

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

BASE PROSPECTUS

**Subject to completion dated June 12, 2017**

**\$ 500,000,000**

**Kayne Anderson**

*MLP Investment Company*

**Common Stock  
Preferred Stock  
Debt Securities**

Kayne Anderson MLP Investment Company (the “Company,” “we,” “us,” or “our”) is a non-diversified, closed-end management investment company that began investment activities on September 28, 2004 following our initial public offering. Our investment objective is to obtain a high after-tax total return by investing at least 85% of our total assets in energy-related partnerships and their affiliates (collectively, “master limited partnerships” or “MLPs”), and in other companies that, as their principal business, operate assets used in the gathering, transporting, processing, storing, refining, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, refined petroleum products or coal (collectively with MLPs, “Midstream Energy Companies”). We invest in equity securities of (i) master limited partnerships, including preferred, common and subordinated units and general partner interests, (ii) owners of such interests in master limited partnerships, and (iii) other Midstream Energy Companies. Our equity securities include securities of all market capitalizations. Additionally, we may invest in debt securities of MLPs and other Midstream Energy Companies. Substantially all of our total assets consist of publicly traded securities of MLPs and other Midstream Energy Companies. We are permitted to invest up to 50% of our total assets in unregistered or otherwise restricted securities of MLPs and other Midstream Energy Companies, including securities issued by private companies.

We may offer, from time to time, shares of our common stock (\$0.001 par value per share), shares of our preferred stock (\$0.001 par value per share), or debt securities, which we refer to in this prospectus collectively as our securities, in one or more offerings. We may offer our common stock, preferred stock or debt securities separately or in concurrent separate offerings, in amounts, at prices and on terms set forth in a prospectus supplement to this prospectus. You should read this prospectus and the related prospectus supplement carefully before you decide to invest in any of our securities.

We may offer and sell our securities to or through underwriters, through dealers or agents that we designate from time to time, directly to purchasers or through a combination of these methods. If an offering of our securities involves any underwriters, dealers or agents, then the applicable prospectus supplement will name the underwriters, dealers or agents and will provide information regarding any applicable purchase price, fee, commission or discount arrangements made with those underwriters, dealers or agents or the basis upon which such amount may be calculated. For more information about the manners in which we may offer our securities, see “Plan of Distribution.” We may not sell our securities through agents, underwriters or dealers without delivery of a prospectus supplement.

We are managed by KA Fund Advisors, LLC (“KAFA”), a subsidiary of Kayne Anderson Capital Advisors, L.P. (together, with KAFA, “Kayne Anderson”), a leading investor in MLPs and Midstream Energy Companies. As of February 28, 2017, Kayne Anderson and its affiliates managed approximately \$26 billion, including approximately \$11 billion in MLPs and other Midstream Energy Companies.

*(continued on the following page)*

**Investing in our securities may be speculative and involve a high degree of risk and should not constitute a complete investment program. Before buying any securities, you should read the discussion of the material risks of investing in our securities in “Risk Factors” beginning on page 22 of this prospectus. You should consider carefully these risks together with all of the other information contained in this prospectus and any prospectus supplement before making a decision to purchase our securities.**

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

The date of this prospectus is \_\_\_\_\_, 2017.

*(continued from the previous page)*

Shares of our common stock are listed on the New York Stock Exchange (“NYSE”) under the symbol “KYN.” The net asset value of our common stock at the close of business on March 31, 2017 was \$20.60 per share, and the last sale price per share of our common stock on the NYSE as of that date was \$21.00. See “Market and Net Asset Value Information.”

**Shares of common stock of closed-end investment companies, like ours, frequently trade at discounts to their net asset values. If our common stock trades at a discount to our net asset value, the risk of loss may increase for purchasers of our common stock, especially for those investors who expect to sell their common stock in a relatively short period after purchasing shares in this offering. See “Risk Factors—Additional Risks Related to Our Common Stock—Market Discount From Net Asset Value Risk.”**

Our common stock is junior in liquidation and distribution rights to our debt securities and preferred stock. The issuance of our debt securities and preferred stock represents the leveraging of our common stock. See “Use of Leverage—Effects of Leverage,” “Risk Factors—Additional Risks Related to Our Common Stock—Leverage Risk to Common Stockholders” and “Description of Capital Stock.” The issuance of any additional common stock offered by this prospectus will enable us to increase the aggregate amount of our leverage. Our preferred stock is senior in liquidation and distribution rights to our common stock and junior in liquidation and distribution rights to our debt securities. Our debt securities are unsecured obligations and, upon our liquidation, dissolution or winding up, rank (i) senior to all of our outstanding common stock and any preferred stock; (ii) on a parity with our obligations to any unsecured creditors and any unsecured securities representing our indebtedness, including our outstanding notes and any notes that we may issue under this registration statement; and (iii) junior to our obligations to any secured creditors.

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission (the “SEC”), using the “shelf” registration process. Under the shelf registration process, we may offer, from time to time, our common stock, preferred stock or debt securities, separately or in concurrent offerings, in amounts, at prices and on terms set forth in prospectus supplements to this prospectus. The securities may be offered at prices and on terms described in one or more supplements to this prospectus. This prospectus provides you with a general description of the securities that we may offer. Each time we use this prospectus to offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. This prospectus, together with any prospectus supplement, sets forth concisely the information about us that a prospective investor ought to know before investing. You should read this prospectus and the related prospectus supplement before deciding whether to invest and retain them for future reference. A Statement of Additional Information, dated \_\_\_\_\_, 2017 (the “SAI”), containing additional information about us, has been filed with the SEC and is incorporated by reference in its entirety into this prospectus. You may request a free copy of our SAI, the table of contents of which is on page 98 of this prospectus and our annual, semi-annual and quarterly reports to stockholders (when available), and request other information about the Company by calling toll-free at (877) 657-3863, or by writing to us at 811 Main Street, 14th Floor, Houston, Texas 77002, Attention: Investor Relations Department or by visiting our website at [www.kaynefunds.com](http://www.kaynefunds.com). The information contained in, or accessed through our website does not form part of this prospectus.

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and the Investment Company Act of 1940, as amended (the “1940 Act”) and are required to file reports (including our annual and semi-annual reports, proxy statements and other information with the SEC. We voluntarily file quarterly shareholder reports. Copies of such reports, proxy statements and other information, as well as the registration statement and the amendments, exhibits and schedules thereto, can be obtained from the SEC’s Public Reference Room in Washington, D.C. Information relating to the Public Reference Room may be obtained by calling the SEC at (202) 551-8090. Such materials, and other information regarding the Company, are also available on the SEC’s website ([www.sec.gov](http://www.sec.gov)). You may also e-mail requests for these documents to [publicinfo@sec.gov](mailto:publicinfo@sec.gov) or make a request in writing to the SEC’s Public Reference Room, 100 F Street, N.E., Room 1580, Washington, D.C. 20549-0112.

None of our common stock, preferred stock or debt securities represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and they are not federally insured by the Federal Deposit Insurance Corporation, the Federal Board or any other governmental agency.

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**You should rely only on the information contained or incorporated by reference in this prospectus and any related prospectus supplement. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted or where the person making the offer or sale is not qualified to do so or to any person to whom it is not permitted to make such offer or sale. You should assume that the information appearing in this prospectus and any prospectus supplement is accurate only as of the respective dates on their front covers, regardless of the time of delivery of this prospectus, any prospectus supplement, or any sale of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.**

## PROSPECTUS SUMMARY

*This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before investing in our securities offered by this prospectus. You should carefully read the entire prospectus, any related prospectus supplement and the SAI, including the documents incorporated by reference into them, particularly the section entitled “Risk Factors” and the financial statements and related notes. Except where the context suggests otherwise, the terms the “Company,” “we,” “us,” and “our” refer to Kayne Anderson MLP Investment Company; “Kafa” or the “Adviser” refers to KA Fund Advisors, LLC; “Kayne Anderson” refers to Kafa and its managing member, Kayne Anderson Capital Advisors, L.P., collectively; “midstream energy assets” refers to assets used in the gathering, transporting, processing, storing, refining, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, refined petroleum products or coal; “MLPs” or “master limited partnerships” refers to (i) energy-related partnerships, (ii) energy-related limited liability companies treated as partnerships and (iii) affiliates of those energy-related partnerships, substantially all of whose assets consist of interests in publicly traded partnerships; “Midstream Energy Companies” means (i) MLPs and (ii) other companies that, as their principal business, operate midstream energy assets; and “Energy Companies” means companies that own and operate assets that are used in or provide services to the energy sector, including assets used in exploring, developing, producing, transporting, storing, gathering, processing, refining, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, refined products or coal.*

### **The Company**

Kayne Anderson MLP Investment Company, a Maryland corporation, is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). Our outstanding shares of common stock are listed on the New York Stock Exchange (the “NYSE”) under the symbol “KYN.”

We began investment activities in September 2004 following our initial public offering. As of March 31, 2017, we had approximately 114.0 million shares of common stock outstanding, net assets applicable to our common stock of approximately \$2.3 billion and total assets of approximately \$4.2 billion.

### **Investment Objective**

Our investment objective is to obtain a high after-tax total return by investing at least 85% of our total assets in MLPs and other Midstream Energy Companies.

### **Investment Policies**

We have adopted the following non-fundamental investment policies:

- For as long as the word “MLP” is in our name, it shall be our policy, under normal market conditions, to invest at least 80% of our total assets in MLPs.
- We intend to invest at least 50% of our total assets in publicly traded securities of MLPs and other Midstream Energy Companies.
- Under normal market conditions, we may invest up to 50% of our total assets in unregistered or otherwise restricted securities of MLPs and other Midstream Energy Companies. The types of unregistered or otherwise restricted securities that we may purchase include common units, subordinated units, preferred units, and convertible units of, and general partner interests in, MLPs, and securities of other public and private Midstream Energy Companies.
- We may invest up to 15% of our total assets in any single issuer.

- We may invest up to 20% of our total assets in debt securities of MLPs and other Midstream Energy Companies, including below investment grade debt securities (commonly referred to as “junk bonds” or “high yield bonds”) rated, at the time of investment, at least B3 by Moody’s Investors Service, Inc., B- by Standard & Poor’s or Fitch Ratings, comparably rated by another rating agency or, if unrated, determined by Kayne Anderson to be of comparable quality. In addition, up to one-quarter of our permitted investments in debt securities (or up to 5% of our total assets) may be invested in unrated debt securities or debt securities that are rated less than B3/B- of public or private companies.
- We may, but are not required to, use derivative investments and engage in short sales to hedge against interest rate, market and issuer risks.
- Under normal market conditions, our policy is to utilize our Borrowings and our preferred stock (each a “Leverage Instrument” and collectively “Leverage Instruments”) in an amount that represents approximately 30% of our total assets, including proceeds from such Leverage Instruments. However, we reserve the right at any time, if we believe that market conditions are appropriate, to use Leverage Instruments to the extent permitted by the 1940 Act.

On April 20, 2017, our Board of Directors approved a change to our non-fundamental investment policy related to our use of leverage. The revised policy will be effective June 30, 2017, as follows:

- Under normal market conditions, our policy is to utilize our Borrowings and our preferred stock (each a “Leverage Instrument” and collectively “Leverage Instruments”) in an amount that represents approximately 25% - 30% of our total assets (our “target leverage levels”), including proceeds from such Leverage Instruments. However, we reserve the right at any time, based on market conditions, (i) to reduce our target leverage levels or (ii) to use Leverage Instruments to the extent permitted by the 1940 Act.

Unless otherwise stated, all investment restrictions apply at the time of purchase and we will not be required to reduce a position due solely to market value fluctuations. However, although we may not be required to sell securities due to subsequent changes in value, if such changes cause us to have invested less than 80% of our total assets in securities of MLPs, we will be required to make future purchases of securities in a manner so as to bring us into compliance with this investment policy.

Our Board of Directors may change these investment policies without the approval of the holders of a majority of our voting securities, provided that our securities holders receive at least 60 days’ prior written notice of any change.

## Our Portfolio Investments

As of March 31, 2017, we held \$4.2 billion in equity investments and no debt investments. Our top 10 largest holdings by issuer as of that date were:

	Company	Sector	Amount (\$ millions)	Percent of Long-Term Investments
1.	Enterprise Products Partners L.P.	Midstream MLP	\$ 526.9	12.5%
2.	Williams Partners L.P.	Midstream MLP	394.5	9.4
3.	Energy Transfer Partners, L.P. <sup>(1)</sup>	Midstream MLP	390.4	9.3
4.	ONEOK Partners, L.P. <sup>(2)</sup>	Midstream MLP	322.4	7.7
5.	Plains All American Pipeline, L.P.	Midstream MLP	283.3	6.7
6.	MPLX LP <sup>(3)</sup>	Midstream MLP	260.9	6.2
7.	Western Gas Partners, LP <sup>(4)</sup>	Midstream MLP	232.2	5.5
8.	DCP Midstream, LP	Midstream MLP	213.5	5.1
9.	Buckeye Partners, L.P.	Midstream MLP	188.4	4.5
10.	Targa Resources Corp.	Midstream MLP	187.9	4.5

- (1) On November 21, 2016, Energy Transfer Partners, L.P. (“ETP”) and Sunoco Logistics Partners L.P. (“SXL”) announced an agreement to combine in a unit-for-unit merger. On a combined basis, our ownership of ETP and SXL represents 11.5% of long-term investments as of March 31, 2017.

- (2) On February 1, 2017, ONEOK, Inc. (“OKE”) and ONEOK Partners, L.P. (“OKS”) announced an agreement under which OKE will acquire all common units of OKS in a stock-for-unit transaction. As of March 31, 2017, we did not own any OKE shares.
- (3) Includes common units (\$171.5 million) and preferred units (\$89.4 million).
- (4) Includes common units (\$228.1 million) and preferred units (\$4.1 million).

### **Our Investment Adviser**

KA Fund Advisors, LLC (“KAFA” or the “Adviser”) is our investment adviser, responsible for implementing and administering our investment strategy. KAFA is a subsidiary of Kayne Anderson Capital Advisors, L.P. (“KACALP” and together with KAFA, “Kayne Anderson”). Both KAFA and KACALP are SEC-registered investment advisers. As of March 31, 2017, Kayne Anderson and its affiliates managed approximately \$26 billion, including approximately \$11 billion in MLPs and other Midstream Energy Companies. We believe that Kayne Anderson has developed an understanding of the Energy market that enables it to identify and take advantage of investment opportunities in MLPs and Midstream Energy Companies. In addition, Kayne Anderson’s senior professionals have developed a strong reputation in the energy sector and have many long-term relationships with industry managers, which we believe gives Kayne Anderson an important advantage in sourcing and structuring private investments.

KAFA manages three other publicly traded investment companies: Kayne Anderson Energy Total Return Fund, Inc. (NYSE: KYE); Kayne Anderson Energy Development Company (NYSE: KED); and Kayne Anderson Midstream/Energy Fund, Inc. (NYSE: KMF). Kayne Anderson has invested in MLPs and other Midstream Energy Companies since 1998.

### **The Offering**

We may offer, from time to time, up to \$500,000,000 of our securities at prices and on terms to be set forth in one or more prospectus supplements to this prospectus.

We may offer and sell our securities to or through underwriters, through dealers or agents that we designate from time to time, directly to purchasers or through a combination of these methods. If an offering of securities involves any underwriters, dealers or agents, then the applicable prospectus supplement will name the underwriters, dealers or agents and will provide information regarding any applicable purchase price, fee, commission or discount arrangements made with those underwriters, dealers or agents or the basis upon which such amount may be calculated. See “Plan of Distribution.” We may not sell any of our securities through agents, underwriters or dealers without delivery of a prospectus supplement describing the method and terms of the offering of our securities.

### **Use of Financial Leverage**

We plan to utilize financial leverage with respect to our common stock through the issuance of preferred stock and debt securities, our revolving credit facility, term loan and other borrowings (such as prime brokerage or margin loans). The timing and terms of any leverage transactions will be determined by our Board of Directors. The issuance of additional common stock offered by this prospectus will enable us to increase the aggregate amount of our leverage. Throughout this prospectus, our debt securities, our revolving credit facility and other borrowings are collectively referred to as “Borrowings.”

We generally will seek to enhance our total returns through the use of financial leverage. Under normal market conditions, our policy is to utilize our Leverage Instruments in an amount that represents approximately 30% of our total assets (this policy was revised by our Board of Directors to 25% - 30% of total assets effective June 30, 2017), including proceeds from such Leverage Instruments (which equates to approximately 56.6% of

our net asset value as of March 31, 2017). Our Board of Directors modified this policy based on our recommendation as we believe a range of target leverage levels is more appropriate given the volatility in MLP prices experienced over the past several years. Notwithstanding this policy, based on market conditions at such time, we may use Leverage Instruments in amounts greater than our policy (to the extent permitted by the 1940 Act) or less than our policy. As of March 31, 2017, our Leverage Instruments represented approximately 26.9% of our total assets. At March 31, 2017, our asset coverage ratios under the 1940 Act, were 416% and 306% for debt and total leverage (debt plus preferred stock), respectively. We target asset coverage ratios that give us ability to withstand declines in the market value of the securities we hold before breaching the financial covenants in our Leverage Instruments. These targets are dependent on market conditions and may vary from time to time. Currently, we are targeting asset coverage ratios that provide an approximate 30% cushion relative to our financial covenants (i.e., market values could decline by 30% before our asset coverage ratios would be equal to our financial covenants). Leverage Instruments have seniority in liquidation and distribution rights over our common stock. Costs associated with any issuance of preferred stock are borne by common stockholders and result in a reduction of the net asset value of our common stock. See “Use of Leverage.”

Because KAFA’s management fee is based upon a percentage of our average total assets, KAFA’s fee is higher since we employ leverage. Therefore, KAFA has a financial incentive to use leverage, which may create a conflict of interest between KAFA and our common stockholders.

There can be no assurance that our leveraging strategy will be successful during any period in which it is used. The use of leverage involves significant risks and creates a greater risk of loss, as well as potential for more gain, for holders of our common stock than if leverage is not used. See “Risk Factors—Additional Risks Related to Our Common Stock—Leverage Risk to Common Stockholders” and “—Additional Risks Related to Our Preferred Stock—Senior Leverage Risk to Preferred Stockholders.”

### **Derivatives and Other Strategies**

We may write call options with the purpose of generating realized gains or reducing our ownership of certain securities. We will only write call options on securities that we hold in our portfolio (*i.e.*, covered calls). A call option on a security is a contract that gives the holder of such call option the right to buy the security underlying the call option from the writer of such call option at a specified price at any time during the term of the option. At the time the call option is sold, the writer of a call option receives a premium (or call premium) from the buyer of such call option. If we write a call option on a security, we have the obligation upon exercise of such call option to deliver the underlying security upon payment of the exercise price. When we write a call option, an amount equal to the premium received by us will be recorded as a liability and will be subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by us as realized gains from investments on the expiration date. If we repurchase a written call option prior to its exercise, the difference between the premium received and the amount paid to repurchase the option is treated as a realized gain or realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether we have realized a gain or loss. We, as the writer of the option, bear the market risk of an unfavorable change in the price of the security underlying the written option.

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

We may use short sales, arbitrage and other strategies to try to generate additional return. As part of such strategies, we may (i) engage in paired long-short trades to arbitrage pricing disparities in securities held in our portfolio; (ii) purchase call options or put options, (iii) enter into total return swap contracts; or (iv) sell securities short. Paired trading consists of taking a long position in one security and concurrently taking a short

position in another security within the same or an affiliated issuer. With a long position, we purchase a stock outright; whereas with a short position, we would sell a security that we do not own and must borrow to meet our settlement obligations. We will realize a profit or incur a loss from a short position depending on whether the value of the underlying stock decreases or increases, respectively, between the time the stock is sold and when we replace the borrowed security. See “Risk Factors—Risks Related to Our Investments and Investment Techniques—Short Sales Risk.” A total return swap is a contract between two parties designed to replicate the economics of directly owning a security. We may enter into total return swaps with financial institutions related to equity investments in certain MLPs.

To a lesser extent, we may use various hedging and other risk management strategies to seek to manage market risks. Such hedging strategies would be utilized to seek to protect against possible adverse changes in the market value of securities held in our portfolio, or to otherwise protect the value of our portfolio. We may execute our hedging and risk management strategy by engaging in a variety of transactions, including buying or selling options or futures contracts on indexes. See “Risk Factors—Risks Related to Our Investments and Investment Techniques—Derivatives Risk.”

For purposes of determining compliance with the requirement that we invest 80% of our total assets in MLPs, we value derivative instruments based on their respective current fair market values. See “Investment Objective and Policies.”

## **Distributions**

We have paid distributions to our common stockholders every fiscal quarter since inception and intend to continue to pay quarterly distributions to our common stockholders, funded in part by the net distributable income generated from our portfolio investments. The net distributable income generated from our portfolio investments is the amount received by us as cash or paid-in-kind distributions from equity securities owned by us, interest payments received on debt securities owned by us, other payments on securities owned by us, net premiums received from the sale of covered call options and income tax benefits (on net investment loss), if any, less current or anticipated operating expenses, income tax expense (on net investment income), if any, and our leverage costs (including dividends on preferred stock issued by us and excluding non-cash amortization of costs to issue leverage). On April 21, 2017 we paid a quarterly distribution of \$0.45 per share to our common stockholders. This quarterly distribution was \$0.10 per share lower than the prior quarter’s distribution (\$0.55 per share). We reduced our distribution primarily as a result of the on-going trend of MLPs (or GPs) with lower yields acquiring MLPs with higher yields, resulting in lower distributions to the unit holders of the acquired MLPs, which has significantly reduced our net distributable income over the last two years. The tax character of the April 21, 2017 quarterly distribution is estimated to be 100% return of capital and 0% qualifying dividend. Payment of future distributions is subject to approval by our Board of Directors, as well as meeting the covenants of our senior debt, the terms of our preferred stock and the asset coverage requirements of the 1940 Act. The Fund expects that a portion of its distributions may constitute a return of capital, which represents a return of a stockholder’s original investment in the Fund. See “Tax Matters—Federal Income Taxation of Holders of Our Common Stock.”

We pay dividends on the Series B MRP Shares, Series C MRP Shares, Series F MRP Shares, Series H MRP Shares, Series I MRP Shares and Series J MRP Shares (collectively, the “MRP Shares”) in accordance with the terms thereof. The holders of the Series B MRP Shares, Series C MRP Shares, Series H MRP Shares, Series I MRP Shares and Series J MRP Shares shall be entitled to receive quarterly cumulative cash dividends, and the holders of the Series F MRP Shares shall be entitled to receive monthly cumulative cash dividends, when, as and if authorized by the Board of Directors. See “Description of Securities—Preferred Stock.”



## **Use of Proceeds**

Unless otherwise specified in a prospectus supplement, we intend to use the net proceeds of any sales of our securities pursuant to this prospectus to make investments in portfolio companies in accordance with our investment objective and policies, to repay indebtedness or for general corporate purposes. Pending such investments, we anticipate either investing the proceeds in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations or money market instruments. The supplement to this prospectus relating to an offering will more fully identify the use of proceeds from such offering. See “Use of Proceeds.”

## **Taxation**

We are treated as a corporation for federal income tax purposes and, as a result, we are subject to corporate income tax to the extent we recognize net taxable income. As a partner in MLPs, we report our allocable share of each MLP’s taxable income or loss in computing our taxable income or loss, whether or not we actually receive any cash from such MLP. See “Tax Matters.”

## **Stockholder Tax Features**

Excluding the impact of any realized gains or realized losses, we expect that a portion of our distributions to our common stockholders may constitute a return of capital. If we make distributions from current and accumulated earnings and profits (which includes realized gains or realized losses, if any) as computed for federal income tax purposes, such distributions will generally be taxable to stockholders in the current period as ordinary income for federal income tax purposes and would be eligible for the lower tax rates applicable to qualified dividend income of non-corporate taxpayers under current law. If such distributions exceed our current and accumulated earnings and profits as computed for federal income tax purposes, such excess distributions will constitute a non-taxable return of capital to the extent of a common stockholder’s basis in our common stock and will result in a reduction of such basis. To the extent such excess exceeds a common stockholder’s basis in our common stock, such excess will be taxed as capital gain. A “return of capital” represents a return of a stockholder’s original investment in our shares, and should not be confused with a dividend from earnings and profits. Upon the sale of common stock, a holder of our common stock generally will recognize capital gain or loss measured by the difference between the sale proceeds received by the common stockholder and the common stockholder’s federal income tax basis in our common stock sold, as adjusted to reflect return of capital. See “Tax Matters.”

## **Risk Considerations**

Investing in our securities involves risk, including the risk that you may receive little or no return on your investment, or even that you may lose part or all of your investment. Therefore, before investing in our securities, you should consider carefully the risks set forth in “Risk Factors” beginning on page 22. We are designed primarily as a long-term investment vehicle, and none of our common stock, preferred stock or debt securities is an appropriate investment for a short-term trading strategy. An investment in our securities should not constitute a complete investment program for any investor and involves a high degree of risk. Due to the uncertainty in all investments, there can be no assurance that we will achieve our investment objective.

As set forth in “Risk Factors” beginning on page 22, our concentration in the energy sector may present more risk than if we were broadly diversified over multiple sectors of the economy. A downturn in one or more industries within the energy sector, material declines in energy-related commodity prices (such as those experienced from mid-2014 to early 2016), adverse political, legislative or regulatory developments or other events could have a larger impact on us than on an investment company that does not concentrate in the energy sector. The operations and financial performance of MLPs and other Energy Companies in which we invest may be directly affected by energy commodity prices. Such impact may be a result of changes in the price for such

commodity or a result of changes in the price of one energy commodity relative to the price of another energy commodity (for example, the price of natural gas relative to the price of natural gas liquids). For example, a substantial portion of the cash flow received by us is derived from our investment in equity securities of MLPs and other Midstream Energy Companies. The amount of cash that an MLP or other Midstream Energy Company has available to pay its debt and equity holders depends upon the amount of cash flow generated from the company's operations. Large declines in commodity prices can result in material declines in cash flow from operations for these companies.

### **Tax Risks**

In addition to other risk considerations, an investment in our securities will involve certain tax risks, including the risk the master limited partnerships in which we invest will be classified as corporations rather than as partnerships for federal income tax purposes (which may reduce our return, negatively affect the net asset value of our common stock and negatively impact asset coverage ratios for our senior securities) and the risk of changes in tax laws or regulations, or interpretations thereof, which could adversely affect us or the portfolio companies in which we invest. President Trump and other political leaders are expected to formulate and announce various federal tax reform proposals in 2017 and beyond. We cannot assess at this time whether any such proposals, if enacted, would affect us or MLPs and other Midstream Energy Companies in which we invest. Tax matters are very complicated, and the federal, state, local and foreign tax consequences of an investment in and holding of our securities will depend on the facts of each investor's situation. Investors are encouraged to consult their own tax advisers regarding the specific tax consequences that may affect such investors. See "Risk Factors—Tax Risks" for more information on these risks.

