time (the Clawback Policy). The Administrator may require a Participant to forfeit, return or reimburse the Company all or a portion of the Award and any amounts paid thereunder pursuant to the terms of the Clawback Policy or as necessary or appropriate to comply with Applicable Laws.

15.6 **Leaves of Absence or Transfers Between Locations.** Unless the Administrator provides otherwise, as set forth in the applicable Award Agreement, the vesting of an Award will be suspended during any unpaid leave of absence. A Service Provider will not cease to be an Employee or Director in the case of (a) any leave of absence approved by the Employer or (b) transfers between locations of the Company, between the Company and another Employer or between an Employer and another Employer. For purposes of Incentive Stock Options, no leave of absence may exceed three (3) months, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Employer is not so guaranteed, then six (6) months following the first (1st) day of such leave any Incentive Stock Option held by the Participant will cease to be treated as an Incentive Stock Option and will be treated for tax purposes as a Nonqualified Stock Option.

15.7 **Limited Transferability of Awards.** Unless determined otherwise by the Administrator, as set forth in the applicable Award Agreement, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant. If the Administrator makes an Award transferable, the related Award Agreement will contain such additional terms and conditions as the Administrator deems appropriate.

15.8 **Indemnification.** Subject to the requirements of Delaware law, each individual who is or has been a member of the Board and/or any Committee, or who is an Employee to whom authority was delegated in accordance with Section 3 (an Indemnitee), will be indemnified and held harmless by the Company against and from (a) any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by the Indemnitee in connection with or resulting from any claim, action, suit, or proceeding to which the Indemnitee may be a party or in which the Indemnitee may be involved by reason of any action taken or failure to act under the Plan or any Award Agreement, and (b) any and all amounts paid by the Indemnitee in settlement thereof, with the Company's approval, or paid by the Indemnitee in satisfaction of any judgment in any such claim, action, suit, or proceeding against the Indemnitee, provided the Indemnitee gives the Company an opportunity, at its own expense, to handle and defend the same before the Indemnitee undertakes to handle and defend it on the Indemnitee's own behalf, unless such loss, cost, liability or expense is a result of the Indemnitee's gross negligence or willful misconduct or except as expressly provided by statute. The foregoing right of indemnification, if any, will not be exclusive of any other rights of indemnification to which the Indemnitee may be entitled under the Company's Certificate of Incorporation or Bylaws, by contract, as a matter of law, or otherwise, or under any power that the Company may have to indemnify or hold harmless the Indemnitee.

15.9 No Effect on Employment or Service. Neither the Plan nor any Award will confer upon a Participant any right with respect to continuing the Participant's relationship as a Service Provider with the Employer, nor will they interfere in any way with the Participant's right or the right of the Employer to terminate such relationship at any time, with or without cause, to the extent permitted by law.

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EXHIBIT A WOODWARD, INC. 2017 OMNIBUS INCENTIVE PLAN

15.10 **Participation.** No Service Provider will have the right to be selected to receive an Award or, having been so selected, to be selected to receive any future Award.

SECTION 16

TAX WITHHOLDING

16.1 **General Requirements.** Prior to the issuance of any Shares or cash pursuant to an Award (or exercise thereof) or such earlier time as any Tax Obligations with respect to the Award are due, the Company and/or other Employer, as applicable, will have the power and the right to deduct or withhold, or require a Participant to remit to the Company or other Employer, as applicable, an amount sufficient to satisfy all Tax Obligations with respect to the Award (or exercise thereof).

16.2 **Withholding or Remittance Arrangements.** The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may require or permit a Participant to satisfy such Tax Obligations, in whole or in part, by (without limitation): (a) paying cash, check or other cash equivalents, (b) electing to have the Company (or other Employer, as applicable) withhold otherwise deliverable cash or Shares having a Fair Market Value equal to the minimum statutory amount required to be withheld or remitted, or such greater amount as the Administrator may determine if such amount will not cause adverse accounting consequences, as the Administrator determines, in its sole discretion (the Applicable Withholding Amount), (c) delivering to the Company already-owned Shares having a Fair Market Value equal to the Applicable Withholding Amount, provided that the delivery of such Shares will not result in any adverse accounting consequences, as the Administrator determines, in its sole discretion, (d) selling a sufficient number of Shares otherwise deliverable to the Participant through such means as the Administrator may determine in its sole discretion (whether through a broker or otherwise) equal to the amount required to be withheld or remitted, (e) any other means that the Administrator, in its sole discretion, determines to both comply with Applicable Laws and to be consistent with the purposes of the Plan, or (f) any combination of the foregoing arrangements. Unless otherwise specifically determined by the Administrator, the withholding arrangements approved by the Administrator under this Section 16.2 shall be intended to avoid the applicable Award being subject to liability accounting under ASC 718. The Fair Market Value of the Shares to be withheld or delivered will be determined as of the date that the Tax Obligations are required to be withheld or remitted.

SECTION 17

AMENDMENT, TERMINATION AND DURATION OF PLAN

17.1 **Amendment, Suspension or Termination Authority.** Except as otherwise specified in this Section, the Company, by action of the Board (or its authorized delegate), may at any time and for any reason amend, alter, suspend or terminate the Plan, or any part thereof. The Company will obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws. Any amendment, alteration, suspension or termination of the Plan will not impair in any material way the rights or obligations of any Participant under any Award that is outstanding as of the effective date of the Plan amendment, alteration, suspension or termination, without the written consent of the Participant. However, a termination of the Plan will not affect the

Administrator's ability to exercise its authority under the Plan with respect to any Awards that are outstanding as of the effective date of the termination. No Award may be granted during any period of suspension or after termination of the Plan.