### **Dividend Reinvestment Plan**

We have adopted a dividend reinvestment plan for our common stockholders. Our plan is an "opt out" dividend reinvestment plan. As a result, if we declare a cash distribution to our common stockholders, then such distributions will be automatically reinvested in additional shares of our common stock, unless the stockholder specifically elects to receive cash. Common stockholders who receive distributions in the form of stock will be subject to the same federal, state and local tax consequences as common stockholders who elect to receive their distribution in cash. See "Dividend Reinvestment Plan."

### **Trading at a Discount**

The shares of common stock of closed-end investment companies frequently trade at prices lower than their net asset value. We cannot assure you that our common stock will trade at a price higher than or equal to our net asset value. The possibility that our common stock may trade at a discount to our net asset value is separate and distinct from the risk that our common stock's net asset value may decline. In addition to net asset value, the market price of our common stock may be affected by such factors as the distributions we make, which are in turn affected by expenses, the stability of our distributions, liquidity and market supply and demand. If we were to issue our common stock at a price less than our net asset value (such offering would require the approval of our stockholders), our net asset value would be reduced immediately following such offering. See "Risk Factors," "Description of Capital Stock" and "Our Structure; Common Stock Repurchases and Change In Our Structure." Our common stock is designed primarily for long-term investors and you should not purchase our common stock if you intend to sell it shortly after purchase.

## FORWARD-LOOKING STATEMENTS

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

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

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

The factors identified above are believed to be important factors, but not necessarily all of the important factors, that could cause our actual results to differ materially from those expressed in any forward-looking statement. Unpredictable or unknown factors could also have material adverse effects on us. Since our actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements, we cannot give any assurance that any of the events anticipated by the forward-looking statements will occur, or, if any of them do, what impact they will have on our results of operations and financial condition. All forward-looking statements included in this prospectus are expressly qualified in their entirety by the foregoing cautionary statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus. We do not undertake any obligation to update, amend or clarify these forward-looking statements or the risk factors contained in this prospectus, whether as a result of new information, future events or otherwise, except as may be required under the federal securities laws. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including our annual reports. We acknowledge that, notwithstanding the foregoing statement, the safe harbor for forward-looking statements under the Private Securities Litigation Reform Act of 1995 does not apply to investment companies such as us.

## KAYNE ANDERSON MLP INVESTMENT COMPANY

We are a non-diversified, closed-end management investment company registered under the 1940 Act. We were formed as a Maryland corporation in June 2004 and began investment activities in September 2004 after our initial public offering. Our common stock is listed on the NYSE under the symbol “KYN.”

As of March 31, 2017, we had (a) approximately 114 million shares of common stock outstanding, (b) \$300 million of MRP Shares outstanding, and (c) \$767 million in Notes outstanding. As of March 31, 2017, we had net assets applicable to our common stock of approximately \$2.3 billion and total assets of approximately \$4.2 billion.

The following table sets forth information about our outstanding securities as of March 31, 2017 (the information in the table is unaudited; and amounts are in 000s):

Title of Class	Amount of Shares/ Aggregate Liquidation Preference/ Aggregate Principal Amount Authorized	Amount Held by Us or for Our Account	Actual Amount Outstanding
Common Stock . . . . .	188,000	0	114,012
Series B Mandatory Redeemable Preferred Shares(1) . . .	\$ 8,000	\$ 0	\$ 8,000
Series C Mandatory Redeemable Preferred Shares(1) . . .	42,000	0	42,000
Series F Mandatory Redeemable Preferred Shares(1) . . .	125,000	0	125,000
Series H Mandatory Redeemable Preferred Shares(1) . . .	50,000	0	50,000
Series I Mandatory Redeemable Preferred Shares(1) . . . .	25,000	0	25,000
Series J Mandatory Redeemable Preferred Shares(1) . . . .	50,000	0	50,000
Notes, Series W . . . . .	31,000	0	31,000
Notes, Series Y . . . . .	20,000	0	20,000
Notes, Series Z . . . . .	15,000	0	15,000
Notes, Series AA . . . . .	15,000	0	15,000
Notes, Series BB . . . . .	35,000	0	35,000
Notes, Series CC . . . . .	76,000	0	76,000
Notes, Series DD . . . . .	75,000	0	75,000
Notes, Series EE . . . . .	50,000	0	50,000
Notes, Series FF . . . . .	65,000	0	65,000
Notes, Series GG . . . . .	45,000	0	45,000
Notes, Series II . . . . .	30,000	0	30,000
Notes, Series JJ . . . . .	30,000	0	30,000
Notes, Series KK . . . . .	80,000	0	80,000
Notes, Series LL . . . . .	50,000	0	50,000
Notes, Series MM . . . . .	40,000	0	40,000
Notes, Series NN . . . . .	20,000	0	20,000
Notes, Series OO . . . . .	90,000	0	90,000

(1) Each share has a liquidation preference of \$25.00.

Our principal office is located at 811 Main Street, 14th Floor, Houston, Texas 77002, and our telephone number is (713) 493-2020.

## FEES AND EXPENSES

The following table contains information about the costs and expenses that common stockholders will bear directly or indirectly. The table below assumes the use of Leverage Instruments in an amount equal to 32.7% of our total assets, which represents our average leverage levels for the fiscal year ended November 30, 2016, and shows our expenses as a percentage of net assets attributable to our common stock.

### Stockholder Transaction Expenses:

Sales Load Paid (as a percentage of offering price) (1) . . . . .	—%
Offering Expenses Borne (as a percentage of offering price) (2)	
Dividend Reinvestment Plan Fees (3) . . . . .	<u>None</u>
Total Stockholder Transaction Expenses (as a percentage of offering price)(4) . . . . .	<u><u>—%</u></u>

### Percentage of Net Assets Attributable to Common Stock (5)

#### Annual Expenses:

Management Fees (6) . . . . .	2.46%
Interest Payments (including issuance costs) on Borrowed Funds (7) . . . . .	1.80
Dividend Payments (including issuance costs) on Preferred Stock . . . . .	1.00
Other Expenses (exclusive of current and deferred income tax expense) (8) . . . . .	<u>0.19</u>
Annual Expenses (exclusive of current and deferred income tax expense) . . . . .	5.45
Current Income Tax Benefit (9) . . . . .	(0.27)
Deferred Income Tax Expense (9) . . . . .	<u>8.21</u>
Total Annual Expenses (including current and deferred income tax expense, net) . . . . .	<u><u>13.39%</u></u>

- (1) The sales load will apply only if the securities to which this prospectus relates are sold to or through underwriters. In such case, a corresponding prospectus supplement will disclose the applicable sales load.
- (2) The related prospectus supplement will disclose the estimated amount of offering expenses, the offering price and the offering expenses as a percentage of the offering price.
- (3) The expenses of administering our Dividend Reinvestment Plan are included in Other Expenses. Common stockholders will pay brokerage charges if they direct American Stock Transfer & Trust Company, as their agent (the “Plan Administrator”), to sell their common stock held in a dividend reinvestment account. See “Dividend Reinvestment Plan.”
- (4) The related prospectus supplement will disclose the offering price and the total stockholder transaction expenses as a percentage of the offering price.
- (5) The annual expenses in the table are calculated using (i) such expenses as reported on our statement of operations for the fiscal year ended November 30, 2016 and (ii) our average net assets for the fiscal year ended November 30, 2016.
- (6) Pursuant to the terms of the investment management agreement between the Company and KAFA, the management fee is calculated at an annual rate of 1.375% of our average total assets (excluding net deferred income tax assets, if any). KAFA has agreed, for a period of one year ending on March 31, 2018, to waive a portion of its management fee. The fee waiver agreement provides for a management fee of 1.375% on average total assets up to \$4.5 billion, a fee of 1.25% on average total assets between \$4.5 billion and \$9.5 billion, a fee of 1.125% on average total assets between \$9.5 billion and \$14.5 billion, and a fee of 1.0% on average total assets in excess of \$14.5 billion. Management fees in the table above do not reflect this fee waiver (the fee waiver was not applicable for fiscal 2016 because our average total assets were not

above \$4.5 billion). Management fees in the table above are calculated as a percentage of net assets attributable to common stock, which results in a higher percentage than the percentage attributable to average total assets. See “Management—Investment Management Agreement.”

- (7) Includes prepayment penalties of \$4.9 million related to the redemption of notes.
- (8) Other expenses are estimated amounts for the current fiscal year based on expenses as reported on our Statement of Operations for the fiscal year ended November 30, 2016.
- (9) For the fiscal year ended November 30, 2016, we recorded current tax benefit of \$5.5 million and deferred tax expense of \$166.8 million resulting in a net income tax expense of \$161.3 million attributable to our net investment loss, realized gains and unrealized gains.

The purpose of the table above and the example below is to help you understand all fees and expenses that you would bear directly or indirectly as a holder of our common stock. See “Management” and “Dividend Reinvestment Plan.”

**Example**

The following example illustrates the expenses that common stockholders would pay on a \$1,000 investment in our common stock, assuming total annual expenses before tax are 5.45% of net asset value in year 1. The following example assumes that all distributions are reinvested at net asset value, an annual rate of return of 5% on our portfolio securities, and expenses include income tax expense associated with the 5% assumed rate of return on such portfolio securities.

	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
Expenses	\$ 71	\$ 218	\$ 370	\$ 777

THE EXAMPLE ABOVE SHOULD NOT BE CONSIDERED A REPRESENTATION OF FUTURE EXPENSES. The example assumes that the estimated “Annual Expenses (exclusive of current and deferred income tax expense)” set forth in the Annual Expenses table are accurate and that all distributions are reinvested at net asset value. ACTUAL EXPENSES (INCLUDING THE COST OF LEVERAGE, IF ANY, AND OTHER EXPENSES) MAY BE GREATER OR LESS THAN THOSE SHOWN. Moreover, our actual rate of return may be greater or less than the hypothetical 5% return shown in the example. IN THE EVENT THAT A SALES LOAD APPLIES, AN EXAMPLE SIMILAR TO THIS WILL BE RESTATED IN A CORRESPONDING PROSPECTUS SUPPLEMENT TO SHOW THE EFFECT OF THE SALES LOAD.

## **FINANCIAL HIGHLIGHTS**

The Financial Highlights set forth below are derived from our financial statements, the accompanying notes thereto, and the report of PricewaterhouseCoopers LLP thereon for the fiscal year ended November 30, 2016 (the “2016 Audited Financial Statements”) which are incorporated by reference into our SAI. Copies of our SAI are available from us without charge upon request.

**FINANCIAL HIGHLIGHTS**  
(amounts in 000's, except share and per share amounts)

	For the Fiscal Year Ended November 30,		
	2016	2015	2014
<b>Per Share of Common Stock<sup>(1)</sup></b>			
Net asset value, beginning of period	\$ 19.20	\$ 36.71	\$ 34.30
Net investment income (loss) <sup>(2)</sup>	(0.61)	(0.53)	(0.76)
Net realized and unrealized gain (loss)	2.80	(14.39)	5.64
Total income (loss) from operations	2.19	(14.92)	4.88
Dividends and distributions — auction rate preferred <sup>(2)(3)</sup>	—	—	—
Common dividends <sup>(3)</sup>	—	(2.15)	(2.28)
Common distributions — return of capital <sup>(3)</sup>	(2.20)	(0.48)	(0.25)
Total dividends and distributions — common	(2.20)	(2.63)	(2.53)
Underwriting discounts and offering costs on the issuance of auction rate preferred stock	—	—	—
Effect of issuance of common stock	—	0.03	0.06
Effect of shares issued in reinvestment of distributions	(0.01)	0.01	—
Total capital stock transactions	(0.01)	0.04	0.06
Net asset value, end of period	<u>\$ 19.18</u>	<u>\$ 19.20</u>	<u>\$ 36.71</u>
Market value per share of common stock, end of period	<u>\$ 19.72</u>	<u>\$ 18.23</u>	<u>\$ 38.14</u>
Total investment return based on common stock market value <sup>(4)</sup>	24.1%	(47.7)%	9.9%
Total investment return based on net asset value <sup>(5)</sup>	14.6%	(42.8)%	14.8%
<b>Supplemental Data and Ratios<sup>(6)</sup></b>			
Net assets applicable to common stockholders, end of period	\$ 2,180,781	\$ 2,141,602	\$ 4,026,822
Ratio of expenses to average net assets			
Management fees (net of fee waiver)	2.5%	2.6%	2.4%
Other expenses	0.2	0.1	0.1
Subtotal	2.7	2.7	2.5
Interest expense and distributions on mandatory redeemable preferred stock <sup>(2)</sup>	2.8	2.4	1.8
Income tax expense <sup>(7)</sup>	7.9	—	8.3
Total expenses	<u>13.4%</u>	<u>5.1%</u>	<u>12.6%</u>
Ratio of net investment income (loss) to average net assets <sup>(2)</sup>	(3.4)%	(1.8)%	(2.0)%
Net increase (decrease) in net assets to common stockholders resulting from operations to average net assets	12.5%	(51.7)%	13.2%
Portfolio turnover rate	14.5%	17.1%	17.6%
Average net assets	\$ 2,031,206	\$ 3,195,445	\$ 3,967,458
Notes outstanding, end of period	\$ 767,000	\$ 1,031,000	\$ 1,435,000
Credit facility outstanding, end of period	\$ —	\$ —	\$ —
Term loan outstanding, end of period	\$ 43,000	\$ —	\$ 51,000
Auction rate preferred stock, end of period	\$ —	\$ —	\$ —
Mandatory redeemable preferred stock, end of period	\$ 300,000	\$ 464,000	\$ 524,000
Average shares of common stock outstanding	112,967,480	110,809,350	107,305,514
Asset coverage of total debt <sup>(8)</sup>	406.3%	352.7%	406.2%
Asset coverage of total leverage (debt and preferred stock) <sup>(9)</sup>	296.5%	243.3%	300.3%
Average amount of borrowings per share of common stock during the period <sup>(1)</sup>	\$ 7.06	\$ 11.95	\$ 13.23



**FINANCIAL HIGHLIGHTS**  
(amounts in 000's, except share and per share amounts)

	For the Fiscal Year Ended November 30,			
	2013	2012	2011	2010
<b>Per Share of Common Stock<sup>(1)</sup></b>				
Net asset value, beginning of period	\$ 28.51	\$ 27.01	\$ 26.67	\$ 20.13
Net investment income (loss) <sup>(2)</sup>	(0.73)	(0.71)	(0.69)	(0.44)
Net realized and unrealized gain (loss)	8.72	4.27	2.91	8.72
Total income (loss) from operations	7.99	3.56	2.22	8.28
Dividends and distributions — auction rate preferred <sup>(2)(3)</sup>	—	—	—	—
Common dividends <sup>(3)</sup>	(1.54)	(1.54)	(1.26)	(0.84)
Common distributions — return of capital <sup>(3)</sup>	(0.75)	(0.55)	(0.72)	(1.08)
Total dividends and distributions — common	(2.29)	(2.09)	(1.98)	(1.92)
Underwriting discounts and offering costs on the issuance of auction rate preferred stock	—	—	—	—
Effect of issuance of common stock	0.09	0.02	0.09	0.16
Effect of shares issued in reinvestment of distributions	—	0.01	0.01	0.02
Total capital stock transactions	0.09	0.03	0.10	0.18
Net asset value, end of period	<u>\$ 34.30</u>	<u>\$ 28.51</u>	<u>\$ 27.01</u>	<u>\$ 26.67</u>
Market value per share of common stock, end of period	<u>\$ 37.23</u>	<u>\$ 31.13</u>	<u>\$ 28.03</u>	<u>\$ 28.49</u>
Total investment return based on common stock market value <sup>(4)</sup>	28.2%	19.3%	5.6%	26.0%
Total investment return based on net asset value <sup>(5)</sup>	29.0%	13.4%	8.7%	43.2%
<b>Supplemental Data and Ratios<sup>(6)</sup></b>				
Net assets applicable to common stockholders, end of period	\$ 3,443,916	\$ 2,520,821	\$ 2,029,603	\$ 1,825,891
Ratio of expenses to average net assets				
Management fees (net of fee waiver)	2.4%	2.4%	2.4%	2.1%
Other expenses	0.1	0.2	0.2	0.2
Subtotal	2.5	2.6	2.6	2.3
Interest expense and distributions on mandatory redeemable preferred stock <sup>(2)</sup>	2.1	2.4	2.3	1.9
Income tax expense <sup>(7)</sup>	14.4	7.2	4.8	20.5
Total expenses	<u>19.0%</u>	<u>12.2%</u>	<u>9.7%</u>	<u>24.7%</u>
Ratio of net investment income (loss) to average net assets <sup>(2)</sup>	(2.3)%	(2.5)%	(2.5)%	(1.8)%
Net increase (decrease) in net assets to common stockholders resulting from operations to average net assets	24.3%	11.6%	7.7%	34.6%
Portfolio turnover rate	21.2%	20.4%	22.3%	18.7%
Average net assets	\$ 3,027,563	\$ 2,346,249	\$ 1,971,469	\$ 1,432,266
Notes outstanding, end of period	\$ 1,175,000	\$ 890,000	\$ 775,000	\$ 620,000
Credit facility outstanding, end of period	\$ 69,000	\$ 19,000	\$ —	\$ —
Term loan outstanding, end of period	\$ —	\$ —	\$ —	\$ —
Auction rate preferred stock, end of period	\$ —	\$ —	\$ —	\$ —
Mandatory redeemable preferred stock, end of period	\$ 449,000	\$ 374,000	\$ 260,000	\$ 160,000
Average shares of common stock outstanding	94,658,194	82,809,687	72,661,162	60,762,952
Asset coverage of total debt <sup>(8)</sup>	412.9%	418.5%	395.4%	420.3%
Asset coverage of total leverage (debt and preferred stock) <sup>(9)</sup>	303.4%	296.5%	296.1%	334.1%
Average amount of borrowings per share of common stock during the period <sup>(1)</sup>	\$ 11.70	\$ 10.80	\$ 10.09	\$ 7.70

**FINANCIAL HIGHLIGHTS**  
(amounts in 000's, except share and per share amounts)

	For the Fiscal Year Ended November 30,		
	2009	2008	2007
<b>Per Share of Common Stock<sup>(1)</sup></b>			
Net asset value, beginning of period	\$ 14.74	\$ 30.08	\$ 28.99
Net investment income (loss) <sup>(2)</sup>	(0.33)	(0.73)	(0.73)
Net realized and unrealized gain (loss)	7.50	(12.56)	3.58
Total income (loss) from operations	7.17	(13.29)	2.85
Dividends and distributions — auction rate preferred <sup>(2)(3)</sup>	(0.01)	(0.10)	(0.10)
Common dividends <sup>(3)</sup>	—	—	(0.09)
Common distributions — return of capital <sup>(3)</sup>	(1.94)	(1.99)	(1.84)
Total dividends and distributions — common	(1.94)	(1.99)	(1.93)
Underwriting discounts and offering costs on the issuance of auction rate preferred stock	—	—	—
Effect of issuance of common stock	0.12	—	0.26
Effect of shares issued in reinvestment of distributions	0.05	0.04	0.01
Total capital stock transactions	0.17	0.04	0.27
Net asset value, end of period	\$ 20.13	\$ 14.74	\$ 30.08
Market value per share of common stock, end of period	\$ 24.43	\$ 13.37	\$ 28.27
Total investment return based on common stock market value <sup>(4)</sup>	103.0%	(48.8)%	(4.4)%
Total investment return based on net asset value <sup>(5)</sup>	51.7%	(46.9)%	10.2%
<b>Supplemental Data and Ratios<sup>(6)</sup></b>			
Net assets applicable to common stockholders, end of period	\$ 1,038,277	\$ 651,156	\$ 1,300,030
Ratio of expenses to average net assets			
Management fees (net of fee waiver)	2.1%	2.2%	2.3%
Other expenses	0.4	0.3	0.2
Subtotal	2.5	2.5	2.5
Interest expense and distributions on mandatory redeemable preferred stock <sup>(2)</sup>	2.5	3.4	2.3
Income tax expense <sup>(7)</sup>	25.4	—	3.5
Total expenses	30.4%	5.9%	8.3%
Ratio of net investment income (loss) to average net assets <sup>(2)</sup>	(2.0)%	(2.8)%	(2.3)%
Net increase (decrease) in net assets to common stockholders resulting from operations to average net assets	43.2%	(51.2)%	7.3%
Portfolio turnover rate	28.9%	6.7%	10.6%
Average net assets	\$ 774,999	\$ 1,143,192	\$ 1,302,425
Notes outstanding, end of period	\$ 370,000	\$ 304,000	\$ 505,000
Credit facility outstanding, end of period	\$ —	\$ —	\$ 97,000
Term loan outstanding, end of period	\$ —	\$ —	\$ —
Auction rate preferred stock, end of period	\$ 75,000	\$ 75,000	\$ 75,000
Mandatory redeemable preferred stock, end of period	\$ —	\$ —	\$ —
Average shares of common stock outstanding	46,894,632	43,671,666	41,134,949
Asset coverage of total debt <sup>(8)</sup>	400.9%	338.9%	328.4%
Asset coverage of total leverage (debt and preferred stock) <sup>(9)</sup>	333.3%	271.8%	292.0%
Average amount of borrowings per share of common stock during the period <sup>(1)</sup>	\$ 6.79	\$ 11.52	\$ 12.14

**FINANCIAL HIGHLIGHTS**  
**(amounts in 000's, except share and per share amounts)**

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- (1) Based on average shares of common stock outstanding.
  - (2) Distributions on the Company's MRP Shares are treated as an operating expense under GAAP and are included in the calculation of net investment income (loss). See Note 2 — Significant Accounting Policies.
  - (3) The information presented for each period is a characterization of the total distributions paid to preferred stockholders and common stockholders as either a dividend (eligible to be treated as qualified dividend income) or a distribution (return of capital) and is based on the Company's earnings and profits.
  - (4) Total investment return based on market value is calculated assuming a purchase of common stock at the market price on the first day and a sale at the current market price on the last day of the period reported. The calculation also assumes reinvestment of distributions at actual prices pursuant to the Company's dividend reinvestment plan.
  - (5) Total investment return based on net asset value is calculated assuming a purchase of common stock at the net asset value on the first day and a sale at the net asset value on the last day of the period reported. The calculation also assumes reinvestment of distributions at actual prices pursuant to the Company's dividend reinvestment plan.
  - (6) Unless otherwise noted, ratios are annualized.
  - (7) For the fiscal years ended November 30, 2015 and November 30, 2008, the Company reported an income tax benefit of \$980,647 (30.7% of average net assets) and \$339,991 (29.7% of average net assets), respectively, primarily related to unrealized losses on investments. The income tax expense is assumed to be 0% because the Company reported a net deferred income tax benefit during the year.
  - (8) Calculated pursuant to section 18(a)(1)(A) of the 1940 Act. Represents the value of total assets less all liabilities not represented by Notes or any other senior securities representing indebtedness and MRP Shares divided by the aggregate amount of Notes and any other senior securities representing indebtedness. Under the 1940 Act, the Company may not declare or make any distribution on its common stock nor can it incur additional indebtedness if, at the time of such declaration or incurrence, its asset coverage with respect to senior securities representing indebtedness would be less than 300%. For purposes of this test, the Credit Facility and the Term Loan are considered senior securities representing indebtedness.
  - (9) Calculated pursuant to section 18(a)(2)(A) of the 1940 Act. Represents the value of total assets less all liabilities not represented by Notes, any other senior securities representing indebtedness and MRP Shares divided by the aggregate amount of Notes, any other senior securities representing indebtedness and MRP Shares. Under the 1940 Act, the Company may not declare or make any distribution on its common stock nor can it issue additional preferred stock if at the time of such declaration or issuance, its asset coverage with respect to all senior securities would be less than 200%. In addition to the limitations under the 1940 Act, the Company, under the terms of its MRP Shares, would not be able to declare or pay any distributions on its common stock if such declaration would cause its asset coverage with respect to all senior securities to be less than 225%. For purposes of these tests, the Credit Facility and the Term Loan are considered senior securities representing indebtedness.

## SENIOR SECURITIES

Information about our outstanding senior securities (including Series D Auction Rate Preferred Shares (“ARP Shares”), MRP Shares, Notes and other indebtedness) is shown in the following table as of each fiscal year ended November 30 for the previous ten years. The information has been derived from our 2016 Audited Financial Statements which are incorporated by reference into our SAI.

Year	Title of Security	Total Amount Outstanding (1) (\$ in 000s)	Asset Coverage Per \$1,000 of Principal or Liquidation Preference Amount	Involuntary Liquidating Preference Amount (2) (\$ in 000s)	Average Market Value (3)(4)
2016	Notes				
	Series W	\$ 31,000	4,063	\$ 31,000	\$ N/A
	Series Y	20,000	4,063	20,000	N/A
	Series Z	15,000	4,063	15,000	N/A
	Series AA	15,000	4,063	15,000	N/A
	Series BB	35,000	4,063	35,000	N/A
	Series CC	76,000	4,063	76,000	N/A
	Series DD	75,000	4,063	75,000	N/A
	Series EE	50,000	4,063	50,000	N/A
	Series FF	65,000	4,063	65,000	N/A
	Series GG	45,000	4,063	45,000	N/A
	Series II	30,000	4,063	30,000	N/A
	Series JJ	30,000	4,063	30,000	N/A
	Series KK	80,000	4,063	80,000	N/A
	Series LL	50,000	4,063	50,000	N/A
	Series MM	40,000	4,063	40,000	N/A
	Series NN	20,000	4,063	20,000	N/A
	Series OO	90,000	4,063	90,000	N/A
	Revolving Credit Facility	—	—	—	—
	Term Loan	43,000	4,063	43,000	N/A
	MRP Shares				
	Series B	8,000	2,965	8,000	N/A
	Series C	42,000	2,965	42,000	N/A
	Series F	125,000	2,965	125,000	127,050
	Series H	50,000	2,965	50,000	N/A
	Series I	25,000	2,965	25,000	N/A
	Series J	50,000	2,965	50,000	N/A
2015	Notes	1,031,000	3,527	1,031,000	N/A
	Revolving Credit Facility	—	—	—	—
	Term Loan	—	—	—	—
	MRP Shares				
	Series A-C	154,000	2,433	154,000	N/A
	Series E	60,000	2,433	60,000	60,648
	Series F	125,000	2,433	125,000	126,100
	Series G	50,000	2,433	50,000	51,400
	Series H and I	75,000	2,433	75,000	N/A

Year	Title of Security	Total Amount Outstanding (1) (\$ in 000s)	Asset Coverage Per \$1,000 of Principal or Liquidation Preference Amount	Involuntary Liquidating Preference Amount (2) (\$ in 000s)	Average Market Value (3)(4)
2014	Notes	\$ 1,435,000	4,062	\$ 1,435,000	\$ N/A
	Revolving Credit Facility	—	—	—	—
	Term Loan	51,000	4,062	51,000	N/A
	MRP Shares				
	Series A-C	154,000	3,003	154,000	N/A
	Series E	120,000	3,003	120,000	121,536
	Series F	125,000	3,003	125,000	122,800
	Series G	50,000	3,003	50,000	50,680
	Series H and I	75,000	3,003	75,000	N/A
2013	Notes	1,175,000	4,129	1,175,000	N/A
	Revolving Credit Facility	69,000	4,129	69,000	N/A
	MRP Shares				
	Series A-C	154,000	3,034	154,000	N/A
	Series E	120,000	3,034	120,000	121,032
	Series F	125,000	3,034	125,000	121,461
	Series G	50,000	3,034	50,000	49,718
2012	Notes	890,000	4,185	890,000	N/A
	Revolving Credit Facility	19,000	4,185	19,000	N/A
	MRP Shares				
	Series A-C	154,000	2,965	154,000	N/A
	Series D	100,000	2,965	100,000	101,645
	Series E	120,000	2,965	120,000	121,971
2011	Notes	775,000	3,954	775,000	N/A
	Revolving Credit Facility	—	—	—	N/A
	MRP Shares				
	Series A-C	160,000	2,961	160,000	N/A
	Series D	100,000	2,961	100,000	101,419
2010	Notes	620,000	4,203	620,000	N/A
	Revolving Credit Facility	—	—	—	N/A
	MRP Shares				
	Series A-C	160,000	3,341	160,000	N/A
2009	Notes	370,000	4,009	370,000	N/A
	Revolving Credit Facility	—	—	—	N/A
	ARP Shares	75,000	3,333	75,000	N/A
2008	Notes	304,000	3,389	304,000	N/A
	Revolving Credit Facility	—	—	—	N/A
	ARP Shares	75,000	2,718	75,000	N/A
2007	Notes	505,000	3,284	505,000	N/A
	Revolving Credit Facility	97,000	3,284	97,000	N/A
	ARP Shares	75,000	2,920	75,000	N/A

<u>Year</u>	<u>Title of Security</u>	<u>Total Amount Outstanding (1) (\$ in 000s)</u>	<u>Asset Coverage Per \$1,000 of Principal or Liquidation Preference Amount</u>	<u>Involuntary Liquidating Preference Amount (2) (\$ in 000s)</u>	<u>Average Market Value (3)(4)</u>
2006	Notes	\$ 320,000	4,497	\$ 320,000	\$ N/A
	Revolving Credit Facility	17,000	4,497	17,000	N/A
	ARP Shares	75,000	3,678	75,000	N/A

- (1) Total amount of each class of senior securities outstanding at the end of the period presented.
- (2) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it.
- (3) Not applicable for senior securities not registered for public trading.
- (4) For MRP Shares that are publicly traded, the market value is based on the average daily closing price.

## MARKET AND NET ASSET VALUE INFORMATION

Shares of our common stock are listed on the NYSE under the symbol “KYN.” Our common stock commenced trading on the NYSE on September 28, 2004.

Our common stock has traded both at a premium and at a discount in relation to its net asset value. Although our common stock has traded at a premium to net asset value, we cannot assure that this will continue or that the common stock will not trade at a discount in the future. Our issuance of common stock may have an adverse effect on prices in the secondary market for our common stock by increasing the number of shares of common stock available, which may create downward pressure on the market price for our common stock. Shares of closed-end investment companies frequently trade at a discount to net asset value. See “Risk Factors—Additional Risks Related to Our Common Stock—Market Discount From Net Asset Value Risk.”

The following table sets forth for each of the fiscal quarters indicated the range of high and low closing sales price of our common stock and the quarter-end sales price, each as reported on the NYSE, the net asset value per share of common stock and the premium or discount to net asset value per share at which our shares were trading. Net asset value is determined on a daily basis. See “Net Asset Value” for information as to the determination of our net asset value.

	Quarterly Closing Sales Price		Quarter-End Closing			
	High	Low	Sales Price	Net Asset Value Per Share of Common Stock (1)	Premium/ (Discount) of Sales Price to Net Asset Value (2)	
<b>Fiscal Year 2016</b>						
Fourth Quarter . . . . .	\$ 20.95	\$ 18.21	\$ 19.72	\$ 19.18	2.8%	
Third Quarter . . . . .	21.05	18.38	19.68	19.31	1.9	
Second Quarter . . . . .	19.08	14.57	19.08	18.59	2.6	
First Quarter . . . . .	17.87	11.03	15.31	14.40	6.3	
<b>Fiscal Year 2015</b>						
Fourth Quarter . . . . .	\$ 28.93	\$ 18.02	\$ 18.23	\$ 19.21	(5.1)%	
Third Quarter . . . . .	34.25	25.05	29.06	24.96	16.4	
Second Quarter . . . . .	36.16	33.32	34.24	32.19	6.4	
First Quarter . . . . .	38.91	32.60	36.61	33.09	10.6	
<b>Fiscal Year 2014</b>						
Fourth Quarter . . . . .	\$ 41.16	\$ 36.07	\$ 38.14	\$ 36.71	3.9%	
Third Quarter . . . . .	41.02	37.16	41.02	41.27	(0.6)	
Second Quarter . . . . .	37.29	35.88	37.29	37.06	0.6	
First Quarter . . . . .	39.85	36.04	36.55	34.69	5.4	

Source of market prices: Reuters Group PLC.

- (1) NAV per share is determined as of close of business on the last day of the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low closing sales prices, which may or may not fall on the last day of the quarter. NAV per share is calculated as described under the caption “Net Asset Value.”
- (2) Calculated as of the quarter-end closing sales price divided by the quarter-end NAV.

On March 31, 2017, the last reported sales price of our common stock on the NYSE was \$21.00, which represented a premium of approximately 1.9% to the NAV per share reported by us on that date.

As of March 31, 2017, we had approximately 114.0 million shares of common stock outstanding and we had net assets applicable to common stockholders of approximately \$2.3 billion.

## USE OF PROCEEDS

Unless otherwise specified in a prospectus supplement, we will use the net proceeds from any sales of our securities pursuant to this prospectus to make investments in portfolio companies in accordance with our investment objectives and policies, to repay indebtedness, or for general corporate purposes.

To the extent a portion of the proceeds from such offering are used to make investments in portfolio companies, the relevant prospectus supplement will include an estimate of the length of time it is expected to take to invest such proceeds. We anticipate such length of time will be less than three months. To the extent a portion of the proceeds from such offering are used to repay indebtedness, such transactions will be effected as soon as practicable after completion of the relevant offering.

Pending the use of proceeds, as described above, we anticipate either investing the proceeds in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations or money market instruments. A delay in the anticipated use of proceeds could lower returns, reduce our distribution to common stockholders and reduce the amount of cash available to make dividend and interest payments on preferred stock and debt securities, respectively.

As of March 31, 2017, we had \$72 million borrowed under our term loan and no borrowings under our revolving credit facility. Our credit facility has a term of two years and matures on February 28, 2018. Amounts repaid under our credit facility will remain available for future borrowings. Outstanding balances under the credit facility accrue interest daily at a rate equal to LIBOR plus 1.60% per annum based on current asset coverage ratios. The interest rate may vary between LIBOR plus 1.60% and LIBOR plus 2.25% depending on asset coverage ratios. We pay a fee equal to a rate of 0.30% per annum on any unused amounts of the credit facility. Our term loan has a term of five years and matures on February 18, 2019. Amounts repaid under our term loan will remain available for future borrowings. Borrowings under the term loan bear interest at a rate of LIBOR plus 1.30%. We pay a fee of 0.25% per annum on any unused amounts of the term loan.



## RISK FACTORS

Investing in our securities involves risk, including the risk that you may receive little or no return on your investment or that you may lose part or all of your investment. The following discussion summarizes some of the risks that a potential investor should carefully consider before deciding whether to invest in our securities offered hereby. For additional information about the risks associated with investing in our securities, see “Our Investments” in our SAI, as well as any risk factors included in the applicable prospectus supplement.

### **Risks Related to Our Investments and Investment Techniques**

#### *Investment and Market Risk*

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

#### *Risks of Investing in MLP Units*

In addition to the risks summarized herein, an investment in MLP units involves certain risks which differ from an investment in the securities of a corporation. Limited partners of MLPs, unlike investors in the securities of a corporation, have limited voting rights on matters affecting the partnership and generally have no rights to elect the directors of the general partner. In addition, conflicts of interest exist between limited partners and the general partner, including those arising from incentive distribution payments, and the general partner does not generally have any duty to the limited partners beyond a “good faith” standard. There are also certain tax risks associated with an investment in MLP units.

#### *Energy Sector Risk*

Our concentration in the energy sector may present more risk than if we were broadly diversified over multiple sectors of the economy. A downturn in one or more industries within the energy sector, material declines in energy-related commodity prices (such as those experienced from mid-2014 to early 2016), adverse political, legislative or regulatory developments or other events could have a larger impact on us than on an investment company that does not concentrate in the energy sector. The performance of companies in the energy sector may lag the performance of other sectors or the broader market as a whole — in particular, during a downturn in the energy sector like what was experienced during 2015 and 2016. In addition, there are several specific risks associated with investments in the energy sector, including the following:

*Supply and Demand Risk.* MLPs and other Energy Companies could be adversely affected by reductions in the supply of or demand for energy commodities. In addition, MLPs and other Energy Companies could be adversely affected by increases in supply of energy commodities if there is not a corresponding increase in demand for such commodities. The adverse impact of these events could lead to a reduction in the distributions paid by MLPs and other Energy Companies to their equity holders or substantial reduction (or elimination) in the growth rate of distributions paid to equity holders. The volume of production of energy commodities and the volume of energy commodities available for transportation, mining, storage, processing or distribution could be affected by a variety of factors, including depletion of resources, depressed commodity prices, access to capital for Energy Companies engaged in exploration and production, catastrophic events, labor

relations, increased environmental or other governmental regulation, equipment malfunctions and maintenance difficulties, volumes of imports or exports, international politics, policies of OPEC, and increased competition from alternative energy sources. A decline in demand for energy commodities could result from factors such as adverse economic conditions; increased taxation; increased environmental or other governmental regulation; increased fuel economy; increased energy conservation or use of alternative energy sources; legislation intended to promote the use of alternative energy sources; or increased commodity prices.

*Commodity Pricing Risk.* The operations and financial performance of MLPs and other Energy Companies may be directly affected by energy commodity prices, especially those MLPs and other Energy Companies that own the underlying energy commodity or receive payments for services that are based on commodity prices. Such impact may be a result of changes in the price for such commodity or a result of changes in the price of one energy commodity relative to the price of another energy commodity (for example, the price of natural gas relative to the price of natural gas liquids). Commodity prices fluctuate for several reasons, including changes in market and economic conditions, the impact of weather on demand, levels of domestic and international production, policies implemented by OPEC energy conservation, domestic and foreign governmental regulation and taxation and the availability of local, intrastate and interstate transportation systems. Volatility of commodity prices, which may lead to a reduction in production or supply, may also negatively impact the performance of MLPs and other Energy Companies which are solely involved in the transportation, processing, storage, distribution or marketing of commodities. For example, crude oil and natural gas liquids prices declined by over 65% from July 2014 to February 2016. Prices have since increased but remain well below July 2014 levels. These severe price declines negatively impacted the drilling capital expenditure budgets of Energy Companies engaged in exploration and production during 2015 and 2016. This reduction in activity levels resulted in a decline in domestic crude oil production, which impacts the operating results and financial performance of MLPs and other Midstream Energy Companies focused on gathering, transporting, marketing and terminalling crude oil. Volatility of commodity prices may also make it more difficult for MLPs and other Energy Companies to raise capital to the extent the market perceives that their performance may be directly or indirectly tied to commodity prices and there is uncertainty regarding these companies' ability to maintain or grow cash distributions to their equity holders. In addition to the volatility of commodity prices, extremely high commodity prices may drive further energy conservation efforts which may adversely affect the performance of MLPs and other Energy Companies.

*Regulatory Risk.* MLPs and other Energy Companies are subject to significant federal, state and local government regulation in virtually every aspect of their operations, including (i) how facilities are constructed, maintained and operated, (ii) how services are provided, (iii) environmental and safety controls, and, in some cases (iv) the prices they may charge for the products and services they provide. Such regulation can change rapidly or over time in both scope and intensity. Various governmental authorities have the power to enforce compliance with these regulations and the permits issued under them. As a result, state or local governments and agencies may have the ability to significantly delay or stop activities such as hydraulic fracturing, disposal of wastewater or the construction of pipeline infrastructure by enacting laws or regulations or making it difficult or impossible to obtain permits. Violators are subject to administrative, civil and criminal penalties, including civil fines, injunctions or both. Stricter laws, regulations or enforcement policies could be enacted in the future which would likely increase compliance costs and may adversely affect the financial performance of MLPs and other Energy Companies. Recent events surrounding necessary permits for pipelines (Constitution Pipeline and Northern Access Pipeline as recent examples) have raised concerns about the ability of MLPs and other Energy companies to place such projects in service and their ability to obtain the necessary financing to complete such projects.

Changes to laws and increased regulations or enforcement policies as a result of pipeline spills (both onshore and offshore) or spills attributable to railroad accidents may also adversely affect the financial performance of MLPs and other Energy Companies. Additionally, changes to laws and increased regulation or restrictions to the use of hydraulic fracturing, the disposal of wastewater associated with hydraulic fracturing and production or the emission of greenhouse gases may adversely impact the ability of Energy Companies to

economically develop oil and natural gas resources and, in turn, reduce production of such commodities and adversely impact the financial performance of MLPs and other Energy Companies.

The operation of energy assets, including gathering systems, pipelines, processing plants, fractionators, rail transloading facilities, refineries and other facilities, is subject to stringent and complex federal, state and local environmental laws and regulations. Failure to comply with these laws and regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial requirements, and the issuance of orders enjoining future operations. Certain environmental statutes, including RCRA, CERCLA, the federal Oil Pollution Act and analogous state laws and regulations, impose strict, joint and several liability for costs required to clean up and restore sites where hazardous substances have been disposed of or otherwise released. Moreover, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the release of hazardous substances or other waste products into the environment.

Federal, state and local governments may enact laws, and federal, state and local agencies (such as the Environmental Protection Agency) may promulgate rules or regulations, that prohibit or significantly regulate the operation of energy assets. For instance, increased regulatory scrutiny of hydraulic fracturing, which is used by Energy Companies to develop oil and natural gas reserves, could result in additional laws and regulations governing hydraulic fracturing or, potentially, prohibiting the action. Increased regulatory scrutiny of the disposal of wastewater, which is a byproduct of hydraulic fracturing and production from unconventional reservoirs and must be disposed, could result in additional laws or regulations governing such disposal activities. For example, research exists linking the disposal of wastewater to increased earthquake activity in oil and natural gas producing regions, and legislation and regulations have been proposed in states like Oklahoma and Colorado to limit or prohibit further underground wastewater disposal. While we are not able to predict the likelihood of additional laws or regulations or their impact, it is possible that additional restrictions on hydraulic fracturing or wastewater disposal could result in a reduction in production of oil, natural gas and natural gas liquids. The use of hydraulic fracturing is critical to the recovery of economic amounts of oil, natural gas and natural gas liquids from unconventional reserves, and the associated wastewater must be disposed. Over the last five years, MLPs and other Midstream Energy Companies have spent significant amounts of capital building midstream assets to facilitate the development of unconventional reserves. As a result, restrictions on hydraulic fracturing or wastewater disposal could have an adverse impact on the financial performance of MLPs and other Midstream Energy Companies.

In response to scientific studies suggesting that emissions of certain gases, commonly referred to as greenhouse gases, including gases associated with oil and gas production such as carbon dioxide, methane and nitrous oxide among others, may be contributing to a warming of the earth's atmosphere and other adverse environmental effects, various governmental authorities have considered or taken actions to reduce emissions of greenhouse gases. For example, the EPA has taken action to regulate greenhouse gas emissions. In addition, certain states (individually or in regional cooperation), have taken or proposed measures to reduce emissions of greenhouse gases. Also, the U.S. Congress has proposed legislative measures for imposing restrictions or requiring emissions fees for greenhouse gases. The adoption and implementation of any federal, state or local regulations imposing reporting obligations on, or limiting emissions of greenhouse gases from, MLPs and other Energy Companies could result in significant costs to reduce emissions of greenhouse gases associated with their operations or could adversely affect the supply of or demand for crude oil, natural gas, natural gas liquids or other hydrocarbon products, which in turn could reduce production of those commodities. As a result, any such legislation or regulation could have a material adverse impact on the financial performance of MLPs and other Energy Companies.

There is an inherent risk that MLPs and other Energy Companies may incur material environmental costs and liabilities due to the nature of their businesses and the substances they handle. For example, an accidental release from a pipeline could subject the owner of such pipeline to substantial liabilities for environmental cleanup and restoration costs, claims made by neighboring landowners and other third parties for

personal injury and property damage, and fines or penalties for related violations of environmental laws or regulations. Moreover, the possibility exists that stricter laws, regulations or enforcement policies could significantly increase the compliance costs of MLPs and other Energy Companies. Similarly, the implementation of more stringent environmental requirements could significantly increase the cost of any remediation that may become necessary. MLPs and other Energy Companies may not be able to recover these costs from insurance or recover these costs in the rates they charge customers.

*Depletion Risk.* Energy reserves naturally deplete as they are produced over time, and to maintain or grow their revenues, companies engaged in the production of natural gas, natural gas liquids, crude oil and other energy commodities need to maintain or expand their reserves through exploration of new sources of supply, through the development of existing sources, through acquisitions, or through long-term contracts to acquire reserves. The financial performance of these Energy Companies may be adversely affected if they are unable to cost-effectively acquire additional reserves sufficient to replace the natural decline. If these Energy Companies fail to add reserves by acquiring or developing them, reserves and production will decline over time as they are produced. If an Energy Company is not able to raise capital on favorable terms, it may not be able to add to or maintain its reserves or production levels. If an Energy Company, as a result of a material decline in commodity prices, has less operating cash flow to reinvest to develop or acquire reserves, it may not be able to add or maintain its reserves or production levels. During the most recent industry downturn, many Energy Companies have significantly reduced capital expenditures to develop their reserve bases. This has resulted in declines in domestic production levels. Many Energy Companies have been forced to monetize reserves to manage the balance sheets and maintain adequate liquidity levels. Some Energy Companies have been forced to file for bankruptcy in an effort to restructure their balance sheets. These actions have had a negative impact on the operating results and financial performance for MLPs and other Midstream Energy Companies engaged in the transportation, storage, distribution and processing of production from such Energy Companies.

*Reserve Risks.* Energy Companies engaged in the production of natural gas, natural gas liquids, crude oil and other energy commodities are subject to overstatement of the quantities of their reserves based upon any reserve estimates that prove to be inaccurate, that no commercially productive amounts of such energy commodities will be discovered as a result of drilling or other exploration activities, the curtailment, delay or cancellation of exploration activities are as a result of low commodity prices, unexpected conditions or miscalculations, title problems, pressure or irregularities in formations, equipment failures or accidents, adverse weather conditions, compliance with environmental and other governmental requirements and cost of, or shortages or delays in the availability of, drilling rigs and other exploration equipment, and operational risks and hazards associated with the development of the underlying properties, including natural disasters, blowouts, explosions, fires, leakage of such energy commodities, mechanical failures, cratering, and pollution.

*Catastrophic Event Risk.* MLPs and other Energy Companies operating in the energy sector are subject to many dangers inherent in the production, exploration, management, transportation, processing and distribution of natural gas, natural gas liquids, crude oil, refined petroleum products and other hydrocarbons. These dangers include leaks, fires, explosions, train wrecks, damage to facilities and equipment resulting from natural disasters, inadvertent damage to facilities and equipment (such as those suffered by BP's Deepwater Horizon drilling platform in the 2010 Macondo oil spill or recent oil spills by various onshore pipelines) and terrorist acts. The U.S. government has issued warnings that energy assets, specifically domestic energy infrastructure (e.g. pipelines), may be targeted in future terrorist attacks. These dangers give rise to risks of substantial losses as a result of loss or destruction of reserves; damage to or destruction of property, facilities and equipment; pollution and environmental damage; and personal injury or loss of life. Any occurrence of such catastrophic events could bring about a limitation, suspension or discontinuation of the operations of certain assets owned by such MLP or other Energy Company. MLPs and other Energy Companies operating in the energy sector may not be fully insured against all risks inherent in their business operations and, therefore, accidents and catastrophic events could adversely affect such companies' financial condition and ability to pay distributions to unitholders or shareholders. We expect that increased governmental regulation to mitigate such catastrophic risk, such as the recent oil spills referred to above, could increase insurance premiums and other operating costs for MLPs and other Energy Companies.

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

*Affiliated Party Risk.* Certain MLPs are dependent on their parents or sponsors for a majority of their revenues. Any failure by an MLP's parents or sponsors to satisfy their payments or obligations would impact the MLP's revenues and cash flows and ability to make interest payments and distributions.

*Contract Rejection/Renegotiation Risk* MLPs and other Midstream Energy Companies that operate midstream assets are also subject to the credit risk of their customers. For example, during 2015 and 2016, many Energy Companies that explore for and produce oil, natural gas and natural gas liquids filed for bankruptcy. During the bankruptcy process, the debtor Energy Company may be able to reject a contract that it has with an MLP or other Midstream Energy Company that provides services for the debtor, which services could include gathering, processing, transporting, fractionating or storing the debtor Energy Company's production. If a contract is successfully rejected during bankruptcy, the affected MLP or other Midstream Energy Company will have an unsecured claim for damages but will likely only recover a portion of its claim for damages and may not recover anything at all. A Midstream Energy Company that provides services to an Energy Company that is in financial distress could experience a material adverse impact to its financial performance and results of operations.

#### *Sector Specific Risks*

MLPs and other Energy Companies are also subject to risks that are specific to the sector in which they operate.

*Midstream.* MLPs and other Midstream Energy Companies that operate midstream assets are subject to supply and demand fluctuations in the markets they serve which may be impacted by a wide range of factors including fluctuating commodity prices, weather, increased conservation or use of alternative fuel sources, increased governmental or environmental regulation, depletion, rising interest rates, declines in domestic or foreign production, accidents or catastrophic events, and economic conditions, among others. Further, MLPs and other Midstream Energy Companies are exposed to the natural declines in the production of the oil and gas fields they serve. Gathering and processing assets are most directly impacted by production declines, as volumes will decline if new wells are not drilled and connected to a system, but all midstream assets could potentially be negatively impacted by production declines. For example, as a result of a substantial increase in new midstream assets built over the last five years, several domestic shale basins have excess capacity to take supply to end-user markets. This excess capacity can lead to increased competition between MLPs and other Midstream Energy Companies and lower rates for services provided, which would have a negative impact on the operating results and financial performance for these companies. Further, many newly constructed midstream assets are underpinned by contracts that contain minimum volume commitments for a period of years (typically five to ten years). If volumes are below the level of the minimum volume commitment at the time such commitments expire, the MLP or Midstream Energy Company that owns the impacted midstream assets will experience a negative impact to its operating results and financial performance. In addition, some gathering and processing contracts subject the owner of such assets to direct commodity price risk.

*Marine Transportation.* MLPs and other Midstream Energy Companies with marine transportation assets are exposed to many of the same risks as other MLPs and Midstream Energy Companies. In addition, the highly cyclical nature of the marine transportation industry may lead to volatile changes in charter rates and vessel values, which may adversely affect the revenues, profitability and cash flows of such companies in our portfolio. Fluctuations in charter rates result from changes in the supply and demand for vessel capacity and changes in the supply and demand for certain energy commodities. Changes in demand for transportation of commodities over longer distances and supply of vessels to carry those commodities may materially affect revenues, profitability and cash flows. The value of marine transportation vessels may fluctuate and could adversely affect the value of marine transportation company securities in our portfolio. Declining marine transportation values could affect the ability of marine transportation companies to raise cash by limiting their ability to refinance their vessels, thereby adversely impacting such company's liquidity. Marine transportation company vessels are at risk of damage or loss because of events such as mechanical failure, collision, human error, war, terrorism, piracy, cargo loss and bad weather. In addition, changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes, boycotts and government requisitioning of vessels. These sorts of events could interfere with marine transportation shipping lanes and result in market disruptions and a significant reduction in cash flow for the marine transportation companies in our portfolio.

#### *Tax Risks of Investing in Equity Securities of MLPs*

*Tax Risk of MLPs.* Our ability to meet our investment objective will depend, in part, on the level of taxable income and distributions and dividends we receive from the MLP securities in which we invest, a factor over which we have no control. The benefit we derive from our investment in MLPs is largely dependent on the MLPs being treated as partnerships and not as corporations for federal income tax purposes. As a partnership, an MLP has no tax liability at the entity level. If, as a result of a change in current law or a change in an MLP's business, an MLP were treated as a corporation for federal income tax purposes, such MLP would be obligated to pay federal income tax on its income at the corporate tax rate. If an MLP were classified as a corporation for federal income tax purposes, the amount of cash available for distribution by the MLP would likely be reduced and distributions received by us would be taxed under federal income tax laws applicable to corporate distributions (as dividend income, return of capital, or capital gain), which would reduce the amount of cash flow we have to pay interest expense and dividends on our senior securities. During the last three years, "roll-up" transactions, in which a sponsor acquires the outstanding units of its subsidiary MLP, have become more common, and when the sponsor is a corporation, these transactions have resulted in the MLP unitholders becoming shareholders in a corporation. If assets historically owned by MLPs continue to migrate into corporations, by way of roll-up transactions or other merger or acquisition transactions, the amount of cash flow we have to pay interest expense and dividends on our senior securities would likely be reduced. Additionally, treatment of an MLP as a corporation for federal income tax purposes, or a transfer in ownership of MLP assets to corporations, would likely result in a reduction in the after-tax return to us, likely causing a decline in the value of our assets and a reduction in the asset coverage ratios for our senior securities.