17.2 Duration of Plan. The Plan is effective as of the Effective Date, and subject to Section 17, will remain in effect thereafter, provided that the Plan is ratified by an affirmative vote of the holders of a majority of the Shares that are present in person or by proxy and entitled to vote at the 2016 Annual Meeting of Stockholders of the Company. Notwithstanding the foregoing, without further stockholder approval, no Incentive Stock Option may be granted under the Plan after September 13, 2026.

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EXHIBIT A WOODWARD, INC. 2017 OMNIBUS INCENTIVE PLAN

SECTION 18

LEGAL CONSTRUCTION

18.1 **Governing Law.** The Plan and each Award Agreement will be governed by the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction. Unless otherwise provided in the applicable Award Agreement, a Participant is deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of Delaware, to resolve any and all issues that may arise out of or relate to the Plan or the Award Agreement.

18.2 **Severability.** In the event any provision of the Plan is held illegal or invalid for any reason, such illegality or invalidity will not affect the remaining parts of the Plan, and the Plan will be construed and enforced as if the illegal or invalid provision had not been included.

18.3 **Captions.** Captions in the Plan are provided for convenience only, and will not serve as a basis for the interpretation or construction of the Plan.

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PROXY

PROXY

WOODWARD, INC.

Proxy for Annual Meeting of Stockholders January 25, 2017

Solicited by the Board of Directors

The undersigned hereby appoints Thomas A. Gendron and Robert F. Weber, Jr., and each or any of them, as the undersigned's proxies, with full power of substitution, to represent and to vote, as designated on the reverse side, all the undersigned's common stock in Woodward, Inc. at the Annual Meeting of Stockholders to be held on Wednesday, January 25, 2017, and at any adjournment thereof, with the same authority as if the undersigned were personally present.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER(S). IF NO SPECIFICATION IS MADE, THIS PROXY WILL BE VOTED FOR PROPOSALS 1, 2, 3 AND 5, AND EVERY YEAR FOR PROPOSAL 4.

Important Notice Regarding the Availability of Proxy Materials for our Annual Meeting to be Held on January 25, 2017:

This Proxy Statement and our Annual Report on Form 10-K for the fiscal year ended September 30, 2016, including consolidated financial statements, are available to you at <http://www.proxydocs.com/wwd>.

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1. ELECTION OF DIRECTORS	FOR	AGAINST	ABSTAIN
01 Mary L. Petrovich
02 Paul Donovan	FOR	AGAINST	ABSTAIN

03 Jonathan W. Thayer	FOR	AGAINST	ABSTAIN

Instruction for Cumulative Voting for Directors: Unless otherwise specified above, this proxy/instruction card shall authorize the proxies listed herein to cumulate all votes that the undersigned is entitled to cast at the Annual Meeting for, and to allocate such votes among, one or more of the nominees for directors, as such proxies shall determine in their sole discretion. To specify a method of cumulative voting, mark the box below with an X and write the number of Shares and the name(s) of the nominee(s) for directors in the space below. If you wish to cumulate your votes, you must vote by using the proxy card rather than voting by telephone or the Internet.

2. PROPOSAL TO RATIFY THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2017.	FOR	AGAINST	ABSTAIN

PLEASE MARK
VOTES AS IN X
THIS EXAMPLE

3. PROPOSAL FOR THE ADVISORY RESOLUTION REGARDING THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS.	FOR	AGAINST	ABSTAIN

	OPTION #1 (EVERY YEAR)	OPTION #2 (EVERY TWO YEARS)	OPTION #3 (EVERY THREE YEARS)	ABSTAIN
4. PROPOSAL FOR THE ADVISORY RESOLUTION REGARDING THE FREQUENCY OF THE STOCKHOLDER ADVISORY VOTE ON EXECUTIVE COMPENSATION.

5. PROPOSAL FOR THE APPROVAL OF THE WOODWARD, INC. 2017 OMNIBUS INCENTIVE PLAN.	FOR	AGAINST	ABSTAIN

6. IN THEIR DISCRETION, THE PROXIES ARE AUTHORIZED TO VOTE UPON SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING.

Date:

Signature

Signature (if held jointly)

NOTE: Please sign exactly as name appears hereon. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

PLEASE MARK, SIGN, DATE, AND RETURN THIS PROXY CARD USING THE ENCLOSED ENVELOPE.

p FOLD AND DETACH HERE p

ANNUAL MEETING OF STOCKHOLDERS OF

WOODWARD, INC.

January 25, 2017

PROXY VOTING INSTRUCTIONS

TO VOTE BY MAIL

Please date, sign and mail your proxy card in the envelope provided as soon as possible.

TO VOTE BY TELEPHONE (TOUCH-TONE PHONE ONLY)

Please call **1-888-266-6788** toll-free and follow the instructions. Have your control number and the proxy card available when you call.

TO VOTE BY INTERNET

Edgar Filing: Nuveen Short Duration Credit Opportunities Fund - Form N-2/A

Please access the web page at www.proxyvoting.com/wwd and follow the on-screen instructions. Have your control number available when you access the web page.

Control Number for
Internet/Telephone Voting