Legislative efforts to change tax laws to simplify the tax code could result in proposals to eliminate "pass through entities" for tax purposes or proposals that impact the amount of income, gain, deduction or loss that is passed through to us from the MLP securities in which we invest (for example through changes to the deductibility of interest expense or changes to how capital expenditures are depreciated). We cannot predict the likelihood of any future legislative changes. Such legislation, if approved by Congress and adopted, could result in MLPs no longer being treated as partnerships for tax purposes or result in a material increase in the amount of taxable income that we are allocated from the MLP securities in which we invest.

#### *Non-Diversification Risk*

We are a non-diversified, closed-end investment company under the 1940 Act and will not be treated as a regulated investment company under the Internal Revenue Code of 1986, as amended, or the Code. Accordingly,

there are no regulatory requirements under the 1940 Act or the Code on the minimum number or size of securities we hold. As of March 31, 2017, we held investments in approximately 44 issuers.

As of March 31, 2017, substantially all of our total assets were invested in publicly traded securities of MLPs and other Midstream Energy Companies. As of March 31, 2017, there were over 100 publicly traded MLPs (partnerships) which manage and operate energy assets. We primarily select our investments in publicly traded securities from securities issued by MLPs in this small pool, together with securities issued by newly public MLPs, if any. We also invest in publicly traded securities issued by other Midstream Energy Companies.

As a result of selecting our investments from this small pool of publicly traded securities, a change in the value of the securities of any one of these publicly traded MLPs could have a significant impact on our portfolio. In addition, as there can be a correlation in the valuation of the securities of publicly traded MLPs, a change in value of the securities of one such MLP could negatively influence the valuations of the securities of other publicly traded MLPs that we may hold in our portfolio. Similarly, there may be a correlation in the valuation of publicly traded MLPs and commodity prices, particularly crude oil prices, even if a particular MLP has no exposure to crude oil.

As we may invest up to 15% of our total assets in any single issuer, a decline in value of the securities of such an issuer could significantly impact the value of our portfolio.

#### *Dependence on Limited Number of MLP Customers and Suppliers*

Certain MLPs and other Midstream Energy Companies in which we may invest depend upon a limited number of customers for a majority of their revenue. Similarly, certain MLPs and other Midstream Energy Companies in which we may invest depend upon a limited number of suppliers of goods or services to continue their operations. The most recent downturn in the energy industry has put significant pressure on a number of these customers and suppliers. The loss of any such customers or suppliers, including through bankruptcy, could materially adversely affect such MLPs' and other Midstream Energy Companies' results of operation and cash flow, and their ability to make distributions to equity holders could therefore be materially adversely affected.

#### *Capital Markets Risk*

Global financial markets and economic conditions continue to be volatile — in particular for Energy Companies as a result of the decline in commodity prices experienced from mid-2014 to early 2016. As a result of this, MLPs and other Energy Companies may be unable to obtain new debt or equity financing on acceptable terms or at all when market conditions are most volatile, and downgrades of the debt of Energy Companies by rating agencies during times of distress could exacerbate this challenge. In addition, downgrades of the credit ratings of Energy Companies by ratings agencies may increase the cost of borrowing under the terms of an Energy Company's credit facility, and a downgrade from investment grade to below investment may cause an Energy Company to be required to post collateral (or additional collateral) by its contractual counterparties, which could reduce the amount of liquidity available to such Energy Company and increase its need for additional funding sources. If funding is not available when needed, or is available only on unfavorable terms, MLPs and other Energy Companies may have to reduce their distributions to manage their funding needs and may not be able to meet their obligations, which may include multi-year capital expenditure commitments, as they come due. Moreover, without adequate funding, many MLPs and other Energy Companies will be unable to execute their growth strategies, complete future acquisitions, take advantage of other business opportunities or respond to competitive pressures, any of which could have a material adverse effect on their revenues and results of operations.

#### *Delay in Use of Proceeds*

Although we intend to invest the proceeds of this offering in accordance with our investment objective as soon as practicable, such investments may be delayed if suitable investments are unavailable at the time. The

trading market and volumes for securities of MLPs, other Midstream Energy Companies and other Energy Companies may, at times, be less liquid than the market for other securities. Pending such investment, the proceeds of the offering may temporarily be invested in cash, cash equivalents, short-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations or money market instruments. Income we received from these securities would likely be less than returns and yields sought pursuant to our investment objective and policies. See “Use of Proceeds.”

#### *Political Instability Risk.*

MLPs and other Energy Companies in which we may invest are subject to disruption as a result of terrorist activities, war, and other geopolitical events, including the upheaval in the Middle East or other energy producing regions. The U.S. government has issued warnings that energy assets, specifically those related to pipeline and other energy infrastructure, production facilities and transmission and distribution facilities, may be targeted in future terrorist attacks. Internal unrest, acts of violence or strained relations between a government and energy companies or other governments may affect the operations and profitability of MLPs and other Energy Companies, particularly marine transportation companies, in which we invest. Political instability in other parts of the world may also cause volatility and disruptions in the market for the securities of MLPs and other Energy Companies, even those that operate solely in North America.

#### *Weather Risks.*

Weather conditions and the seasonality of weather patterns play a role in the cash flows of certain MLPs and other Energy Companies. MLPs in the propane industry, for example, rely on the winter heating season to generate almost all of their cash flow. In an unusually warm winter season, propane MLPs experience decreased demand for their product. Although most MLPs and other Energy Companies can reasonably predict seasonal weather demand based on normal weather patterns, extreme weather conditions, such as the hurricanes that severely damaged cities along the U.S. Gulf Coast in the last 10 to 15 years, demonstrate that no amount of preparation can protect an MLP or other Energy Company from the unpredictability of the weather. The damage done by extreme weather also may serve to increase insurance premiums for energy assets owned by MLPs and other Energy Companies, could significantly increase the volatility in the supply of energy-related commodities and could adversely affect such companies’ financial condition and ability to pay distributions to shareholders.

#### *Cash Flow Risk*

A substantial portion of the cash flow received by us is derived from our investment in equity securities of MLPs and other Midstream Energy Companies. The amount of cash that an MLP or other Midstream Energy Company has available to service its debt obligations and pay distributions to its equity holders depends upon the amount of cash flow generated from the company’s operations. Cash flow from operations will vary from quarter to quarter and is largely dependent on factors affecting the company’s operations and factors affecting the energy industry in general. Large declines in commodity prices (such as those experienced from mid-2014 to early 2016) can result in material declines in cash flow from operations. In addition to the risk factors described herein, other factors which may reduce the amount of cash an MLP or other Midstream Energy Company has available to pay its debt and equity holders include increased operating costs, maintenance capital expenditures, acquisition costs, expansion or construction costs and borrowing costs (including increased borrowing costs as a result of additional collateral requirements as a result of ratings downgrades by credit agencies). Further, covenants in debt instruments issued by MLPs and other Midstream Energy Companies in which we intend to invest may restrict distributions to equity holders or, in certain circumstances, may not allow distributions to be made to equity holders. Finally, the acquisition of an MLP or other Midstream Energy Company by an acquiror with a lower yield could result in lower distributions to the equity holders of the acquired MLP or Midstream Energy Company. These kind of transactions have become more prevalent in recent years. To the extent MLPs and other Midstream Energy Companies that we own reduce their distributions to equity holders, this will result in reduced levels of net distributable income and can cause us to reduce our distributions.



### *Concentration Risk*

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

### *Interest Rate Risk*

Valuations of securities in which we invest are based on numerous factors, including sector and business fundamentals, management expertise, and expectations of future operating results. Most of the securities in which we invest pay quarterly dividends/distributions to investors and are viewed by investors as yield-based investments. As a result, yields for these securities are also susceptible, in the short-term, to fluctuations in interest rates and the equity prices of such securities may decline when interest rates rise. Because we invest in equity securities of MLPs and other Midstream Energy Companies, our net asset value and the asset coverage ratios on our senior securities may decline if interest rates rise.

### *Inflation / Deflation Risk*

Inflation risk is the risk that the value of assets or income from investment will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of our securities and distributions that we pay declines. In addition, during any periods of rising inflation, the dividend rates or borrowing costs associated with our use of leverage would likely increase. Deflation risk is the risk that prices throughout the economy decline over time — the opposite of inflation. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer defaults more likely, which may result in a decline in the value of our portfolio.

### *Risk of Conflicting Transactions by the Investment Advisor*

Kayne Anderson manages portfolios of other investment companies and client accounts that invest in similar or the same securities as the company. It is possible that Kayne Anderson would effect a purchase of a security for us when another investment company or client account is selling that same security, or vice versa. Kayne Anderson will use reasonable efforts to avoid adverse impacts on the company's transactions as a result of those other transactions, but there can be no assurances that adverse impacts will be avoided.

### *Equity Securities Risk*

The vast majority of our assets are invested in equity securities of MLPs and other Midstream Energy Companies. Such securities are subject to general movements in the stock market and a significant drop in the stock market may depress the price of securities to which we have exposure. Equity securities prices fluctuate for several reasons, including changes in the financial condition of a particular issuer, investors' perceptions of MLPs and other Midstream Energy Companies, investors' perceptions of the energy industry, the general condition of the relevant stock market, or when political or economic events affecting the issuers occur. In addition, MLP and other Midstream Energy Company equity securities held by the Company may decline in price if the issuer fails to make anticipated distributions or dividend payments (or reduces the amount of such payments) because, among other reasons, the issuer experiences a decline in its financial condition.

### *Small Capitalization Risk*

Certain of the MLPs and other Midstream Energy Companies in which we invest may have comparatively smaller capitalizations than other companies whose securities are included in major benchmarked indices. Investing in the securities of smaller MLPs and other Midstream Energy Companies presents some unique investment risks. These MLPs and other Midstream Energy Companies may have limited product lines and markets, as well as shorter operating histories, less experienced management and more limited financial resources than larger MLPs and other Midstream Energy Companies and may be more vulnerable to adverse general market or economic developments. Stocks of smaller MLPs and other Midstream Energy Companies may be less liquid than those of larger MLPs and other Midstream Energy Companies and may experience greater price fluctuations than larger MLPs and other Midstream Energy Companies. In addition, small-cap securities may not be widely followed by the investment community, which may result in reduced demand. This means that we could have greater difficulty selling such securities at the time and price that we would like.

### *Debt Securities Risks*

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

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

*Below Investment Grade and Unrated Debt Securities Risk.* Below investment grade debt securities (commonly referred to as “junk bonds” or “high yield bonds”) are rated Ba1 or less by Moody’s, BB+ or less by Fitch or Standard & Poor’s, or comparably rated by another rating agency. Below investment grade and unrated debt securities generally pay a premium above the yields of U.S. government securities or debt securities of investment grade issuers because they are subject to greater risks than these securities. These risks, which reflect their speculative character, include the following: greater yield and price volatility; greater credit risk and risk of default; potentially greater sensitivity to general economic or industry conditions; potential lack of attractive resale opportunities (illiquidity); and additional expenses to seek recovery from issuers who default.

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

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

#### *Interest Rate Risk for Debt and Equity Securities*

Debt securities, and equity securities that pay dividends and distributions, have the potential to decline in value, sometimes dramatically, when interest rates rise or are expected to rise. In general, the values or prices of debt securities vary inversely with interest rates. The change in a debt security's price depends on several factors, including its maturity. Generally, debt securities with longer maturities are subject to greater price volatility from changes in interest rates. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms).

#### *Risks Associated with Investing in Initial Public Offerings ("IPOs")*

Securities purchased in IPOs are often subject to the general risks associated with investments in companies with small market capitalizations and, at times, are magnified. Securities issued in IPOs have no trading history, and information about the companies may be available for very limited periods. In addition, the prices of securities sold in an IPO may be highly volatile. At any particular time, or from time to time, we may not be able to invest in IPOs, or to invest to the extent desired, because, for example, only a small portion (if any) of the securities being offered in an IPO may be available to us. In addition, under certain market conditions, a relatively small number of companies may issue securities in IPOs. Our investment performance during periods when we are unable to invest significantly or at all in IPOs may be lower than during periods when we are able to do so. IPO securities may be volatile, and we cannot predict whether investments in IPOs will be successful. As we grow in size, the positive effect of IPO investments on the Company may decrease.

#### *Risks Associated with a Private Investment in a Public Entity ("PIPE") Transaction*

PIPE investors purchase securities directly from a publicly traded company in a private placement transaction, typically at a discount to the market price of the company's common stock. Because the sale of the securities is not registered under the Securities Act of 1933, as amended (the "Securities Act"), the securities are "restricted" and cannot be immediately resold by the investors into the public markets. Until we can sell such securities into the public markets, our holdings will be less liquid, and any sales will need to be made pursuant to an exemption under the Securities Act.

#### *Privately Held Company Risk*

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

#### *Liquidity Risk*

Securities with limited trading volumes may display volatile or erratic price movements. Kayne Anderson is one of the largest investors in MLPs and Midstream Energy Companies. Thus, it may be more

difficult for us to buy and sell significant amounts of such securities without an unfavorable impact on prevailing market prices. Larger purchases or sales of these securities by us in a short period of time may cause abnormal movements in the market price of these securities. As a result, these securities may be difficult to dispose of at a fair price at the times when we believe it is desirable to do so. These securities are also more difficult to value, and Kayne Anderson's judgment as to value will often be given greater weight than market quotations, if any exist. Investment of our capital in securities that are less actively traded or over time experience decreased trading volume may restrict our ability to take advantage of other market opportunities.

We also invest in unregistered or otherwise restricted securities. The term "restricted securities" refers to securities that are unregistered or are held by control persons of the issuer and securities that are subject to contractual restrictions on their resale. Unregistered securities are securities that cannot be sold publicly in the United States without registration under the Securities Act, unless an exemption from such registration is available. Restricted securities may be more difficult to value and we may have difficulty disposing of such assets either in a timely manner or for a reasonable price. In order to dispose of an unregistered security, we, where we have contractual rights to do so, may have to cause such security to be registered. A considerable period may elapse between the time the decision is made to sell the security and the time the security is registered so that we could sell it. Contractual restrictions on the resale of securities vary in length and scope and are generally the result of a negotiation between the issuer and acquiror of the securities. We would, in either case, bear the risks of any downward price fluctuation during that period. The difficulties and delays associated with selling restricted securities could result in our inability to realize a favorable price upon disposition of such securities, and at times might make disposition of such securities impossible.

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

#### *Portfolio Turnover Risk*

We anticipate that our annual portfolio turnover rate will range between 15% and 20%, but the rate may vary greatly from year to year. Portfolio turnover rate is not considered a limiting factor in Kafa's execution of investment decisions. A higher portfolio turnover rate results in correspondingly greater brokerage commissions and other transactional expenses that are borne by us. See "Investment Objective and Policies—Investment Practices—Portfolio Turnover" and "Tax Matters."

#### *Derivatives Risk*

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

During the fiscal year ended November 30, 2016, we wrote covered call options. The fair value of these derivative instruments, measured on a weekly basis, was less than 1% of our total assets during fiscal 2016. In

prior years, we have written covered call options and entered into interest rate swaps. We expect to continue to utilize derivative instruments in a manner similar to our activity during fiscal 2016. We will not allow the fair value of our derivative instruments to exceed 25% of total assets.

We currently expect to write covered call options. As the writer of a covered call option, during the option's life we give up the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but we retain the risk of loss should the price of the underlying security decline. The writer of an option has no control over the time when it may be required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security at the exercise price. There can be no assurance that a liquid market will exist when we seek to close out an option position. If trading were suspended in an option purchased by us, we would not be able to close out the option. If we were unable to close out a covered call option that we had written on a security, we would not be able to sell the underlying security unless the option expired without exercise.

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

We segregate liquid assets against or otherwise cover our future obligations under such swap transactions, in order to provide that our future commitments for which we have not segregated liquid assets against or otherwise covered, together with any outstanding Borrowings, do not exceed 33 1/3% of our total assets less liabilities (other than the amount of our Borrowings). In addition, such transactions and other use of Leverage Instruments by us are subject to the asset coverage requirements of the 1940 Act, which generally restrict us from engaging in such transactions unless the value of our total assets less liabilities (other than the amount of our Borrowings) is at least 300% of the principal amount of our Borrowings and the value of our total assets less liabilities (other than the amount of our Leverage Instruments) are at least 200% of the principal amount of our Leverage Instruments.

The use of interest rate and commodity swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. Depending on market conditions in general, our use of swaps could enhance or harm the overall performance of our common stock. For example, we may use interest rate swaps in connection with any use by us of Leverage Instruments. To the extent interest rates decline, the value of the interest rate swap or cap could decline, and could result in a decline in the net asset value of our common stock. In addition, if short-term interest rates are lower than our fixed rate of payment on the interest rate swap, the swap will reduce common stock net earnings. As of March 31, 2017, we had no interest rate swaps outstanding.

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

### *Short Sales Risk*

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

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

### **Risks Related to Our Business and Structure**

#### *Use of Leverage*

We currently utilize Leverage Instruments and intend to continue to do so. Under normal market conditions, our policy is to utilize Leverage Instruments in an amount that represents approximately 30% of our total assets (this policy was revised by our Board of Directors to 25% - 30% of total assets effective June 30, 2017), including proceeds from such Leverage Instruments (which equates to approximately 56.6% of our net asset value as of March 31, 2017). Notwithstanding this policy, based on market conditions at such time, we may use Leverage Instruments in amounts greater than our policy (to the extent permitted by the 1940 Act) or less than our policy. As of March 31, 2017, our Leverage Instruments represented approximately 26.9% of our total assets. Leverage Instruments have seniority in liquidation and distribution rights over our common stock.

As of March 31, 2017, we had \$767 million of Notes outstanding, and had \$72 million borrowed under our term loan. As of March 31, 2017, we had 12,000,000 Mandatory Redeemable Preferred (“MRP”) Shares (\$300 million aggregate liquidation preference) outstanding. Our revolving credit facility has a term of two years and matures on February 28, 2018, and our term loan has a term of five years and matures on February 18, 2019. Our Notes and MRP Shares have maturity dates and mandatory redemption dates ranging from 2017 to 2025. If we are unable to renew or refinance our credit facility or term loan prior to maturity or if we are unable to refinance our Notes or MRP Shares as they mature, we may be forced to sell securities in our portfolio to repay debt or MRP Shares as they mature. If we are required to sell portfolio securities to repay outstanding debt or MRP Shares as they mature or to maintain asset coverage ratios, such sales may be at prices lower than what we would otherwise realize if we were not required to sell such securities at such time. Additionally, we may be unable to refinance our debt or MRP Shares or sell a sufficient amount of portfolio securities to repay debt or MRP Shares as they mature or to maintain asset coverage ratios, which could cause an event of default on our debt securities or MRP Shares.

Leverage Instruments constitute a substantial lien and burden by reason of their prior claim against our income and against our net assets in liquidation. The rights of lenders to receive payments of interest on and repayments of principal of any Borrowings are senior to the rights of holders of common stock and preferred stock, with respect to the payment of distributions or upon liquidation. We may not be permitted to declare dividends and distributions with respect to common stock or preferred stock or purchase common stock or preferred stock unless at such time, we meet certain asset coverage requirements and no event of default exists

under any Borrowing. In addition, we may not be permitted to pay distributions on common stock unless all dividends on the preferred stock and/or accrued interest on Borrowings have been paid, or set aside for payment.

In an event of default under any Borrowing, the lenders have the right to cause a liquidation of collateral (*i.e.*, sell MLP units and other of our assets) and, if any such default is not cured, the lenders may be able to control the liquidation as well. If an event of default occurs or in an effort to avoid an event of default, we may be forced to sell securities at inopportune times and, as a result, receive lower prices for such security sales. We may also incur prepayment penalties on Notes and MRP Shares that are redeemed prior to their stated maturity dates or mandatory redemption dates.

Certain types of leverage, including the Notes and MRP Shares, subject us to certain affirmative covenants relating to asset coverage and our portfolio composition. In a declining market, we may need to sell securities in our portfolio to maintain asset coverage ratios, which would impact the distributions to us, and as a result, our cash available for distribution to common stockholders. For example, from August 31, 2014 to April 30, 2016, we reduced our total debt by \$759.0 million and total MRP Shares by \$95.0 million in order to maintain our asset coverage ratios. The decline in cash distributions to us resulting from securities sales to fund this reduction in leverage was one of the factors leading to the reduction in our distribution to common stockholders. While we believe maintaining our asset coverage ratios and selling portfolio securities was the prudent course of action, it is unlikely that we would have elected to sell securities at the time had we not had leverage. Furthermore, because we repaid certain of our Notes and MRP Shares prior to their stated maturities or mandatory redemption dates, we incurred prepayment penalties. By continuing to utilize Notes and MRP Shares, we may again be forced to sell securities at an inopportune time in the future to maintain asset coverage ratios and may be forced to pay additional prepayment penalties on our Notes and MRP Shares. Our Notes and MRP Shares also may impose special restrictions on our use of various investment techniques or strategies or in our ability to pay distributions on common stock and preferred stock in certain instances. In addition, we are subject to certain negative covenants relating to transactions with affiliates, mergers and consolidation, among others. We are also subject to certain restrictions on investments imposed by guidelines of one or more rating agencies, which issue ratings for Leverage Instruments issued by us. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed by the 1940 Act. Kayne Anderson does not believe that these covenants or guidelines will impede it from managing our portfolio in accordance with our investment objective and policies.

#### *Interest Rate Hedging Risk*

We hedge against interest rate risk resulting from our leveraged capital structure. We do not intend to hedge interest rate risk of portfolio holdings. Interest rate transactions that we may use for hedging purposes will expose us to certain risks that differ from the risks associated with our portfolio holdings. There are economic costs of hedging reflected in the price of interest rate swaps and similar techniques, the cost of which can be significant. In addition, our success in using hedging instruments is subject to KAFA's ability to predict correctly changes in the relationships of such hedging instruments to our leverage risk, and there can be no assurance that KAFA's judgment in this respect will be accurate. To the extent there is a decline in interest rates, the value of interest rate swaps could decline, and result in a decline in the net asset value of our common stock (and asset coverage ratios for our senior securities). In addition, if the counterparty to an interest rate swap or cap defaults, we would not be able to use the anticipated net receipts under the interest rate swap to offset our cost of financial leverage.

#### *Tax Risks*

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

We cannot assure you what percentage of the distributions paid on our common stock, if any, will be treated as qualified dividend income or return of capital or what the tax rates on various types of income or gain will be in future years. New legislation could negatively impact the amount and tax characterization of distributions received by our common stockholders. Under current law, qualified dividend income received by individual stockholders is taxed at a maximum federal tax rate of 20% for individuals, provided a holding period requirement and certain other requirements are met. In addition, currently a 3.8% federal tax on net investment income (the “Tax Surcharge”) generally applies to dividend income and net capital gains for taxpayers whose adjusted gross income exceeds \$200,000 for single filers or \$250,000 for married joint filers. Certain recent proposals have called for the elimination of tax incentives widely used by oil, gas and coal companies and the imposition of new fees on certain energy producers. The elimination of such tax incentives and imposition of such fees could adversely affect MLPs in which we invest and the energy sector generally.

*Deferred Tax Risks.* As a limited partner in the MLPs in which we invest, we will be allocated our distributive share of income, gains, losses, deductions and credits from those MLPs. Historically, a significant portion of income from such MLPs has been offset by tax deductions. We will incur a current tax liability on our distributive share of an MLP’s income and gains that is not offset by tax deductions, losses and credits, or our capital or net operating loss carryforwards or other applicable deductions, if any. The percentage of an MLP’s income and gains which is offset by tax deductions, losses and credits will fluctuate over time for various reasons. A significant slowdown in acquisition activity or capital spending by MLPs held in our portfolio could result in a reduction of accelerated depreciation generated by new acquisitions, which may result in increased current tax liability to us. In addition, changes to the tax code that impact the amount of income, gain, deduction or loss that is passed through to us from the MLP securities in which we invest (for example through changes to the deductibility of interest expense or changes to how capital expenditures are depreciated) may also result in an increased current tax liability to us. We will accrue deferred income taxes for any future tax liability associated with that portion of MLP distributions considered to be a tax-deferred return of capital as well as capital appreciation of our investments. Upon the sale of an MLP security, we may be liable for previously deferred taxes, and if an MLP in our portfolio is acquired by another Energy Company in a transaction treated as a sale for federal income tax purposes, including in a “roll-up” transaction, we will not have control of the timing of when we become liable for such deferred taxes.

We rely to some extent on information provided by the MLPs, which may not necessarily be timely, to estimate taxable income allocable to the MLP units held in the portfolio and to estimate the associated current or deferred taxes. Such estimates are made in good faith. From time to time, as new information becomes available, we modify our estimates or assumptions regarding our deferred taxes. See “Tax Matters.”

*Deferred Tax Risks of Investing in our Securities.* A reduction in the return of capital portion of the distributions that we receive from our portfolio investments or an increase in our earnings and profits and portfolio turnover may reduce that portion of our distribution treated as a tax-deferred return of capital and increase that portion treated as a dividend, resulting in lower after-tax distributions to our common and preferred stockholders. See “Tax Matters.”

#### *Management Risk; Dependence on Key Personnel of Kayne Anderson*

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

We depend upon Kayne Anderson’s key personnel for our future success and upon their access to certain individuals and investments in the MLP and Midstream Energy industries. In particular, we depend on the diligence, skill and network of business contacts of our portfolio managers, who evaluate, negotiate, structure, close and monitor our investments. These individuals manage a number of investment vehicles on behalf of Kayne Anderson and, as a result, do not devote all of their time to managing us, which could negatively impact



our performance. Furthermore, these individuals do not have long-term employment contracts with Kayne Anderson, although they do have equity interests and other financial incentives to remain with Kayne Anderson. For a description of Kayne Anderson, see “Management—Investment Adviser.” We also depend on the senior management of Kayne Anderson. The departure of any of our portfolio managers or the senior management of Kayne Anderson could have a material adverse effect on our ability to achieve our investment objective. In addition, we can offer no assurance that Kafa will remain our investment adviser or that we will continue to have access to Kayne Anderson’s industry contacts and deal flow.

#### *Conflicts of Interest of Kayne Anderson*

Conflicts of interest may arise because Kayne Anderson and its affiliates generally carry on substantial investment activities for other clients in which we will have no interest. Kayne Anderson or its affiliates may have financial incentives to favor certain of such accounts over us. Any of their proprietary accounts and other customer accounts may compete with us for specific trades. Kayne Anderson or its affiliates may buy or sell securities for us which differ from securities bought or sold for other accounts and customers, even though their investment objectives and policies may be similar to ours. Situations may occur when we could be disadvantaged because of the investment activities conducted by Kayne Anderson or its affiliates for their other accounts. Such situations may be based on, among other things, legal or internal restrictions on the combined size of positions that may be taken for us and the other accounts, thereby limiting the size of our position, or the difficulty of liquidating an investment for us and the other accounts where the market cannot absorb the sale of the combined position.

Our investment opportunities may be limited by affiliations of Kayne Anderson or its affiliates with MLPs or other Midstream Energy Companies. In addition, to the extent that Kayne Anderson sources and structures private investments in MLPs, certain employees of Kayne Anderson may become aware of actions planned by MLPs, such as acquisitions, that may not be announced to the public. It is possible that we could be precluded from investing in an MLP about which Kayne Anderson has material non-public information; however, it is Kayne Anderson’s intention to ensure that any material non-public information available to certain Kayne Anderson employees not be shared with those employees responsible for the purchase and sale of publicly traded MLP securities.

Kafa also manages Kayne Anderson Energy Total Return Fund, Inc., a closed-end investment company listed on the NYSE under the ticker “KYE,” Kayne Anderson Energy Development Company, a closed-end investment company listed on the NYSE under the ticker “KED” and Kayne Anderson Midstream/Energy Fund, Inc., a closed-end investment company listed on the NYSE under the ticker “KMF.” In addition to closed-end investment companies, Kafa also manages several private investment funds and separately managed accounts which together had approximately \$893.6 million in combined total assets as of March 31, 2017, and KACALP manages several private investment funds and separately managed accounts (collectively, “Affiliated Funds”). Some of the Affiliated Funds have investment objectives that are similar to or overlap with ours. In particular, certain Affiliated Funds invest in MLPs and other Midstream Energy Companies. Further, Kayne Anderson may at some time in the future, manage other investment funds with the same investment objective as ours or that otherwise create potential conflicts of interest with us. For example, Kayne Anderson recently formed Kayne Anderson Acquisition Corp., a special purpose acquisition company formed for the purpose of effecting a business combination with an Energy Company. Kayne Anderson Acquisition Corp. may compete with the MLPs or other Midstream Energy Companies in which we invest or may enter into one or more transactions with Energy Companies that may preclude an investment by us in the same entities for regulatory or other reasons.

Investment decisions for us are made independently from those of Kayne Anderson’s other clients; however, from time to time, the same investment decision may be made for more than one fund or account. When two or more clients advised by Kayne Anderson or its affiliates seek to purchase or sell the same publicly traded securities, the securities actually purchased or sold are allocated among the clients on a good faith

equitable basis by Kayne Anderson in its discretion in accordance with the clients' various investment objectives and procedures adopted by Kayne Anderson and approved by our Board of Directors. In some cases, this system may adversely affect the price or size of the position we may obtain. In other cases, however, our ability to participate in volume transactions may produce better execution for us.

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

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

#### *Risk of Owning Securities of Affiliates*

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

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

In making such a determination as to whether to treat any class of limited partnership interests we hold as a voting security, we consider, among other factors, whether or not the holders of such limited partnership interests have the right to elect the board of directors of the limited partnership or the general partner. If the holders of such limited partnership interests do not have the right to elect the board of directors, we generally have not treated such security as a voting security. In other circumstances, based on the facts and circumstances of those partnership agreements, including the right to elect the directors of the general partner, we have treated those securities as voting securities and, therefore, as affiliates. If we do not consider the security to be a voting security, we will not consider such partnership to be an “affiliate” unless we and our affiliates own more than 25% of the outstanding securities of such partnership. Additionally, certain partnership agreements give common unitholders the right to elect its board of directors, but limit the amount of voting securities any limited partner can hold to no more than 4.9% of the partnership’s outstanding voting securities (*i.e.*, any amounts held in excess of such limit by a limited partner do not have voting rights). In such instances, we do not consider ourselves to be an affiliate if we own more than 5% of such partnership’s common units.

As of March 31, 2017, we considered Plains GP Holdings, L.P., Plains AAP, L.P. and Plains All American Pipeline, L.P. to be affiliates. Robert V. Sinnott is Co-Chairman of Kayne Anderson Capital Advisors, L.P. (“KACALP”), the managing member of KAFA. Mr. Sinnott also serves as a director of PAA GP Holdings LLC, which is the general partner of Plains GP Holdings, L.P. (“PAGP”). Members of senior management of KACALP and KAFA and various affiliated funds managed by KACALP own PAGP shares, Plains All American Pipeline, L.P. (“PAA”) units and interests in Plains AAP, L.P. (“PAGP-AAP”). We believe that we are an affiliate of PAA, PAGP and PAGP-AAP under the 1940 Act by virtue of (i) our and other affiliated Kayne Anderson funds’ ownership interest in PAA, PAGP and PAGP-AAP and (ii) Mr. Sinnott’s participation on the board of PAA GP Holdings LLC.

We believe that we are an affiliate of Kayne Anderson Acquisition Corp. (“KAACU”) as a result of our being under common control, including as a result of the fact that Messrs. Sinnott, McCarthy and Hart serve as officers or directors of KAACU.

We must abide by the 1940 Act restrictions on transactions with affiliates and, as a result, our ability to purchase securities of Plains GP, PAA and KAACU may be more limited in certain instances than if we were not considered an affiliate of such companies.

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

#### *Certain Affiliations*

We are affiliated with KA Associates, Inc., a Financial Industry Regulatory Authority, Inc. (“FINRA”) member broker-dealer. Absent an exemption from the SEC or other regulatory relief, we are generally precluded from effecting certain principal transactions with affiliated brokers, and our ability to utilize affiliated brokers for agency transactions is subject to restrictions. This could limit our ability to engage in securities transactions and take advantage of market opportunities.

### *Valuation Risk*

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

### *Anti-Takeover Provisions*

Our Charter, Bylaws and the Maryland General Corporation Law include provisions that could limit the ability of other entities or persons to acquire control of us, to convert us to open-end status, or to change the composition of our Board of Directors. We also have adopted other measures that may make it difficult for a third party to obtain control of us, including provisions of our Charter classifying our Board of Directors in three classes serving staggered three-year terms, and provisions authorizing our Board of Directors to classify or reclassify shares of our stock in one or more classes or series to cause the issuance of additional shares of our stock, and to amend our Charter, without stockholder approval, to increase or decrease the number of shares of stock that we have the authority to issue. These provisions, as well as other provisions of our Charter and Bylaws, could have the effect of discouraging, delaying, deferring or preventing a transaction or a change in control that might otherwise be in the best interests of our stockholders. As a result, these provisions may deprive our common stockholders of opportunities to sell their common stock at a premium over the then current market price of our common stock. See "Description of Capital Stock."

## **Additional Risks Related to Our Common Stock**

### *Market Discount From Net Asset Value Risk*

Our common stock has traded both at a premium and at a discount to our net asset value. The last reported sale price, as of March 31, 2017 was \$21.00 per share. Our net asset value per share and percentage premium to net asset value per share of our common stock as of March 31, 2017 were \$20.60 and 1.9%, respectively. There is no assurance that this premium will continue after March 31, 2017, or that our common stock will not again trade at a discount. Shares of closed-end investment companies frequently trade at a discount to their net asset value. This characteristic is a risk separate and distinct from the risk that our net asset value could decrease as a result of our investment activities and may be greater for investors expecting to sell their shares in a relatively short period following completion of this offering. Although the value of our net assets is generally considered by market participants in determining whether to purchase or sell shares, whether investors will realize gains or losses upon the sale of our common stock depends upon whether the market price of our common stock at the time of sale is above or below the investor's purchase price for our common stock. Because the market price of our common stock is affected by factors such as net asset value, distribution levels (which are dependent, in part, on expenses), supply of and demand for our common stock, stability of distributions, trading volume, general market and economic conditions, and other factors beyond our control, we cannot predict whether our common stock will trade at, below or above net asset value or at, below or above the offering price.

### *Leverage Risk to Common Stockholders*

The issuance of Leverage Instruments represents the leveraging of our common stock. Leverage is a technique that could adversely affect our common stockholders. Unless the income and capital appreciation, if

any, on securities acquired with the proceeds from Leverage Instruments exceed the costs of the leverage, the use of leverage could cause us to lose money. When leverage is used, the net asset value and market value of our common stock will be more volatile. There is no assurance that our use of leverage will be successful.

Our common stockholders bear the costs of leverage through higher operating expenses. Our common stockholders also bear management fees, whereas holders of notes or preferred stock do not bear management fees. Because management fees are based on our total assets, our use of leverage increases the effective management fee borne by our common stockholders. In addition, the issuance of additional senior securities by us would result in offering expenses and other costs, which would ultimately be borne by our common stockholders. Fluctuations in interest rates could increase our interest or dividend payments on Leverage Instruments and could reduce cash available for distributions on common stock. Certain Leverage Instruments are subject to covenants regarding asset coverage, portfolio composition and other matters, which may affect our ability to pay distributions to our common stockholders in certain instances. We may also be required to pledge our assets to the lenders in connection with certain other types of borrowing.

Leverage involves other risks and special considerations for common stockholders including: the likelihood of greater volatility of net asset value and market price of our common stock than a comparable portfolio without leverage; the risk of fluctuations in dividend rates or interest rates on Leverage Instruments; that the dividends or interest paid on Leverage Instruments may reduce the returns to our common stockholders or result in fluctuations in the distributions paid on our common stock; the effect of leverage in a declining market, which is likely to cause a greater decline in the net asset value of our common stock than if we were not leveraged, which may result in a greater decline in the market price of our common stock; and when we use financial leverage, the investment management fee payable to Kayne Anderson may be higher than if we did not use leverage.

While we may from time to time consider reducing leverage in response to actual or anticipated changes in interest rates or actual or anticipated changes in investment values in an effort to mitigate the increased volatility of current income and net asset value associated with leverage, there can be no assurance that we will actually reduce leverage in the future or that any reduction, if undertaken, will benefit our common stockholders. Changes in the future direction of interest rates or changes in investment values are difficult to predict accurately. If we were to reduce leverage based on a prediction about future changes to interest rates (or future changes in investment values), and that prediction turned out to be incorrect, the reduction in leverage would likely result in a reduction in income and/or total returns to common stockholders relative to the circumstance if we had not reduced leverage. We may decide that this risk outweighs the likelihood of achieving the desired reduction to volatility in income and the price of our common stock if the prediction were to turn out to be correct, and determine not to reduce leverage as described above.

Finally, the 1940 Act provides certain rights and protections for preferred stockholders which may adversely affect the interests of our common stockholders. See “Description of Capital Stock.”

### **Additional Risks Related to Our Senior Securities**

An investment in our preferred stock or debt securities is subject to the following additional risks:

*Interest Rate Risk.* Distributions and interest payable on our senior securities are subject to interest rate risk. To the extent that distributions or interest on such securities are based on short-term rates, our leverage costs may rise so that the amount of distributions or interest due to holders of senior securities would exceed the cash flow generated by our portfolio securities. To the extent that any of our leverage costs are fixed, our leverage costs may increase when our senior securities mature. This might require that we sell portfolio securities at a time when we otherwise would not do so, which may adversely affect our future ability to generate cash flow. In addition, rising market interest rates could negatively impact the value of our investment portfolio, reducing the amount of assets serving as asset coverage for senior securities.

*Ratings and Asset Coverage Risk.* If we do not maintain a rating on our Notes, it will constitute an event of default. Furthermore, rating agencies have in the past, and may in the future, downgrade the ratings assigned to our senior securities, which may make your securities less liquid in the secondary market. For example, in December 2015, Fitch Ratings downgraded all our outstanding MRP Shares from “AA” to “A”. Fitch has assigned a rating of “AAA” to all of our outstanding series of Notes.

A rating may not fully or accurately reflect all of the risks associated with a senior security. If a rating agency downgrades the ratings assigned to our senior securities, we may be required to alter our portfolio or redeem our senior securities. We may voluntarily redeem our securities under certain circumstances to the extent permitted under the terms of such securities, which may require that we meet specified asset maintenance tests and other requirements.

To the extent that senior securities offered hereby are rated of similar or the same ratings as those respectively assigned to outstanding MRP Shares and Notes, the ratings do not eliminate or necessarily mitigate the risks of investing in our senior securities.

We have issued Notes, which constitute or will constitute senior securities representing indebtedness, as defined in the 1940 Act. Accordingly, the value of our total assets, less all our liabilities and indebtedness not represented by such Notes and debt securities, must be at least equal to 300% of the aggregate principal value of such Notes and debt securities. As for of our preferred stock, the value of our total assets, less all our liabilities and indebtedness not represented by senior securities must be at least equal, immediately after the issuance of preferred stock, to 225%. This ratio is more stringent than the 200% ratio required by the 1940 Act of the aggregate principal value of the Notes, any debt securities and our preferred stock.

We may issue additional senior securities with asset coverage or portfolio composition provisions in addition to, and more stringent than, those required by the 1940 Act. In addition, restrictions have been and may be imposed by the rating agencies on certain investment practices in which we may otherwise engage. These restrictions and rating agency guidelines are subject to change. Any lender with respect to any additional Borrowings by us may require additional asset coverage and portfolio composition provisions as well as restrictions on our investment practices.

*Senior Leverage Risk.* Because we have outstanding Borrowings and may issue additional debt securities, which are senior to our preferred stock, we are prohibited from declaring, paying or making any dividends on our preferred stock unless we satisfy certain conditions.

We are also prohibited from declaring, paying or making any distributions on common stock unless we satisfy certain conditions. See “Description of Capital Stock—Preferred Stock—Limitations on Distributions.”

Our Borrowings may constitute a substantial burden on our preferred stock by reason of their prior claim against our income and against our net assets in liquidation. We may not be permitted to declare dividends or other distributions, including with respect to our preferred stock, or purchase or redeem shares, including preferred stock, unless (1) at the time thereof we meet certain asset coverage requirements and (2) there is no event of default under our Borrowings that is continuing. See “Description of Capital Stock—Preferred Stock—Limitations on Distributions.” In the event of a default under our Borrowings, the holders of our debt securities have the right to accelerate the maturity of debt securities and the trustee may institute judicial proceedings against us to enforce the rights of holders of debt securities.

Our Notes are unsecured obligations and, upon our liquidation, dissolution or winding up, will rank: (1) senior to all of our outstanding common stock and any outstanding preferred stock; (2) on a parity with any of our unsecured creditors and any unsecured senior securities representing indebtedness; and (3) junior to any of our secured creditors. Secured creditors of ours may include, without limitation, parties entering into interest rate

swap, floor or cap transactions, or other similar transactions with us that create liens, pledges, charges, security interests, security agreements or other encumbrances on our assets.

*Inflation Risk.* Inflation is the reduction in the purchasing power of money resulting from an increase in the price of goods and services. Inflation risk is the risk that the inflation adjusted or “real” value of an investment in preferred stock or debt securities or the income from that investment will be worth less in the future. As inflation occurs, the real value of the preferred stock or debt securities and the distributions or interest payable to holders of preferred stock or interest payable to holders of debt securities declines.

*Net Asset Value Risk.* A material decline in our NAV may impair our ability to maintain required levels of asset coverage for our preferred stock or debt securities.

## DISTRIBUTIONS

We have paid distributions to common stockholders every fiscal quarter since inception. The following table sets forth information, during the past three years, about distributions we paid to our common stockholders, percentage participation by common stockholders in our dividend reinvestment program and reinvestments and related issuances of additional shares of common stock as a result of such participation (the information in the table is unaudited):

Distribution Payment Date to Common Stockholders	Amount of Distribution Per Share	Percentage of Common Stockholders Electing to Participate in Dividend Reinvestment Program	Amount of Corresponding Reinvestment through Dividend Reinvestment Program (1)	Additional Shares of Common Stock Issued through Dividend Reinvestment Program (1)	Tax Character	
					Return of Capital	Qualified Dividends
July 11, 2014 . . . . .	\$0.6400	10%	\$6,835	188	10%	90%
October 10, 2014 . . . . .	0.6500	10	7,088	195	10	90
January 16, 2015 . . . . .	0.6550	10	7,047	219	18	82
April 10, 2015 . . . . .	0.6575	10	7,283	222	18	82
July 10, 2015 . . . . .	0.6575	10	7,517	271	18	82
October 9, 2015 . . . . .	0.6575	11	7,936	323	18	82
January 15, 2016 . . . . .	0.5500	9	5,686	455	100	0
April 15, 2016 . . . . .	0.5500	9	5,861	379	100	0
July 15, 2016 . . . . .	0.5500	10	6,279	340	100	0
October 14, 2016 . . . . .	0.5500	9	5,909	324	100	0
January 13, 2017 . . . . .	0.5500	10	6,035	324	100(2)	0
April 21, 2017 . . . . .	0.4500	10	5,089	268	100(2)	0

(1) Numbers in thousands.

(2) This estimate is based on our estimated earnings and profits for fiscal 2017, which does not include a projection for any gains or losses on the sale of securities during the remainder of fiscal 2017. The final determination of the tax character of our distributions will be made after our fiscal year-end when we can determine our actual earnings and profits for the full year. The final tax status of our distributions is dependent on our earnings and profits (including gains and losses on the sale of securities) for the remainder of our fiscal year and may differ substantially from this preliminary information.

We intend to continue to pay quarterly distributions to our common stockholders, funded in part by the net distributable income generated from our portfolio investments. The net distributable income generated from our portfolio investments is the amount received by us as cash or paid-in-kind distributions from equity securities owned by us, interest payments received on debt securities owned by us, other payments on securities owned by us, net premiums received from the sale of covered call options and income tax benefits (on net investment loss), if any, less current or anticipated operating expenses, income tax expense (on net investment income), if any, and our leverage costs (including dividends on preferred stock issued by us but excluding non-cash amortization of costs to issue leverage). We expect that a portion of our future distributions will be treated as a return of capital to stockholders for tax purposes.

Our quarterly distributions to common stockholders, if any, will be determined by our Board of Directors and will be subject to meeting the covenants of our debt securities, our revolving credit facilities and other borrowings, and the terms of our preferred stock and asset coverage requirements of the 1940 Act. There is no assurance we will continue to pay regular distributions or that we will do so at a particular rate.

We pay dividends on the MRP Shares in accordance with the terms thereof. The holders of the MRP Shares shall be entitled to receive cumulative cash dividends, when, as and if authorized by the Board of



Directors from funds legally available for distribution. Dividend payment dates with respect to the MRP Shares shall be, with respect to each dividend period, the first business day of the month next following each dividend period. Dividends on Series B MRP Shares, Series C MRP Shares, Series H MRP Shares, Series I MRP Shares and Series J MRP Shares are payable quarterly, and dividends on Series F MRP Shares are payable monthly. See “Description of Securities—Preferred Stock”.

Because the cash distributions received from the MLPs in our portfolio are expected to exceed the earnings and profits associated with owning such MLPs, we expect that a portion of our distributions will be paid from sources other than our current or accumulated earnings and profits. The portion of the distribution which exceeds our current or accumulated earnings and profits will be treated as a return of capital to the extent of a stockholder’s basis in our common stock, then as capital gain. See “Tax Matters.”

## DIVIDEND REINVESTMENT PLAN

We have adopted a Dividend Reinvestment Plan (the “Plan”) that provides that, unless you elect to receive your dividends or distributions in cash, they will be automatically reinvested by the Plan Administrator, American Stock Transfer & Trust Company (“AST”), in additional shares of our common stock. If you elect to receive your dividends or distributions in cash, you will receive them in cash paid by check mailed directly to you by the Plan Administrator.

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

- (1) The number of shares to be issued to a stockholder shall be based on share price equal to 95% of the closing price of our common stock one day prior to the dividend payment date.
- (2) Our Board of Directors may, in its sole discretion, instruct us to purchase shares of our common stock in the open market in connection with the implementation of the Plan as follows: if our common stock is trading below net asset value at the time of valuation, upon notice from us, the Plan Administrator will receive the dividend or distribution in cash and will purchase common stock in the open market, on the NYSE or elsewhere, for the participants’ accounts, except that the Plan Administrator will endeavor to terminate purchases in the open market and cause us to issue the remaining shares if, following the commencement of the purchases, the market value of the shares, including brokerage commissions, exceeds the net asset value at the time of valuation. Provided the Plan Administrator can terminate purchases on the open market, the remaining shares will be issued by us at a price equal to the greater of (i) the net asset value at the time of valuation or (ii) 95% of the then current market price. It is possible that the average purchase price per share paid by the Plan Administrator may exceed the market price at the time of valuation, resulting in the purchase of fewer shares than if the dividend or distribution had been paid entirely in common stock issued by us.

You may withdraw from the Plan at any time by giving written notice to the Plan Administrator, or by telephone in accordance with such reasonable requirements as we and the Plan Administrator may agree upon. If you withdraw or the Plan is terminated, you will receive a certificate for each whole share in your account under the Plan and you will receive a cash payment for any fractional shares in your account. If you wish, the Plan Administrator will sell your shares and send the proceeds to you, less brokerage commissions. The Plan Administrator is authorized to deduct a \$15 transaction fee plus a \$0.10 per share brokerage commission from the proceeds.

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

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

Automatically reinvesting dividends and distributions does not avoid a taxable event or the requirement to pay income taxes due upon the receipt of dividends and distributions, even though you have not received any cash with which to pay the resulting tax. See “Tax Matters.”

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

The Plan Administrator's fees under the Plan will be borne by us. There is no direct service charge to participants in the Plan; however, we reserve the right to amend or terminate the Plan, including amending the Plan to include a service charge payable by the participants, if in the judgment of the Board of Directors the change is warranted. Any amendment to the Plan, except amendments necessary or appropriate to comply with applicable law or the rules and policies of the SEC or any other regulatory authority, require us to provide at least 30 days written notice to each participant. Additional information about the Plan may be obtained from American Stock Transfer & Trust Company at 6201 15th Avenue, Brooklyn, New York 11219.

## INVESTMENT OBJECTIVE AND POLICIES

Our investment objective is to obtain high after-tax total return by investing at least 85% of our total assets in public and private investments in MLPs and other Midstream Energy Companies. Our investment objective is considered a fundamental policy and therefore may not be changed without the approval of the holders of a “majority of the outstanding” voting securities. When used with respect to our voting securities, a “majority of the outstanding” voting securities means (i) 67% or more of the shares present at a meeting, if the holders of more than 50% of the shares are present or represented by proxy, or (ii) more than 50% of the shares, whichever is less. There can be no assurance that we will achieve our investment objective.

The following investment policies are considered non-fundamental and may be changed by the Board of Directors without the approval of the holders of a “majority of the outstanding” voting securities, provided that the holders of such voting securities receive at least 60 days’ prior written notice of any change:

- For as long as the word “MLP” is in our name, it shall be our policy, under normal market conditions, to invest at least 80% of our total assets in MLPs.
- We intend to invest at least 50% of our total assets in publicly traded securities of MLPs and other Midstream Energy Companies.
- Under normal market conditions, we may invest up to 50% of our total assets in unregistered or otherwise restricted securities of MLPs and other Midstream Energy Companies. The types of unregistered or otherwise restricted securities that we may purchase include common units, subordinated units, preferred units, and convertible units of, and general partner interests in, MLPs, and securities of other public and private Midstream Energy Companies.
- We may invest up to 15% of our total assets in any single issuer.
- We may invest up to 20% of our total assets in debt securities of MLPs and other Midstream Energy Companies, including below investment grade debt securities rated, at the time of investment, at least B3 by Moody’s, B- by Standard & Poor’s or Fitch, comparably rated by another rating agency or, if unrated, determined by Kayne Anderson to be of comparable quality. In addition, up to one-quarter of our permitted investments in debt securities (or up to 5% of our total assets) may be invested in unrated debt securities or debt securities that are rated less than B3/B- of public or private companies.
- We may, but are not required to, use derivative investments and engage in short sales to hedge against interest rate and market risks.
- Under normal market conditions, our policy is to utilize our Borrowings and our preferred stock (each a “Leverage Instrument” and collectively “Leverage Instrument”) in an amount that represents approximately 30% of our total assets, including proceeds from such Leverage Instruments. However, we reserve the right at any time, if we believe that market conditions are appropriate, to use Leverage Instruments to the extent permitted by the 1940 Act.

On April 20, 2017, our Board of Directors approved a change to our non-fundamental investment policy related to our use of leverage. The revised policy will be effective June 30, 2017, as follows:

- Under normal market conditions, our policy is to utilize our Borrowings and our preferred stock (each a “Leverage Instrument” and collectively “Leverage Instruments”) in an amount that represents approximately 25% - 30% of our total assets (our “target leverage levels”), including proceeds from such Leverage Instruments. However, we reserve the right at any time, based on market conditions, (i) to reduce our target leverage levels or (ii) to use Leverage Instruments to the extent permitted by the 1940 Act.

Unless otherwise stated, all investment restrictions apply at the time of purchase and we will not be required to reduce a position due solely to market value fluctuations.

## **Description of MLPs**

Master limited partnerships are entities that are publicly traded and are treated as partnerships for federal income tax purposes. Master limited partnerships are typically structured as limited partnerships or as limited liability companies treated as partnerships. The units for these entities are listed and traded on a U.S. securities exchange. To qualify as a master limited partnership, the entity must receive at least 90% of its income from qualifying sources as set forth in Section 7704(d) of the Code. These qualifying sources include natural resource-based activities such as the exploration, development, mining, production, gathering, processing, refining, transportation, storage, distribution and marketing of mineral or natural resources. Limited partnerships have two classes of interests: general partner interests and limited partner interests. The general partner typically controls the operations and management of the partnership through an equity interest in the partnership (typically up to 2% of total equity). Limited partners own the remainder of the partnership and have a limited role in the partnership's operations and management.

Master limited partnerships organized as limited partnerships typically have two classes of limited partner interests—common units and subordinated units, but certain variable rate MLPs (as described below) only have one class of limited partners interests—common units.

MLPs that have two classes of limited partnership interests (common units and subordinated units) are structured such that common units and general partner interests have first priority to receive quarterly cash distributions up to an established minimum amount (“minimum quarterly distributions” or “MQD”). Common units also accrue arrearages in distributions to the extent the MQD is not paid. Once common units have been paid, subordinated units receive distributions of up to the MQD; however, subordinated units do not accrue arrearages. Distributable cash in excess of the MQD paid to both common and subordinated units is distributed to both common and subordinated units on a pro rata basis. Whenever a distribution is paid to either common unitholders or subordinated unitholders, the general partner is paid a proportional distribution. The holders of incentive distribution rights (“IDRs”), usually the general partner, are eligible to receive incentive distributions if the general partner operates the business in a manner which results in distributions paid per unit surpassing specified target levels. As cash distributions to the limited partners increase, the IDRs receive an increasingly higher percentage of the incremental cash distributions. These IDRs encourage the general partner to streamline costs, make investments and acquire assets in order to increase the partnership's cash flow and raise the quarterly cash distribution in order to reach target levels, which benefits all security holders of such MLP. The general partner interest may be held by either a private or publicly traded entity. In many cases, the general partner owns common units, subordinated units and IDRs in addition to a general partner interest in the MLP.

In addition to the common unit and subordinated unit structure for MLPs, certain MLPs have adopted variable distribution policies. Typically, an MLP with a variable distribution will only have one class of limited partnership interests, common units, and will distribute 100% of its distributable cash flow on a quarterly basis. Such MLPs will not have an MQD and will not have subordinated units and/or IDRs. This type of distribution policy is utilized by MLPs with more exposure to commodity prices or more cyclical businesses and, as a result, more variability in such MLP's distributable cash flow.

For purposes of our investment objective, the term “MLPs” includes affiliates of MLPs that own general partner interests or, in some cases, subordinated units, registered or unregistered common units, or other limited partner units in an MLP.

The MLPs and other Midstream Energy Companies in which we invest primarily own and operate midstream assets, which are the assets used by Energy Companies in performing services related to energy logistics. These assets provide the link between the source point of energy products such as natural gas and natural gas liquids and oil (*i.e.*, where it is produced) and the end users (*i.e.*, where it is consumed). Midstream

assets include those used in transporting, storing, gathering, treating, processing, fractionating, transloading, distributing or marketing of natural gas, natural gas liquids, oil or refined products.

Natural gas related midstream assets serve to collect natural gas from the wellhead in small diameter pipelines, known as gathering systems. After natural gas is gathered, it can be either delivered directly into a natural gas pipeline system or to gas processing and treating plants for removal of natural gas liquids and impurities. After being processed, resulting “residue” natural gas is transported by large diameter intrastate and interstate pipelines across the country to end users. During the transportation process, natural gas may be placed in storage facilities, which consist of salt caverns, aquifers and depleted gas reservoirs, for withdrawal at a later date. Finally, after being transported by the intrastate and interstate pipelines, natural gas enters small diameter distribution lines pipelines, usually owned by local utilities, for delivery to consumers of such natural gas.

Midstream assets also process, store and transport natural gas liquids, or NGLs. Before natural gas can be transported through major transportation pipelines, it must be processed by removing the NGLs to meet pipeline specifications. NGLs are transported by pipelines, truck, rail and barges from natural gas processing plants to fractionators and storage facilities. At the fractionator, the NGLs are separated into component products such as ethane, propane, butane and natural gasoline. These products are then transported to storage facilities and end consumers, such as petrochemical facilities and other industrial users.

Similarly, midstream assets transport crude oil by pipeline, truck and rail from the wellhead to the refinery. At the refinery, oil is refined into gasoline, distillates (such as diesel and heating oil) and other refined products. Refined products are then transported by pipeline, truck, rail and barges from the refinery to storage terminals and are ultimately transported to end users such as gas stations, airports and other industrial users.

Owners of midstream assets generally do not own the energy products flowing through their assets. Instead, midstream assets often charge a fee determined primarily by volume handled and service provided. Further, the fee charged for such service is often regulated by the Federal Energy Regulatory Commission or a similar state agency, and may be based on the market price of the transported commodity.

### **Description of Other Midstream Energy Companies**

Other Midstream Energy Companies are companies, other than midstream MLPs, that own and operate midstream assets. These companies are not structured as master limited partnerships and are taxed as corporations.

### **Our Portfolio**

At any given time, we expect that our portfolio will have some or all of the types of the following types of investments: (i) equity securities of MLPs, (ii) equity securities of other Midstream Energy Companies, (iii) equity securities of other Energy Companies and (iv) debt securities of Energy Companies. A description of our investment policies and restrictions and more information about our portfolio investments are contained in this prospectus and our SAI.

### **Investment Practices**

*Covered Calls.* We may write call options with the purpose of generating realized gains or reducing our ownership of certain securities. We will only write call options on securities that we hold in our portfolio (*i.e.*, covered calls). A call option on a security is a contract that gives the holder of such call option the right to buy the security underlying the call option from the writer of such call option at a specified price at any time during the term of the option. At the time the call option is sold, the writer of a call option receives a premium (or call premium) from the buyer of such call option. If we write a call option on a security, we have the obligation upon exercise of such call option to deliver the underlying security upon payment of the exercise price. When we

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

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

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

*Value of Derivative Instruments.* For purposes of determining compliance with the requirement that we invest 80% of our total assets in MLPs, we value derivative instruments based on their respective current fair market values.

*Other Risk Management Strategies.* To a lesser extent, we may use various hedging and other risk management strategies to seek to manage market risks. Such hedging strategies would be utilized to seek to protect against possible adverse changes in the market value of securities held in our portfolio, or to otherwise protect the value of our portfolio. We may execute our hedging and risk management strategy by engaging in a variety of transactions, including buying or selling options or futures contracts on indexes. See “Risk Factors—Risks Related to Our Investments and Investment Techniques—Derivatives Risk.”

*Portfolio Turnover.* We anticipate that our annual portfolio turnover rate will range between 15% and 20%, but the rate may vary greatly from year to year. Portfolio turnover rate is not considered a limiting factor in KAFA’s execution of investment decisions. The types of MLPs in which we intend to invest historically have made cash distributions to limited partners that would not be taxed as income to us in that tax year but rather would be treated as a non-taxable return of capital to the extent of our basis. As a result, the tax related to such distribution would be deferred until subsequent sale of our MLP units, at which time we would pay any required tax on capital gain. Therefore, the sooner we sell such MLP units, the sooner we would be required to pay tax on resulting capital gains, and the cash available to us to pay distributions to our common stockholders in the year of such tax payment would be less than if such taxes were deferred until a later year. In addition, the greater the number of such MLP units that we sell in any year, *i.e.*, the higher our turnover rate, the greater our potential tax liability for that year. These taxable gains may increase our current and accumulated earnings and profits, resulting in a greater portion of our common stock distributions being treated as dividend income to our common stockholders. In addition, a higher portfolio turnover rate results in correspondingly greater brokerage commissions and other transactional expenses that are borne by us. See “Tax Matters.”

## USE OF LEVERAGE

We generally will seek to enhance our total returns through the use of financial leverage, which may include the issuance of Leverage Instruments. Under normal market conditions, our policy is to utilize Leverage Instruments in an amount that represents approximately 30% of our total assets (this policy was revised by our Board of Directors to 25% - 30% of total assets effective June 30, 2017), including proceeds from such Leverage Instruments (which equates to 56.6% of our net asset value as of March 31, 2017). Our Board of Directors modified this policy based on our recommendation as we believe a range of target leverage levels is more appropriate given the volatility in MLP prices experienced over the past several years. Notwithstanding this policy, based on market conditions at such time, we may use Leverage Instruments in amounts greater than our policy (to the extent permitted by the 1940 Act) or less than our policy. As of March 31, 2017, our Leverage Instruments represented approximately 26.9% of our total assets. At March 31, 2017, our asset coverage ratios under the 1940 Act were 416% and 306% for debt and total leverage (debt plus preferred stock), respectively. We target asset coverage ratios that give us ability to withstand declines in the market value of the securities we hold before breaching the financial covenants in our Leverage Instruments. These targets are dependent on market conditions and may vary from time to time. Currently, we are targeting asset coverage ratios that provide an approximate 30% cushion relative to our financial covenants (i.e., market values could decline by 30% before our asset coverage ratios would be equal to our financial covenants). Depending on the type of Leverage Instruments involved, our use of financial leverage may require the approval of our Board of Directors. Leverage creates a greater risk of loss, as well as potential for more gain, for our common stock than if leverage is not used. Our common stock is junior in liquidation and distribution rights to our Leverage Instruments. We expect to invest the net proceeds derived from any use of Leverage Instruments according to the investment objective and policies described in this prospectus.

Leverage creates risk for our common stockholders, including the likelihood of greater volatility of net asset value and market price of our common stock, and the risk of fluctuations in dividend rates or interest rates on Leverage Instruments which may affect the return to the holders of our common stock or will result in fluctuations in the distributions paid by us on our common stock. To the extent the return on securities purchased with funds received from Leverage Instruments exceeds their cost (including increased expenses to us), our total return will be greater than if Leverage Instruments had not been used. Conversely, if the return derived from such securities is less than the cost of Leverage Instruments (including increased expenses to us), our total return will be less than if Leverage Instruments had not been used, and therefore, the amount available for distribution to our common stockholders will be reduced. In the latter case, KAFA in its best judgment nevertheless may determine to maintain our leveraged position if it expects that the long-term benefits of so doing will outweigh the near-term impact of the reduced return to our common stockholders.

The management fees paid to KAFA will be calculated on the basis of our total assets including proceeds from Leverage Instruments. During periods in which we use financial leverage, the management fee payable to KAFA may be higher than if we did not use a leveraged capital structure. Consequently, we and KAFA may have differing interests in determining whether to leverage our assets. Our Board of Directors monitors our use of Leverage Instruments and this potential conflict. The use of leverage creates risks and involves special considerations. See “Risk Factors—Additional Risks Related to Our Common Stock—Leverage Risk to Common Stockholders.”

The Maryland General Corporation Law authorizes us, without prior approval of our common stockholders, to borrow money. In this regard, we may obtain proceeds through Borrowings and may secure any such Borrowings by mortgaging, pledging or otherwise subjecting as security our assets. In connection with such Borrowings, we 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 such Borrowing over its stated interest rate.

Under the requirements of the 1940 Act, we, immediately after issuing any senior securities representing indebtedness, must have an asset coverage of at least 300% after such issuance. With respect to such issuance, asset coverage means the ratio which the value of our total assets, less all liabilities and indebtedness not



represented by senior securities (as defined in the 1940 Act), bears to the aggregate amount of senior securities representing indebtedness issued by us.

The rights of our lenders to receive interest on and repayment of principal of any Borrowings will be senior to those of our common stockholders, and the terms of any such Borrowings may contain provisions which limit certain of our activities, including the payment of distributions to our common stockholders in certain circumstances. Under the 1940 Act, we may not declare any dividend or other distribution on any class of our capital stock, or purchase any such capital stock, unless our aggregate indebtedness has, at the time of the declaration of any such dividend or distribution, or at the time of any such purchase, an asset coverage of at least 300% after declaring the amount of such dividend, distribution or purchase price, as the case may be. Further, the 1940 Act does (in certain circumstances) grant our lenders certain voting rights in the event of default in the payment of interest on or repayment of principal.

Certain types of Leverage Instruments subject us to certain affirmative covenants relating to asset coverage and portfolio composition and may impose special restrictions on our use of various investment techniques or strategies or on our ability to pay distributions on common stock in certain circumstances. In addition, we are subject to certain negative covenants relating to transactions with affiliates, mergers and consolidations among others. We are also subject to certain restrictions on investments imposed by guidelines of one or more rating agencies, which issue ratings for the Leverage Instruments issued by us. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed by the 1940 Act. It is not anticipated that these covenants or guidelines will impede Kafa from managing our portfolio in accordance with our investment objective and policies.

If an event of default is not cured, under any Borrowing, the lenders have the right to cause our outstanding Borrowings to be immediately due and payable and proceed to protect and enforce their rights by an action at law, suit in equity or other appropriate proceeding. If an event of default occurs or in an effort to avoid an event of default, we may be forced to sell securities at inopportune times and, as a result, receive lower prices for such security sales. We may also incur prepayment penalties on Notes and MRP shares that are redeemed prior to their stated maturity dates or mandatory redemption dates.

Under the 1940 Act, we are not permitted to issue preferred stock unless immediately after such issuance the value of our total assets less all liabilities and indebtedness not represented by senior securities is at least 200% of the sum of the liquidation value of the outstanding preferred stock plus the aggregate amount of senior securities representing indebtedness. In addition, we are not permitted to declare any cash dividend or other distribution on our common or preferred stock unless, at the time of such declaration, our preferred stock has an asset coverage of at least 200%. Further, while the MRP Shares are outstanding, we are not permitted to issue preferred stock unless immediately after such issuance the value of our total assets less all liabilities and indebtedness not represented by senior securities is at least 225% of the sum of the liquidation value of the outstanding preferred stock plus the aggregate amount of senior securities representing indebtedness. In addition, we are not permitted to declare any cash dividend or other distribution on our common or preferred stock unless, at the time of such declaration, our preferred stock has an asset coverage of at least 225%. If necessary, we will purchase or redeem our preferred stock to maintain the applicable asset coverage ratio. In addition, as a condition to obtaining ratings on the preferred stock, the terms of any preferred stock include asset coverage maintenance provisions which will require the redemption of the preferred stock in the event of non-compliance by us and may also prohibit distributions on our common stock in such circumstances. In order to meet redemption requirements, we may have to liquidate portfolio securities. Such liquidations and redemptions would cause us to incur related transaction costs and could result in capital losses to us. If we have preferred stock outstanding, two of our directors will be elected by the holders of our preferred stock (voting as a class). Our remaining directors will be elected by holders of our common stock and preferred stock voting together as a single class. In the event we fail to pay dividends on our preferred stock for two years, holders of preferred stock would be entitled to elect a majority of our directors.

To the extent that we use additional Leverage Instruments, the Borrowings that we anticipate issuing will have maturity dates ranging from 1 to 12 years from the date of issuance. The preferred stock we anticipate issuing is

a mandatory redeemable preferred that must be redeemed within 5 to 10 years from the date of issuance. If we are unable to refinance such Leverage Instruments when they mature, we may be forced to sell securities in our portfolio to repay such Leverage Instruments. Further, if we do not repay the Leverage Instruments when they mature, we will trigger an event of default on our Borrowings (which will increase the interest rate on such Borrowings and give the holders of such Borrowings certain rights) and will trigger a higher dividend rate on our preferred stock.

We may also borrow money 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 our securities. See “Investment Objective and Policies—Our Portfolio—Temporary Defensive Position.”

### Effects of Leverage

As of March 31, 2017, we had \$767 million, aggregate principal amount, of fixed rate Notes outstanding.

The table below sets forth the key terms of each of the Notes.

<u>Series</u>	<u>Principal Outstanding March 31, 2017 (\$ in millions)</u>	<u>Fixed/Floating Interest Rate</u>	<u>Maturity</u>
W .....	\$ 31	4.380%	May 2018
Y .....	20	2.910%	May 2017
Z .....	15	3.390%	May 2019
AA .....	15	3.560%	May 2020
BB .....	35	3.770%	May 2021
CC .....	76	3.950%	May 2022
DD .....	75	2.74%	April 2019
EE .....	50	3.200%	April 2021
FF .....	65	3.570%	April 2023
GG .....	45	3.670%	April 2025
II .....	30	2.880%	July 2019
JJ .....	30	3.460%	July 2021
KK .....	80	3.930%	July 2024
LL .....	50	2.890%	October 2020
MM .....	40	3.260%	October 2022
NN .....	20	3.370%	October 2023
OO .....	90	3.460%	October 2024
	<u>\$ 767</u>		

As of March 31, 2017, we had no borrowings under our revolving credit facility. The interest rate payable by us on borrowings under our revolving credit facility with JPMorgan Chase Bank, N.A., Bank of America, N.A., Citibank, N.A., Scotiabank, Morgan Stanley Bank, N.A., Wells Fargo Bank, N.A. and Royal Bank of Canada may vary between LIBOR plus 1.60% and LIBOR plus 2.25%, depending on asset coverage ratios. Outstanding loan balances accrue interest daily at a rate equal to LIBOR plus 1.60% per annum based on current asset coverage ratios. We pay a commitment fee equal to a rate of 0.30% per annum on any unused amounts of the \$150 million commitment for the revolving credit facility. Commitments under the revolving credit facility are available, subject to the compliance with the terms of the facility, including a condition to borrowing that our net assets must be in excess of a minimum net asset value threshold (\$0.8 billion as of March 31, 2017). As of March 31, 2017, we were able to borrow under our revolving credit facility because our

net asset value (\$2.3 billion) was above the minimum net asset value threshold. Our revolving credit facility has a two-year term maturing on February 28, 2018.

As of March 31, 2017, we had \$72 million borrowed under our term loan. The interest rate payable by us on our borrowings under our term loan with Sumitomo Mitsui Banking Corporation is LIBOR plus 1.30% per annum. We pay a commitment fee equal to a rate of 0.25% per annum on any unused amounts of the \$150 million commitment for the term loan. Amounts borrowed under our term loan can be repaid and subsequently reborrowed. Under the terms of the term loan, we are unable to borrow unless our net assets exceed a minimum net asset threshold (\$1.9 billion as of March 31, 2017). As of March 31, 2017, we were able to borrow under our term loan because our net asset value (\$2.3 billion) was above the minimum net asset value threshold. Our term loan matures on February 18, 2019.

As of March 31, 2017, we had \$300 million, aggregate liquidation value, of MRP Shares outstanding. The table below sets forth the key terms of each series of MRP Shares.

Series	Shares Outstanding(1)	Liquidation Value March 31, 2017 (\$ in millions)	Dividend Rate	Mandatory Redemption Date
B .....	320,000	\$ 8	4.53%	November 2017
C .....	1,680,000	42	5.20%	November 2020
F .....	5,000,000	125	3.50%	April 2020
H .....	2,000,000	50	4.06%	July 2021
I .....	1,000,000	25	3.86%	October 2022
J .....	2,000,000	50	3.36%	November 2021
	<u>12,000,000</u>	<u>\$300</u>		

(1) Each share has a liquidation preference of \$25.00.

Assuming that our leverage costs remain as described above, our average annual cost of leverage would be 3.71%. Income generated by our portfolio as of March 31, 2017 must exceed 1.37% in order to cover such leverage costs. These numbers are merely estimates used for illustration; actual dividend or interest rates on the Leverage Instruments will vary frequently and may be significantly higher or lower than the rate estimated above.

The following table is furnished in response to requirements of the SEC. It is designed to illustrate the effect of leverage on common stock total return, assuming investment portfolio total returns (comprised of income and changes in the value of securities held in our portfolio) of minus 10% to plus 10%. These assumed investment portfolio returns are hypothetical figures and are not necessarily indicative of the investment portfolio returns experienced or expected to be experienced by us. See "Risk Factors." Further, the assumed investment portfolio total returns are after all of our expenses other than expenses associated with leverage, but such leverage expenses are included when determining the common stock total return. The table further reflects the issuance of Leverage Instruments representing 26.9% of our total assets (actual leverage at March 31, 2017), and our estimated leverage costs of 3.71%. The cost of leverage is expressed as a blended interest/dividend rate and represents the weighted average cost on our Leverage Instruments.

Assumed Portfolio Total Return (Net of Expenses) .....	(10)%	(5)%	0%	5%	10%
Common Stock Total Return .....	(20.5)%	(11.5)%	(2.5)%	6.6%	15.6%

Common stock total return is composed of two elements: common stock distributions paid by us (the amount of which is largely determined by our net distributable income after paying dividends or interest on our Leverage Instruments) and gains or losses on the value of the securities we own. As required by SEC rules, the table above assumes that we are more likely to suffer capital losses than to enjoy capital appreciation. For example, to assume a total return of 0% we must assume that the distributions we receive on our investments is entirely offset by losses in the value of those securities.

## MANAGEMENT

### Directors and Officers

Our business and affairs are managed under the direction of our Board of Directors, including supervision of the duties performed by KAFA. Our Board of Directors currently consists of five directors. The Board of Directors consists of a majority of directors who are not “interested persons” as defined in Section 2(a)(19) of the 1940 Act. We refer to these individuals as our “Independent Directors.” The Board of Directors elects our officers, who serve at the Board’s discretion, and are responsible for our day-to-day operations. Additional information regarding our Board and its committees is set forth under “Management” in our SAI.

### Investment Adviser

KAFA is our investment adviser and is registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). KAFA also is responsible for managing our business affairs and providing certain clerical, bookkeeping and other administrative services. KAFA is a Delaware limited liability company. The managing member of KAFA is KACALP, an investment adviser registered with the SEC under the Advisers Act. Kayne Anderson has one general partner, Kayne Anderson Investment Management, Inc., and a number of individual limited partners. Kayne Anderson Investment Management, Inc. is a Nevada corporation controlled by Richard A. Kayne. Kayne Anderson’s predecessor was established as an independent investment advisory firm in 1984.

KAFA’s management of our portfolio is led by two of its Senior Managing Directors, Kevin S. McCarthy and J.C. Frey, who have each served as our portfolio managers since our inception in 2004 and each are jointly and primarily responsible for the day-to-day management of our portfolio. Our portfolio managers draw on the support of the research analyst team at Kayne Anderson, as well as the experience and expertise of other professionals at Kayne Anderson, including its Co-Chairmen, Richard Kayne, and Robert V. Sinnott.

### Portfolio Management

*Kevin S. McCarthy* is our Chief Executive Officer and he has served as the Chief Executive Officer and co-portfolio manager of Kayne Anderson Energy Total Return Fund, Inc. since March 2005, of Kayne Anderson Energy Development Company since September 2006, and Kayne Anderson Midstream/Energy Fund, Inc. since November 2010. Mr. McCarthy has served as the Chairman of the Board of Directors of Kayne Anderson Acquisition Corp. since March 2017. Mr. McCarthy currently serves as a Managing Partner of KACALP and Co-Managing Partner of KAFA. Prior to joining Kayne Anderson, Mr. McCarthy was global head of energy at UBS Securities LLC. In that role, Mr. McCarthy had senior responsibility for all of UBS’ energy investment banking activities. Mr. McCarthy was with UBS from 2000 to 2004. From 1995 to 2000, Mr. McCarthy led the energy investment banking activities of Dean Witter Reynolds and then PaineWebber Incorporated. Mr. McCarthy began his investment banking career in 1984. Mr. McCarthy earned a BA degree in Economics and Geology from Amherst College in 1981, and an MBA degree in Finance from the University of Pennsylvania’s Wharton School in 1984.

*J.C. Frey* is a Managing Partner of KACALP and Co-Managing Partner of KAFA. Mr. Frey serves as portfolio manager of Kayne Anderson’s funds investing in MLP securities, including service as a co-portfolio manager, Executive Vice President, Assistant Secretary and Assistant Treasurer of the Company, Kayne Anderson Energy Total Return Fund, Inc., Kayne Anderson Energy Development Company and Kayne Anderson Midstream/Energy Fund, Inc. Mr. Frey began investing in MLPs on behalf of Kayne Anderson in 1998 and has served as portfolio manager of Kayne Anderson’s MLP funds since their inception in 2000. Prior to joining Kayne Anderson in 1997, Mr. Frey was a CPA and audit manager in KPMG Peat Marwick’s financial services group, specializing in banking and finance clients, and loan securitizations. Mr. Frey graduated from Loyola Marymount University with a BS degree in Accounting in 1990. In 1991, he received a Master’s degree in Taxation from the University of Southern California.

## **Firm Management**

*Richard A. Kayne* is Co-Chairman of Kayne Anderson and a Director of its affiliated broker-dealer, KA Associates, Inc. Mr. Kayne began his career in 1966 as an analyst with Loeb, Rhodes & Co. in New York. Prior to forming Kayne Anderson's predecessor in 1984, Mr. Kayne was a principal of Cantor Fitzgerald & Co., Inc., where he managed private accounts, a hedge fund and a portion of the firm's capital. Mr. Kayne is a trustee of and the former Chairman of the Investment Committee of the University of California at Los Angeles Foundation, and is a trustee and Co-Chairman of the Investment Committee of the Jewish Community Foundation of Los Angeles. Mr. Kayne earned a BS degree in Statistics from Stanford University in 1966 and an MBA degree from UCLA's Anderson School of Management in 1968.

*Robert V. Sinnott* is Co-Chairman of Kayne Anderson. Mr. Sinnott has been member of the Board of Directors that oversees Plains All American Pipeline, LP and Plains GP Holdings, L.P. since 1998, has been a Director of California Resources Corporation since 2014, and has served as the Vice-Chairman of the Board of Directors of Kayne Anderson Acquisition Corp. since March 2017. He joined Kayne Anderson in 1992. From 1986 to 1992, Mr. Sinnott was Vice President and senior securities officer of Citibank's Investment Banking Division, concentrating in high-yield corporate buyouts and restructuring opportunities. From 1981 to 1986, Mr. Sinnott served as Director of corporate finance for United Energy Resources, a pipeline company. Mr. Sinnott began his career in the financial industry in 1976 as a Vice President and debt analyst for Bank of America, N.A. in its oil and gas finance department. Mr. Sinnott graduated from the University of Virginia in 1971 with a BA degree in Economics. In 1976, Mr. Sinnott received an MBA degree in Finance from Harvard University.

*Michael Levitt* joined Kayne Anderson as its Chief Executive Officer in July of 2016. Mr. Levitt was formerly Vice Chairman of Credit with Apollo Global Management, LLC. Prior to Apollo, Mr. Levitt founded and served as Chairman and CEO of Stone Tower Capital LLC, a credit-focused alternative investment management firm that was acquired by Apollo in 2012. Previously, Mr. Levitt worked as a partner with Hicks, Muse, Tate & Furst Incorporated, where he was involved in many of the firm's media and consumer investments. Prior thereto, Mr. Levitt served as the Co-Head of the Investment Banking Division of Smith Barney Inc. Mr. Levitt began his investment banking career at, and ultimately served as a Managing Director of, Morgan Stanley & Co., Inc. Mr. Levitt oversaw the firm's corporate finance and advisory businesses related to private equity firms and non-investment grade companies. Mr. Levitt has a BBA degree from the University of Michigan and a JD degree from the University of Michigan Law School. Mr. Levitt serves on the University's Investment Advisory Board.

## **Investment Professionals**

*James C. Baker* is a Senior Managing Director of Kayne Anderson, providing analytical support for investments in master limited partnerships and other energy sub-sectors. He also serves as our President and as President of Kayne Anderson Energy Total Return Fund, Inc., Kayne Anderson Midstream/Energy Fund, Inc. and Kayne Anderson Energy Development Company, and serves on the Board of Directors of Kayne Anderson Energy Development Company. Prior to joining Kayne Anderson in 2004, Mr. Baker was a Director in the energy investment banking group at UBS Securities LLC. At UBS, Mr. Baker focused on securities underwriting and mergers and acquisitions in the MLP industry. Prior to joining UBS in 2000, Mr. Baker was an Associate in the energy investment banking group at PaineWebber Incorporated. Mr. Baker received a BBA degree in Finance from the University of Texas at Austin in 1995 and an MBA degree in Finance from Southern Methodist University in 1997.

*Ron M. Logan, Jr.* is a Senior Managing Director of Kayne Anderson, providing analytical support for investments in master limited partnerships and other energy sub-sectors. He also serves as our Senior Vice President and as Senior Vice President of Kayne Anderson Energy Total Return Fund, Inc., Kayne Anderson Midstream/Energy Fund, Inc. and Kayne Anderson Energy Development Company. Prior to joining Kayne Anderson in 2006, Mr. Logan was an independent consultant to several leading energy firms. From 2003 to 2005,

he served as Senior Vice President of Ferrellgas Inc. with responsibility for the firm's supply, wholesale, transportation, storage, and risk management activities. Before joining Ferrellgas, Mr. Logan was employed for six years by Dynegy Midstream Services where he was Vice President of the Louisiana Gulf Coast Region and also headed the company's business development activities. Mr. Logan began his career with Chevron Corporation in 1984, where he held positions of increasing responsibility in marketing, trading and commercial development through 1997. Mr. Logan earned a BS degree in Chemical Engineering from Texas A&M University in 1983 and an MBA degree from the University of Chicago in 1994.

*Jody C. Meraz* is a Managing Director for Kayne Anderson. He also serves as our Vice President and as Vice President of Kayne Anderson Energy Total Return Fund, Inc., Kayne Anderson Midstream/Energy Fund, Inc. and Kayne Anderson Energy Development Company. He is responsible for providing analytical support for investments in master limited partnerships and other energy sub-sectors. Prior to joining Kayne Anderson in 2005, Mr. Meraz was a member of the energy investment banking group at Credit Suisse First Boston, where he focused on securities underwriting transactions and mergers and acquisitions. From 2001 to 2003, Mr. Meraz was in the Merchant Energy group at El Paso Corporation. Mr. Meraz earned a BA degree in Economics from the University of Texas at Austin in 2001 and an MBA degree in Finance and Economics from the University of Chicago in 2010.

*Alan Boswell* is a Senior Vice President for Kayne Anderson. He is responsible for providing analytical support for investments in master limited partnerships and other energy sub-sectors. Prior to joining Kayne Anderson in 2012, Mr. Boswell was a Vice President in the global energy group at Citigroup Global Markets Inc. where he focused on securities underwriting and mergers and acquisitions, primarily for midstream energy companies. Prior to joining Citigroup, Mr. Boswell practiced corporate securities law for Vinson & Elkins L.L.P. from 2005 to 2007. Mr. Boswell received an AB degree in Economics from Princeton University in 2001 and a JD degree from The University of Texas School of Law in 2005.

*Eric Javidi* is a Senior Vice President for Kayne Anderson. He is responsible for providing analytical support for investments in the area of master limited partnerships and other midstream companies. Prior to joining Kayne Anderson in 2015, Mr. Javidi was an executive director in the energy investment banking group at UBS Securities LLC. Before joining UBS in 2012, Mr. Javidi began his investment banking career in the natural resources group at Lehman Brothers Holdings, Inc. and Barclays Capital Inc. Mr. Javidi's investment banking experience focused on securities underwriting and mergers and acquisitions in the MLP/midstream sector. Prior to pursuing his MBA degree in 2007, Mr. Javidi was a wealth management analyst at Morgan Stanley & Co. LLC. Mr. Javidi earned an AB degree with majors in Economics and Psychology from the University of California, Davis in 2003 and an MBA degree with emphases in Financial Analysis and Finance & Accounting from Duke University in 2009.

## **Research Analysts**

*David L. LaBonte* is a senior research analyst for Kayne Anderson, responsible for providing research and analytical support in master limited partnerships and other Midstream Energy Companies. Mr. LaBonte joined Kayne Anderson from Citigroup's Smith Barney unit, where he was a Managing Director in the U.S. Equity Research Division responsible for providing research coverage of MLPs and other Midstream Energy Companies. Mr. LaBonte worked at Smith Barney from 1998 until March 2005. Prior thereto, Mr. LaBonte was a Vice President in the Investment Management Group of Wells Fargo Bank, N.A., where he was responsible for research coverage of the natural gas pipeline industry and managing equity and fixed-income portfolios. In 1993, Mr. LaBonte received his BS degree in Corporate Finance from California Polytechnic University-Pomona.

*Chander Bishnoi* is a senior portfolio analyst for Kayne Anderson. He is responsible for providing research coverage for the firm's marketable securities activities. Prior to joining Kayne Anderson Capital Advisors, Mr. Bishnoi was an assistant director at The UCLA Foundation where he was part of the investment

management team that managed UCLA's Endowed Fund. From 2005 to 2011, Mr. Bishnoi was responsible for sourcing investments, conducting diligence, and making investment recommendations across the equity, fixed income, distressed debt, commodities, real estate, and buy-out asset classes. Mr. Bishnoi earned a BS degree in Business Administration from the UC Berkeley Haas School of Business and an MBA degree from the MIT Sloan School of Management.

*Justin Campeau* is a senior research analyst for Kayne Anderson. He is responsible for providing research coverage of energy-related master limited partnerships and other Midstream Energy Companies. Mr. Campeau earned a Bachelor of Commerce degree from McGill University in 2006.

*Randy Laufman* is a research analyst for Kayne Anderson's marketable securities activities and is responsible for the analysis of high yield and distressed debt investments with a primary emphasis on metals/mining, marine transportation and offshore drilling. Prior to joining Kayne Anderson in 2014, Mr. Laufman worked as a senior credit analyst at Odeon Capital Group, LLC focusing on opportunities in high yield, distressed and convertibles. Prior to that, Mr. Laufman worked for over ten years as a senior analyst with Imperial Capital, LLC, primarily focusing on the marine transportation sector, convertible bonds and other opportunities in high yield and distressed. Mr. Laufman earned a BS degree in business from Indiana University. He holds the Chartered Financial Analyst designation and is a member of the CFA Institute and the CFA Society of Los Angeles.

*Lou Lazzara* is a research analyst for Kayne Anderson. He is responsible for providing research coverage of energy-related master limited partnerships and other midstream energy companies. Prior to joining Kayne Anderson, Mr. Lazzara worked as a research analyst for Citigroup Global Markets where he provided research of the midstream energy sector with a focus on MLPs. From 2003 to 2009, he worked for Fitch Ratings in their Structured Credit Group and as a director of their Fund and Asset Manager Rating Group. Prior thereto, Mr. Lazzara was a CPA and senior associate in PricewaterhouseCoopers' financial services group focusing on audits of mutual and hedge funds. Mr. Lazzara earned a BS degree in accountancy from Villanova University in 2000 and an MBA degree from Columbia Business School in 2008.

*Nick Norstrom, CFA* is a research analyst for Kayne Anderson. He is responsible for providing equity research and analytics on marine-related MLPs as well as other marine transportation companies. Prior to joining Kayne Anderson in 2014, Mr. Norstrom was an equity analyst in the marine group at Jefferies LLC, where he focused on marine MLPs. From 2005 to 2007, Mr. Norstrom worked as an associate analyst on the industrials team in the equity research department at AG Edwards, Inc. where he was responsible for providing analytical support on the large cap multi-industry and electrical equipment group. Mr. Norstrom earned a BS degree in Mechanical Engineering from the University of Illinois in 2002 and an MBA degree from the University of Missouri in 2005. In addition, he holds the Chartered Financial Analyst designation and is a member of the CFA Society of Houston.

*Michael E. Schimmel* is a credit portfolio manager for Kayne Anderson. He is responsible for co-managing the high yield bond and bank loan allocations within several Kayne Anderson funds as well as serving as a research analyst for several energy sub-sectors. Prior to joining Kayne Anderson in 2005, Mr. Schimmel was a credit analyst and convertible bond trader at Akanthos Capital Management, LLC, a Los Angeles based hedge fund that specializes in convertible arbitrage and capital structure arbitrage. From 1994 to 1999 and from 2001 to 2003, he worked as a high-yield credit analyst at Trust Company of the West, where he followed several industries, including industrials and cyclicals. Mr. Schimmel earned a BA degree in Economics from Pomona College in 1993 and an MBA degree from the UCLA Anderson School of Management in 2001.

*David O. Schumacher* is a credit portfolio manager for Kayne Anderson. He is responsible for co-managing the high yield bond and bank loan allocations within several Kayne Anderson funds as well as serving as a research analyst for Upstream Energy Companies. Prior to joining Kayne Anderson in 2007, Mr. Schumacher was a high-yield analyst at Trust Company of the West following the chemical, refining, paper/packaging, industrial and

service industries. From 2003 to 2005, he worked as a high-yield analyst at Caywood-Scholl Capital Management, a San Diego based high-yield bond manager. Mr. Schumacher earned a BA degree in Public Policy Analysis and Chemistry at Pomona College in 1994 and an MBA degree from the UCLA Anderson School of Management in 2003.

*Ian Sinnott* is a research analyst for Kayne Anderson. He is responsible for the analysis of debt investments with an emphasis on Upstream Energy Companies. Mr. Sinnott rejoined Kayne Anderson in 2012, having previously worked as a research analyst responsible for Canadian upstream and midstream royalty and income trusts and MLPs from 2005 to 2010. Prior to that Mr. Sinnott worked for four years as an associate with Citigroup Asset Management in the Equity Research group. From 2010 to 2011, Mr. Sinnott was CFO of ruubix, Inc. Mr. Sinnott earned a BA degree in Economics from Harvard University in 2001. He is a Chartered Financial Analyst charter-holder and is a member of the CFA Institute and the New York Society of Security Analysts.

*Jocelyn Tan* is a research analyst for Kayne Anderson. She is responsible for the analysis of debt investments with an emphasis on Upstream Energy Companies. Prior to joining Kayne Anderson in 2015, Ms. Tan was an associate in the energy investment banking group at Credit Suisse Group AG, where she was involved in numerous financial advisory and capital markets transactions for upstream oil and gas companies. Prior to that, she was a management consultant at Arthur D. Little in Madrid where she covered global energy and infrastructure with focus on the European and Asian markets. Ms. Tan earned a Bachelor of Engineering degree in Civil Engineering from the National University of Singapore in 2007 and an MBA degree in Finance from the Wharton School at the University of Pennsylvania in 2013.

*Aaron P. Terry* is a research analyst for Kayne Anderson. He is responsible for providing analytical support for Kayne Anderson's investments in income trusts and other upstream energy companies. Prior to joining Kayne Anderson in 2011, Mr. Terry was an associate director in the global energy investment banking group at UBS Securities LLC, where he focused on securities underwriting transactions and mergers and acquisitions. From 2008 to 2010, Mr. Terry was in the corporate restructuring group at Alvarez & Marsal, specializing in energy turnarounds. From 2006 to 2008, Mr. Terry was in the investment banking group at The Bear Stearns Companies Inc. Mr. Terry earned his BBA degree in Accounting and Information Systems from the University of Oklahoma in 1999, and an MBA degree from the University of Texas at Austin in 2006.

Our SAI provides information about our portfolio managers' compensation, other accounts managed by them, and their ownership of securities issued by us.

The principal office of KAFA is located at 811 Main Street, 14th Floor, Houston, Texas 77002. KACALP's principal office is located at 1800 Avenue of the Stars, Second Floor, Los Angeles, California 90067. For additional information concerning KAFA, including a description of the services to be provided by KAFA, see "—Investment Management Agreement" below.

### **Investment Management Agreement**

Pursuant to an investment management agreement between us and KAFA, effective for periods commencing on or after December 12, 2006 (the "Investment Management Agreement"), we pay a management fee, computed and paid quarterly at an annual rate of 1.375% of our average quarterly total assets less a fee waiver. On March 30, 2017, we renewed our agreement with KAFA for a period of one year. The agreement will expire on March 31, 2018 and may be renewed annually thereafter upon approval of our Board of Directors (including a majority of our directors who are not "interested persons" of ours, as such term is defined in the 1940 Act). In conjunction with this renewal, we extended our fee waiver agreement with KAFA for an additional one-year term expiring on March 31, 2018. The fee waiver agreement provides for a management fee of 1.375% on average total assets up to \$4.5 billion, a fee of 1.25% on average total assets between \$4.5 billion and \$9.5 billion, a fee of 1.125% on average total assets between \$9.5 billion and \$14.5 billion, and a fee of 1.0% on average total assets in excess of \$14.5 billion. During the fiscal year ended November 30, 2016, our net management fee was 2.5% of our average net assets.



For purposes of calculating the management fee, the “average total assets” for each quarterly period are determined by averaging the total assets at the last day of that quarter with the total assets at the last day of the prior quarter. Our total assets shall be equal to our average quarterly gross asset value (which includes assets attributable to or proceeds from our use of Leverage Instruments and excludes any deferred tax assets), minus the sum of our accrued and unpaid distribution on any outstanding common stock and accrued and unpaid dividends on any outstanding preferred stock and accrued liabilities (other than liabilities associated with Leverage Instruments issued by us and any accrued taxes). For purposes of determining the Company’s total assets, the Company values derivative instruments based on their current fair market values. Liabilities associated with Leverage Instruments include the principal amount of any Borrowings that we issue, the liquidation preference of any outstanding preferred stock, and other liabilities from other forms of borrowing or leverage such as short positions and put or call options held or written by us.

In addition to KAFA’s management fee, we pay all other costs and expenses of our operations, such as compensation of our directors (other than those employed by Kayne Anderson), custodian, transfer agency, administrative, accounting and distribution disbursing expenses, legal fees, borrowing or leverage expenses, marketing, advertising and public/investor relations expenses, expenses of independent auditors, expenses of personnel including those who are affiliates of Kayne Anderson reasonably incurred in connection with arranging or structuring portfolio transactions for us, expenses of repurchasing our securities, expenses of preparing, printing and distributing stockholder reports, notices, proxy statements and reports to governmental agencies, and taxes, if any.

The Investment Management Agreement will continue in effect from year to year after its current one-year term commencing on March 31, 2017, so long as its continuation is approved at least annually by our Board of Directors including a majority of Independent Directors or by the vote of a majority of our outstanding voting securities. The Investment Management Agreement may be terminated at any time without the payment of any penalty upon 60 days’ written notice by either party, or by action of the Board of Directors or by a vote of a majority of our outstanding voting securities, accompanied by appropriate notice. It also provides that it will automatically terminate in the event of its assignment, within the meaning of the 1940 Act. This means that an assignment of the Investment Management Agreement to an affiliate of Kayne Anderson would normally not cause a termination of the Investment Management Agreement.

Because KAFA’s fee is based upon a percentage of our total assets, KAFA’s fee will be higher to the extent we employ financial leverage. As noted, we have issued Leverage Instruments in a combined amount equal to approximately 26.9% of our total assets as of March 31, 2017.

A discussion regarding the basis for approval by the Board of Directors of our Investment Management Agreement with KAFA will be available in our May 31, 2017 Semi-Annual Report to Stockholders.

## NET ASSET VALUE

### Calculation of Net Asset Value

We determine our net asset value on a daily basis and such calculation is made available on our website, [www.kaynefunds.com](http://www.kaynefunds.com). Net asset value is computed by dividing the value of all of our assets (including accrued interest and distributions and current and deferred income tax assets), less all of our liabilities (including accrued expenses, distributions payable, current and deferred accrued income taxes, and any Borrowings) and the liquidation value of any outstanding preferred stock, by the total number of common shares outstanding. Because we are a corporation that is obligated to pay income taxes, we accrue income tax liabilities and assets. As with any other asset or liability, our tax assets and liabilities increase or decrease our net asset value.

We invest our assets primarily in MLPs, which generally are treated as partnerships for federal income tax purposes. As a limited partner in the MLPs, we include our allocable share of the MLP's taxable income or loss in computing our taxable income or loss. We may rely to some extent on information provided by the MLPs, which may not necessarily be timely, to estimate taxable income allocable to the MLP units held in our portfolio and to estimate the associated deferred tax liability (or deferred tax asset). Such estimates will be made in good faith. From time to time we will modify our estimates and/or assumptions regarding our income tax rate used to derive our deferred tax liability (or deferred tax asset) as new information becomes available. To the extent we modify our estimates and/or assumptions, our net asset value would likely fluctuate.

Deferred income taxes reflect taxes on unrealized gains/(losses) which are attributable to the difference between the fair market value and tax basis of our investments and the tax benefit of accumulated capital or net operating losses. We will accrue a net deferred tax liability if our future tax liability on our unrealized gains exceeds the tax benefit of our accumulated capital or net operating losses, if any. We will accrue a net deferred tax asset if our future tax liability on our unrealized gains is less than the tax benefit of our accumulated capital or net operating losses or if we have net unrealized losses on our investments. To the extent we have a net deferred tax asset, consideration is given as to whether or not a valuation allowance is required. The need to establish a valuation allowance for deferred tax assets is assessed periodically based on the criterion established by the Statement of Financial Standards, Accounting for Income Taxes (ASC 740) that it is more likely than not that some portion or all of the deferred tax asset will not be realized. In our assessment for a valuation allowance, consideration is given to all positive and negative evidence related to the realization of the deferred tax asset. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability (which are highly dependent on future MLP cash distributions), the duration of statutory carryforward periods and the associated risk that capital or net operating loss carryforwards may expire unused. If a valuation allowance is required to reduce the deferred tax asset in the future, it could have a material impact on our net asset value and results of operations in the period it is recorded.

### Investment Valuation

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

Equity securities traded in the over-the-counter market, but excluding securities admitted to trading on the NASDAQ, are valued at the closing bid prices. Debt securities that are considered bonds are valued by using the mean of the bid and ask prices provided by an independent pricing service or, if such prices are not available or in the judgment of KAFa such prices are stale or do not represent fair value, by an independent broker. For debt securities that are considered bank loans, the fair market value is determined by using the mean of the bid and ask prices provided by the agent or syndicate bank or principal market maker. When price quotes for securities are not available, or such prices are stale or do not represent fair value in the judgment of KAFa, fair market value will be determined using our valuation process for securities that are privately issued or otherwise restricted as to resale.

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

We hold securities that are privately issued or otherwise restricted as to resale. For these securities, as well as any security for which (a) reliable market quotations are not available in the judgment of KAFa, or (b) the independent pricing service or independent broker does not provide prices or provides a price that in the judgment of KAFa is stale or does not represent fair value, shall each be valued in a manner that most fairly reflects fair value of the security on the valuation date. Unless otherwise determined by the Board of Directors, the following valuation process is used for such securities:

- *Investment Team Valuation.* The applicable investments are valued by senior professionals of KAFa who are responsible for the portfolio investments. The investments will be valued monthly with new investments valued at the time such investment was made.
- *Investment Team Valuation Documentation.* Preliminary valuation conclusions will be determined by senior management of KAFa. Such valuation and supporting documentation is submitted to the Valuation Committee (a committee of our Board of Directors) and our Board of Directors on a quarterly basis.
- *Valuation Committee.* The Valuation Committee meets to consider the valuations submitted by KAFa at the end of each quarter. Between meetings of the Valuation Committee, a senior officer of KAFa is authorized to make valuation determinations. All valuation determinations of the Valuation Committee are subject to ratification by our Board of Directors at its next regular meeting.
- *Valuation Firm.* Quarterly, a third-party valuation firm engaged by our Board of Directors reviews the valuation methodologies and calculations employed for these securities, unless the aggregate fair value of such security is less than 0.1% of total assets.
- *Board of Directors Determination.* Our Board of Directors meets quarterly to consider the valuations provided by KAFa and the Valuation Committee and ratify valuations for the applicable securities. Our Board of Directors considers the report provided by the third-party valuation firm in reviewing and determining in good faith the fair value of the applicable portfolio securities.

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

We value convertible preferred units in publicly traded MLPs using a convertible pricing model. This model takes into account the attributes of the convertible preferred units, including the preferred dividend, conversion ratio and call features, to determine the estimated value of such units. In using this model, we estimate (i) the credit spread for the convertible preferred units which is based on credit spreads for companies in a similar line of business as the publicly traded MLP and (ii) the expected volatility for the publicly traded MLP's common units, which is based on the publicly traded MLP's historical volatility. We apply a discount to the value derived from the convertible pricing model to account for an expected discount in market prices for convertible securities relative to the values calculated using pricing models. If this resulting price per convertible preferred unit is less than the public market price for the publicly traded MLP's common units at such time, the public market price for the publicly traded MLP's common units will be used for the convertible preferred units.

Our investments in private companies are typically valued using one of or a combination of the following valuation techniques: (i) analysis of valuations for publicly traded companies in a similar line of business ("public company analysis"), (ii) analysis of valuations for comparable M&A transactions ("M&A analysis") and (iii) discounted cash flow analysis.

The public company analysis utilizes valuation ratios (commonly referred to as trading multiples) for publicly traded companies in a similar line of business as the portfolio company to estimate the fair value of such portfolio company. Typically, our analysis focuses on the ratio of enterprise value ("EV") to earnings before interest expense, income tax expense, depreciation and amortization ("EBITDA") which is referred to as an EV/EBITDA multiple and the ratio of equity market value ("EMV") to distributable cash flow ("DCF") which is referred to as a EMV/DCF multiple. For these analyses, we utilize projections provided by external sources (i.e., third party equity research estimates) as well as internally developed estimates, and we focus on EBITDA and DCF projections for the current calendar year and next calendar year. Based on this data, we select a range of multiples for each metric given the trading multiples of similar publicly traded companies and apply such multiples to the portfolio company's EBITDA and DCF to estimate the portfolio company's enterprise value and equity value. When calculating these values, we apply a discount to the portfolio company's estimated equity value for the lack of marketability in the portfolio company's securities.

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

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

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

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

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

## DESCRIPTION OF SECURITIES

The following description is based on relevant portions of the Maryland General Corporation Law and on our Charter and Bylaws. This summary is not necessarily complete, and we refer you to the Maryland General Corporation Law and our Charter and Bylaws for a more detailed description of the provisions summarized below.

### Capital Stock

As of March 31, 2017, our authorized capital consists of 188,000,000 shares of common stock, \$0.001 par value per share and 12,000,000 shares of MRP Shares (\$300 million aggregate liquidation preference). As of March 31, 2017, there are no outstanding options or warrants to purchase our stock and no stock has been authorized for issuance under any equity compensation plans. Under Maryland law, our stockholders generally are not personally liable for our debts or obligations.

Our Board of Directors may, without any action by our stockholders, amend our Charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of any class or series that we have authority to issue under our Charter and under the 1940 Act. Additionally, our Charter authorizes the Board of Directors to classify and reclassify any unissued common stock into other classes or series of preferred stock ranking on parity with the MRP Shares from time to time by setting or changing the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption for each class or series. Although we have no present intention of doing so, we could issue a class or series of stock that could delay, defer or prevent a transaction or change in control of us that might otherwise be in the stockholders' best interest.

### Common Stock

*General.* As of March 31, 2017, we had approximately 114.0 million shares of common stock outstanding. Shares of our common stock are listed on the New York Stock Exchange under the symbol "KYN."

All common stock offered pursuant to this prospectus and any related prospectus supplement will be, upon issuance, duly authorized, fully paid and nonassessable. All common stock offered pursuant to this prospectus and any related prospectus supplement will be of the same class and will have identical rights, as described below. Holders of shares of common stock are entitled to receive distributions when, as and if authorized by the Board of Directors and declared by us out of assets legally available for the payment of distributions. Holders of common stock have no preference, conversion, exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any of our securities. Shares of common stock are freely transferable, except where their transfer is restricted by federal and state securities laws or by contract. All shares of common stock have equal earnings, assets, distribution, liquidation and other rights.

*Distributions.* Distributions may be paid to the holders of our common stock if, as and when authorized by our Board of Directors and declared by us out of funds legally available therefor.

The yield on our common stock will likely vary from period to period depending on factors including the following:

- market conditions;
- the timing of our investments in portfolio securities;
- the securities comprising our portfolio;

- changes in interest rates (including changes in the relationship between short-term rates and long-term rates);
- the amount and timing of the use of borrowings and other leverage by us;
- the effects of leverage on our common stock (discussed above under “Leverage”);
- the timing of the investment of offering proceeds and leveraged proceeds in portfolio securities; and
- our net assets and operating expenses.

Consequently, we cannot guarantee any particular yield on our common stock, and the yield for any given period is not an indication or representation of future yield on the common stock.

*Limitations on Distributions.* So long as our MRP Shares are outstanding, holders of common stock or other shares of stock, if any, ranking junior to our MRP Shares as to dividends or upon liquidation will not be entitled to receive any distributions from us unless (1) we have declared and paid all accumulated dividends due on the MRP Shares on or prior to the date of such distribution; (2) we have redeemed the full number of MRP Shares required to be redeemed by any provision for mandatory redemption contained in the articles supplementary of such MRP Shares; (3) our asset coverage (as defined in the 1940 Act) with respect to outstanding debt securities and preferred stock would be at least 225%; and (4) the assets in our portfolio have a value, discounted in accordance with guidelines set forth by each applicable rating agency, at least equal to the basic maintenance amount required by such rating agency under its specific rating agency guidelines, in each case, after giving effect to distributions. See “Leverage.”

So long as senior securities representing indebtedness, including the Notes, are outstanding, holders of shares of common stock will not be entitled to receive any distributions from us unless (1) there is no event of default existing under the terms of our Borrowings, including the Notes, (2) our asset coverage (as defined in the 1940 Act) with respect to any outstanding senior securities representing indebtedness would be at least 300% and (3) the assets in our portfolio have a value, discounted in accordance with guidelines set forth by each applicable rating agency, at least equal to the basic maintenance amount required by such rating agency under its specific rating agency guidelines, in each case, after giving effect to such distribution.

*Liquidation Rights.* Common stockholders are entitled to share ratably in our assets legally available for distribution to stockholders in the event of liquidation, dissolution or winding up, after payment of or adequate provision for all known debts and liabilities, including any outstanding debt securities or other borrowings and any interest thereon. These rights are subject to the preferential rights of any other class or series of our stock, including the MRP Shares. The rights of common stockholders upon liquidation, dissolution or winding up are subordinated to the rights of holders of outstanding Notes and the MRP Shares.

*Voting Rights.* Each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of the common stockholders, including the election of directors. The presence of the holders of shares of stock entitled to cast a majority of all the votes entitled to be cast shall constitute a quorum at a meeting of stockholders. Our Charter provides that, except as otherwise provided in the Bylaws, directors shall be elected by the affirmative vote of the holders of a majority of the shares of stock outstanding and entitled to vote thereon. There is no cumulative voting in the election of directors. Consequently, at each annual meeting of stockholders, the holders of a majority of the outstanding shares of stock entitled to vote will be able to elect all of the successors of the class of directors whose terms expire at that meeting, except that holders of preferred stock, as a class, have the right to elect two directors at all times. Pursuant to our Charter and Bylaws, the Board of Directors may amend the Bylaws to alter the vote required to elect directors.

Under the rules of the NYSE applicable to listed companies, we normally will be required to hold an annual meeting of stockholders in each fiscal year. If we are converted into an open-end company or if for any reason the shares are no longer listed on the NYSE (or any other national securities exchange the rules of which require annual meetings of stockholders), we may amend our Bylaws so that we are not otherwise required to hold annual meetings of stockholders.

*Issuance of Additional Shares.* The provisions of the 1940 Act generally require that the public offering price of common stock of a closed-end investment company (less underwriting commissions and discounts) must equal or exceed the NAV of such company's common stock (calculated within 48 hours of pricing), unless such sale is made with the consent of a majority of the company's outstanding common stockholders. Any sale of common stock by us will be subject to the requirement of the 1940 Act.

## **Preferred Stock**

*General.* As of March 31, 2017, there were 320,000 issued and outstanding Series B MRP Shares, 1,680,000 issued and outstanding Series C MRP Shares, 5,000,000 issued and outstanding Series F MRP Shares, 2,000,000 issued and outstanding Series H MRP Shares, 1,000,000 issued and outstanding Series I MRP Shares and 2,000,000 issued and outstanding Series J MRP Shares, each with a liquidation preference of \$25.00 per share. The terms of preferred stock that may be issued pursuant to this registration statement will be described in a related prospectus supplement and will include the following:

- the form and title of the security;
- the aggregate liquidation preference of the preferred stock;
- the dividend rate of the preferred stock;
- any optional or mandatory redemption provisions;
- any changes in paying agents or security registrar; and
- any other terms of the preferred stock.

### *Terms of the MRP Shares and the Preferred Stock That We May Issue*

*Preference.* Preferred Stock (including the outstanding MRP Shares) ranks junior to our debt securities (including the Notes), and senior to all common stock. Under the 1940 Act, we may only issue one class of senior equity securities (preferred stock), and we are not permitted to issue preferred stock unless immediately after such issuance the value of our total assets less all liabilities and indebtedness not represented by senior securities is at least 200% of the sum of the liquidation value of the outstanding preferred stock plus the aggregate amount of senior securities representing indebtedness. So long as any MRP Shares are outstanding, additional issuances of preferred stock must be considered to be of the same class as any MRP Shares under the 1940 Act and interpretations thereunder and must rank on a parity with the MRP Shares with respect to the payment of dividends or the distribution of assets upon our liquidation or winding up ("Parity Shares"). We may issue Parity Shares if, upon issuance (1) we meet the asset coverage test of at least 225%, and (2) we maintain assets in our portfolio that have a value, discounted in accordance with current applicable rating agency guidelines, at least equal to the basic maintenance amount required under such rating agency guidelines. The Series B MRP Shares, the Series C MRP Shares, the Series H MRP Shares, the Series I MRP Shares and the Series J MRP Shares (collectively, the "Private MRP Shares") shall have the benefit of any rights substantially similar to certain mandatory redemption and voting provisions in the articles supplementary for the Parity Shares which are additional or more beneficial than the rights of the holders of the MRP Shares. Such rights incorporated by reference into the articles supplementary for each series of MRP Shares shall be terminated when and if terminated with respect to the other Parity Shares and shall be amended and modified concurrently with any amendment or modification of such other Parity Shares.



*Dividends and Dividend Periods*

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

*Payment of Dividends, Dividend Periods and Fixed Dividend Rate.* Dividends on the Private MRP Shares will be payable quarterly and dividends on the Series F MRP Shares will be payable monthly. Dividend periods for each series of the Private MRP Shares will end on February 28, May 31, August 31 and November 30, and dividend periods for the Series F MRP Shares will end the last calendar day of each month. Dividends will be paid on the first business day following the last day of each dividend period and upon redemption of such series of the MRP Shares. The table below sets forth applicable rate (per annum) for each series of MRP Shares, and may be adjusted upon a change in the credit rating of such series of MRP Shares.

<u>Series</u>	<u>Fixed Dividend Rate</u>
B .....	4.53%
C .....	5.20%
F .....	3.50%
H .....	4.06%
I .....	3.86%
J .....	3.36%

*Adjustment to MRP Shares Fixed Dividend Rate—Ratings.* So long as each series of MRP Shares are rated on any date no less than “A” by Fitch (and no less than an equivalent of such ratings by some other rating agency), then the Dividend Rate will be equal to the applicable rate for such series of MRP Shares. As of November 29, 2016, Fitch has assigned each of our outstanding series of MRP Shares a rating of “A”. If the lowest credit rating assigned on any date to the then outstanding Private MRP Shares by Fitch (or any other rating agency) is equal to one of the ratings set forth in the table below (or its equivalent by some other rating agency), the Dividend Rate applicable to such outstanding MRP Shares for such date will be adjusted by adding the respective enhanced dividend amount (which shall not be cumulative) set opposite such rating to the applicable rate.

<u>Fitch</u>	<u>Enhanced Dividend Amount</u>
“A –” .....	0.5%
“BBB+” to “BBB –” .....	2.0%
“BB+” and lower .....	4.0%

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

<u>Fitch</u>	<u>Enhanced Dividend Amount</u>
“A –” .....	0.75%
“BBB+” .....	1.00%
“BBB” .....	1.25%
“BBB –” .....	1.50%
“BB+” and lower .....	4.00%

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

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

In the case of a Dividend Default, the Dividend Rate for each day during the Default Period will be equal to the default rate. The “default rate” for any calendar day shall be equal to the applicable rate in effect on such day (without adjustment for any credit rating change on such series of MRP Shares) plus five percent (5%) per annum. Subject to the cure period discussed in the following paragraph, a default period with respect to a Dividend Default or a Redemption Default shall end on the business day on which by 12 noon, New York City time, all unpaid dividends and any unpaid redemption price shall have directly paid (or shall, in the case of Series F MRP Shares, have been deposited irrevocably in trust in same-day funds with the paying agent for the Series F MRP Shares).

No Default Period with respect to a Dividend Default or Redemption Default (if such default is not solely due to our willful failure) will be deemed to commence if the amount of any dividend or any redemption price due is paid (or shall, in the case of Series F MRP Shares, have been deposited irrevocably in trust in same-day funds with the paying agent for the Series F MRP Shares) within three business days (the “Default Rate Cure Period”) after the applicable dividend payment date or redemption date, together with an amount equal to the default rate applied to the amount of such non-payment based on the actual number of days within the Default Rate Cure Period divided by 360.

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

*Distributions.* Distributions declared and payable shall be paid to the extent permitted under Maryland law and to the extent available and in preference to and priority over any distribution declared and payable on the common stock or any other junior securities. Because the cash distributions received from the MLPs in our portfolio are expected to exceed the earnings and profits associated with owning such MLPs, it is possible that a portion of a distribution payable on our preferred stock will be paid from sources other than our current or accumulated earnings and profits. The portion of such distribution which exceeds our current or accumulated earnings and profits would be treated as a return of capital to the extent of the stockholder’s basis in our preferred stock, then as capital gain.

#### *Redemption*

*Term Redemption.* We are required to redeem all of the Series B MRP Shares on November 9, 2017, all of the Series C MRP Shares on November 9, 2020, all of the Series F MRP Shares on April 15, 2020, all of

the Series H MRP Shares on July 30, 2021, all of the Series I MRP Shares on October 29, 2022 and all of the Series J MRP Shares on November 9, 2021 (each such date, a “Term Redemption Date”).

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

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

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

*Series F MRP Shares—Optional Redemption.* To the extent permitted under the 1940 Act and Maryland law, we may, at our option, redeem the Series F MRP Shares, as the case may be, in whole or in part, out of funds legally available therefor, at any time and from time to time, upon not less than 30 calendar days nor more than 40 calendar days prior notice. As of April 14, 2016, we may redeem the Series F MRP Shares at a price per share equal to the liquidation preference per share, plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared but excluding interest thereon) to (but excluding) the date fixed for redemption.

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

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

the case may be, by reason of the redemption of the applicable Series of MRP Shares on such date fixed for the redemption and (ii) we would satisfy the basic maintenance amount for such series of MRP Shares.

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

*Mandatory Redemption.* If, while any MRP Shares are outstanding, we fail to satisfy the asset coverage as of the last day of any month or the basic maintenance amount as of any valuation date, and such failure is not cured as of the close of business on the date that is 30 days from such business day (any such day, an “Asset Coverage Cure Date”), the MRP Shares will be subject to mandatory redemption out of funds legally available therefor at the Liquidation Preference Amount plus accumulated but unpaid dividends and distributions thereon (whether or not earned or declared by us, but excluding interest thereon) to, but excluding, the date fixed for redemption, plus, in the case of the Private MRP Shares, a redemption amount equal to 1% of the Liquidation Preference Amount.

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

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

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

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

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

Notwithstanding the provisions for redemption described above, but subject to provisions on liquidation rights described below, no MRP Shares may be redeemed unless all dividends in arrears on the outstanding MRP Shares and any of our outstanding shares ranking on a parity with the MRP Shares with respect to the payment of dividends or upon liquidation have been or are being contemporaneously paid or set aside for payment. However, at any time, we may purchase or acquire all the outstanding MRP Shares pursuant to the successful completion of an otherwise lawful purchase or exchange offer made on the same terms to, and accepted by, holders of all outstanding MRP Shares.

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

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

*Series F MRP Shares—Term Redemption Liquidity Account.* On or prior to December 15, 2019 for the Series F MRP Shares (a “Liquidity Account Initial Date”), we will cause our custodian to segregate, by means of appropriate identification on its books and records or otherwise in accordance with the custodian’s normal procedures, from our other assets (the “Term Redemption Liquidity Account”) Deposit Securities (each a “Liquidity Account Investment” and collectively, the “Liquidity Account Investments”) with an aggregate market value equal to at least 110% of the Term Redemption Amount (as defined below) with respect to Series F MRP Shares. The “Term Redemption Amount” for the Series F MRP Shares is equal to the Redemption Price to be paid on the Term Redemption Date, based on the number of Series F MRP Shares then outstanding, assuming for this purpose that the Dividend Rate in effect at the Liquidity Account Initial Date will be the Dividend Rate in effect until the Term Redemption Date. If, on any date after the Liquidity Account Initial Date, the aggregate market value of the Liquidity Account Investments included in the Term Redemption Liquidity Account for the Series F MRP Shares as of the close of business on any business day is less than 110% of the Term Redemption Amount, then we will cause the custodian to take all such necessary actions, including segregating our assets as Liquidity Account Investments, so that the aggregate market value of the Liquidity Account Investments included in the Term Redemption Liquidity Account is at least equal to 110% of the Term Redemption Amount not later than the close of business on the next succeeding business day.

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

liens, security interests or encumbrances arising by operation of law and any lien of the custodian with respect to the payment of its fees or repayment for its advances.

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

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

*Liquidation Rights.* In the event of any liquidation, dissolution or winding up, the holders of MRP Shares then outstanding, together with the holders of any other shares of preferred stock ranking in parity with the MRP Shares would be entitled to receive a preferential liquidating distribution, which is expected to equal the liquidation preference per share plus accumulated and unpaid dividends, whether or not earned or declared, but without interest, before any distribution of assets is made to holders of common stock. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of preferred stock will not be entitled to any further participation in any distribution of our assets. If, upon any such liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, our assets available for distribution among the holders of all outstanding preferred stock shall be insufficient to permit the payment in full to such holders of the amounts to which they are entitled, then available assets shall be distributed among the holders of all outstanding preferred stock ratably in that distribution of assets according to the respective amounts which would be payable on all such shares if all amounts thereon were paid in full. Preferred stock ranks junior to our debt securities upon our liquidation, dissolution or winding up of our affairs.

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

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

result of these voting rights, our ability to take any such actions may be impeded to the extent that any shares of our preferred stock are outstanding.

The affirmative vote of the holders of a majority of the outstanding preferred stock determined with reference to a 1940 Act Majority, voting as a separate class, will be required to approve any plan of reorganization (as such term is used in the 1940 Act) adversely affecting such shares or any action requiring a vote of our security holders under Section 13(a) of the 1940 Act. The affirmative vote of the holders of the 1940 Act Majority (as defined in our Charter) of the outstanding preferred stock, voting as a separate class will be required (1) to amend, alter or repeal any of the preferences, rights or powers of holders of our preferred stock so as to affect materially and adversely such preferences, rights or powers, and (2) to approve the creation, authorization or issuance of shares of any class of stock (or the issuance of a security convertible into, or a right to purchase, shares of a class or series) ranking senior to our preferred stock with respect to the payment of dividends or the distribution of assets. The class vote of holders of preferred stock described above will in each case be in addition to any other vote required to authorize the action in question.

*Repurchase Rights.* We will have the right (to the extent permitted by applicable law) to purchase or otherwise acquire any preferred stock, other than the MRP Shares, so long as (1) asset coverage (as defined in the 1940 Act) with respect to outstanding debt securities and preferred stock would be at least 225%, (2) the assets in our portfolio have a value, discounted in accordance with guidelines set forth by each applicable rating agency, at least equal to the basic maintenance amount required by such rating agency under its specific rating agency guidelines, in each case after giving effect to such transactions, (3) full cumulative dividends on the MRP Shares due on or prior to the date of such purchase or acquisition have been declared and paid and (4) we have redeemed the full number of MRP Shares required to be redeemed by any provision for mandatory redemption applicable to the MRP Shares.

*Market.* Our Private MRP Shares are not listed on an exchange or an automated quotation system. Our Series F MRP Shares are listed on the NYSE under the symbol “KYNPRF”.

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

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

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

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

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

## Debt Securities

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

### *General*

As of March 31, 2017, the Company had \$767 million aggregate principal amount of unsecured fixed rate notes outstanding (the “Notes”). The Notes are subordinated in right of payment to any of our secured indebtedness or other secured obligations to the extent of the value of the assets that secure the indebtedness or obligation. The Notes may be prepaid prior to their maturity at our option, in whole or in part, under certain circumstances and are subject to mandatory prepayment upon an event of default.

So long as Notes are outstanding, additional debt securities must rank on a parity with the Notes with respect to the payment of interest and upon the distribution of our assets. Subject to the limitations of the 1940 Act, we may issue new debt securities under this prospectus, in which case the details on how to buy and sell such debt securities, along with other terms of such debt securities, will be described in a related prospectus supplement. The terms to be stated in a prospectus supplement will include the following:

- the form and title of the securities;
- the aggregate principal amount of the securities;
- the interest rate of the securities;
- the maturity dates on which the principal of the securities will be payable;
- any covenants and/or events of default;
- any optional or mandatory redemption provisions;
- any provisions concerning conversion, amortization, sinking funds and/or retirement;
- the trustees, transfer agent, paying agents or security registrar; and
- any other terms of the securities.



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

<u>Series</u>	<u>Principal Outstanding March 31, 2017 (\$ in millions)</u>	<u>Fixed/Floating Interest Rate</u>	<u>Maturity</u>
W .....	\$ 31	4.380%	May 2018
Y .....	20	2.910%	May 2017
Z .....	15	3.390%	May 2019
AA .....	15	3.560%	May 2020
BB .....	35	3.770%	May 2021
CC .....	76	3.950%	May 2022
DD .....	75	2.74%	April 2019
EE .....	50	3.200%	April 2021
FF .....	65	3.570%	April 2023
GG .....	45	3.670%	April 2025
II .....	30	2.880%	July 2019
JJ .....	30	3.460%	July 2021
KK .....	80	3.930%	July 2024
LL .....	50	2.890%	October 2020
MM .....	40	3.260%	October 2022
NN .....	20	3.370%	October 2023
OO .....	90	3.460%	October 2024
	<u>\$ 767</u>		

*Interest.* The Notes will bear interest from the date of issuance at the fixed or floating rate shown above. Holders of our floating rate Notes are entitled to receive quarterly cash interest payments at an annual rate that may vary for each rate period. Holders of our fixed rate Notes are entitled to receive semi-annual cash interest payments at an annual rate per the terms of such notes. If we do not pay interest when due, it will trigger an event of default and we will be restricted from declaring dividends and making other distributions with respect to our common stock and preferred stock. As of March 31, 2017, each series of Notes were rated “AAA” by Fitch. As of April 18, 2017, each series of Notes were rated “AAA” by Kroll Bond Rating Agency (“KBRA”). In the event the credit rating on any series of Notes falls below “A-” (Fitch) or the equivalent rating from a nationally recognized statistical ratings organization, the interest rate (including any applicable default rate) on such series will increase by 1% during the period of time such series is rated below “A-” or the equivalent rating from a nationally recognized statistical ratings organization.

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

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

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

- default in the payment of any interest upon a series of debt securities when it becomes due and payable and the continuance of such default for 5 business days;
- default in the payment of the principal of, or premium on, a series of debt securities whether at its stated maturity or at a date fixed for payment or by declaration or otherwise;
- default in the performance, or breach, of certain financial covenants, including financial tests incorporated from other agreements evidencing indebtedness pursuant to the terms of the Notes, and covenants concerning the rating of the Notes, timely notification of the holders of the Notes of events of default, the incurrence of secured debt and the payment of dividends and other distributions and the making of redemptions on our capital stock, and continuance of any such default or breach for a period of 30 days; provided, however, in the case of our failure to maintain asset coverage or satisfy the basic maintenance test, such 30-day period will be extended by 10 days if we give the holders of the Notes notice of a prepayment of Notes in an amount necessary to cure such failure;
- default in the performance, or breach, of any covenant (other than those covenants described above) of ours under the terms of the Notes, and continuance of such default or breach for a period of 30 days after the earlier of (1) a responsible officer obtaining actual knowledge of such default and (2) our receipt of written notice of such default from any holder of such Notes;
- certain voluntary or involuntary proceedings involving us and relating to bankruptcy, insolvency or other similar laws;
- KAFA or one of its affiliates is no longer our investment adviser;
- if, on the last business day of each of twenty-four consecutive calendar months, the debt securities have a 1940 Act asset coverage of less than 100%;
- other defaults with respect to Borrowings in an aggregate principal amount of at least \$5 million, including payment defaults and any other default that would cause (or permit the holders of such Borrowings to declare) such Borrowings to be due prior to stated maturity;

- if our representations and warranties or any representations and warranties of our officers made in connection with transaction relating to the issuance of the Notes prove to have been materially false or incorrect when made; or
- other certain “events of default” provided with respect to the Notes that are typical for Borrowings of this type.

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

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

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

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

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

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

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

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

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

*Classified Board of Directors.* Our Board of Directors is divided into three classes of directors serving staggered three-year terms. The current terms for the first, second and third classes will expire in 2017, 2018 and 2019, respectively. Upon expiration of their current terms, directors of each class will be elected to serve until the third annual meeting following their election and until their successors are duly elected and qualify and each year one class of directors will be elected by the stockholders. A classified board may render a change in control of us or removal of our incumbent management more difficult. We believe, however, that the longer time required to elect a majority of a classified Board of Directors will help to ensure the continuity and stability of our management and policies.

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

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

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

*Action by Stockholders.* Under the Maryland General Corporation Law, stockholder action can be taken only at an annual or special meeting of stockholders or, with respect to the holders of common stock, unless the charter provides for stockholder action by less than unanimous written consent (which is not the case for our Charter), by unanimous written consent in lieu of a meeting. These provisions, combined with the requirements of our Bylaws regarding the calling of a stockholder-requested special meeting of stockholders discussed below, may have the effect of delaying consideration of a stockholder proposal until the next annual meeting.

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

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

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

## RATING AGENCY GUIDELINES

Rating agencies that assign ratings to our senior securities and preferred stock (each a “Rating Agency” and, collectively, the “Rating Agencies”), impose asset coverage requirements, which may limit our ability to engage in certain types of transactions and may limit our ability to take certain actions without confirming that such action will not impair the ratings.

We may, but are not required to, adopt any modifications to the guidelines that may hereafter be established by any Rating Agency. Failure to adopt any modifications, however, may result in a change in the ratings described above or a withdrawal of ratings altogether. In addition, any Rating Agency may, at any time, change or withdraw any rating. We may, without stockholder approval, modify, alter or repeal certain of the definitions and related provisions which have been adopted pursuant to each rating agency’s guidelines (as they may be amended from time to time, “Rating Agency Guidelines”) only in the event we receive written confirmation from a Rating Agency that any amendment, alteration or repeal would not impair the ratings then assigned to the senior securities.

We are currently required to satisfy asset maintenance requirements with respect to outstanding debt securities and with respect to outstanding preferred stock. We must maintain assets in our portfolio that have a value, discounted in accordance with guidelines set forth by a Rating Agency, at least equal to amounts specified in Rating Agency Guidelines with respect to our senior securities (the “Basic Maintenance Amounts”).

*Basic Maintenance Amounts.* We must maintain, as of each valuation date on which senior securities are outstanding, eligible assets having an aggregate discounted value at least equal to the applicable Basic Maintenance Amount, which is calculated separately for debt securities and preferred stock for any Rating Agency that is then rating the senior securities and so requires. If we fail to maintain eligible assets having an aggregated discounted value at least equal to the applicable Basic Maintenance Amount as of any valuation date and such failure is not cured, we will be required in certain circumstances to redeem certain of the senior securities.

If applicable, the Basic Maintenance Amount is defined in the Rating Agency’s Guidelines. Any Rating Agency that is then rating the senior securities may amend the definition of the applicable Basic Maintenance Amount from time to time. The market value of our portfolio securities (used in calculating the discounted value of eligible assets) is calculated using readily available market quotations when appropriate, and in any event, consistent with our valuation procedures. For the purpose of calculating the applicable Basic Maintenance Amount, portfolio securities are valued in the same manner as we calculate our net asset value. See “Net Asset Value.”

If applicable, a Rating Agency’s discount factors, the criteria used to determine whether the assets held in our portfolio are eligible assets and the guidelines for determining the discounted value of our portfolio holdings for purposes of determining compliance with the applicable Basic Maintenance Amount are based on Rating Agency Guidelines established in connection with rating the senior securities. The discount factor relating to any asset, the applicable Basic Maintenance Amount requirement, the assets eligible for inclusion in the calculation of the discounted value of our portfolio and certain definitions and methods of calculation relating thereto may be changed from time to time by the applicable Rating Agency, without our approval, or the approval of our Board of Directors or stockholders.

*Other.* Notwithstanding anything herein to the contrary, the Rating Agency Guidelines, as they may be amended from time to time by any Rating Agency that is then rating the senior securities will be reflected in a written document and may be amended by the Rating Agency without our vote, consent or approval, and without the approval of our Board of Directors or any of our stockholders.

A Rating Agency's Rating Agency Guidelines will apply to the senior securities or preferred stock only so long as that Rating Agency is rating such senior securities or preferred stock, respectively. We will pay certain fees to Fitch, KBRA and any other rating agency that may provide a rating for the senior securities or preferred stock.

The ratings assigned to the senior securities or preferred stock are not recommendations to buy, sell or hold the senior securities or preferred stock. Such ratings may be revised or withdrawn by the assigning Rating Agency at any time.

A copy of the current Rating Agency Guidelines will be provided to any holder of senior securities promptly upon request made by such holder by writing to us at 811 Main Street, 14th Floor, Houston, Texas 77002.

## **OUR STRUCTURE; COMMON STOCK REPURCHASES AND CHANGE IN OUR STRUCTURE**

### **Closed-End Structure**

Closed-end funds differ from open-end management investment companies (commonly referred to as “mutual funds”). Closed-end funds generally list their shares for trading on a securities exchange and do not redeem their shares at the option of the stockholder. In contrast, mutual funds issue securities redeemable at net asset value at the option of the stockholder and typically engage in a continuous offering of their shares. Mutual funds are subject to continuous asset in-flows and out-flows that can complicate portfolio management, whereas closed-end funds generally can stay more fully invested in securities consistent with the closed-end fund’s investment objective and policies. Accordingly, closed-end funds have greater flexibility than open-end funds to make certain types of investments, including investments in illiquid securities.

Shares of closed-end investment companies listed for trading on a securities exchange frequently trade at a discount to their net asset value, but in some cases trade at a premium. See “Market and Net Asset Value Information” for a summary of our trading history. The market price may be affected by net asset value, dividend or distribution levels (which are dependent, in part, on expenses), supply of and demand for the shares, stability of distributions, trading volume of the shares, general market and economic conditions and other factors beyond the control of the closed-end fund. The foregoing factors may result in the market price of our common stock being greater than, less than or equal to net asset value. The Board of Directors has reviewed our structure in light of our investment objective and policies and has determined that the closed-end structure is in the best interests of our stockholders. However, the Board of Directors may review periodically the trading range and activity of our shares with respect to our net asset value and may take certain actions to seek to reduce or eliminate any such discount (if such discount exists). Such actions may include open market repurchases or tender offers for our common stock at net asset value or our possible conversion to an open-end mutual fund. There can be no assurance that the Board will decide to undertake any of these actions or that, if undertaken, such actions would result in our common stock trading at a price equal to or close to net asset value per share of our common stock. Based on the determination of the Board of Directors in connection with our initial public offering of our common stock that the closed-end structure is desirable in light of our investment objective and policies and the trading history of our common stock relative to our net asset value since our IPO, it is highly unlikely that the Board would vote to convert us to an open-end investment company.

### **Repurchase of Common Stock and Tender Offers**

In recognition of the possibility that our common stock might trade at a discount to net asset value and that any such discount may not be in the interest of our common stockholders, the Board of Directors, in consultation with Kafa, from time to time may, but is not required to, review possible actions to reduce any such discount. The Board of Directors also may, but is not required to, consider from time to time open market repurchases of and/or tender offers for our common stock, as well as other potential actions, to seek to reduce any market discount from net asset value that may develop. After any consideration of potential actions to seek to reduce any significant market discount, the Board may, subject to its applicable duties and compliance with applicable state and federal laws, authorize the commencement of a share-repurchase program or tender offer. The size and timing of any such share repurchase program or tender offer will be determined by the Board of Directors in light of the market discount of our common stock, trading volume of our common stock, information presented to the Board of Directors regarding the potential impact of any such share repurchase program or tender offer, general market and economic conditions and applicable law. There can be no assurance that we will in fact effect repurchases of or tender offers for any of our common stock. We may, subject to our investment limitation with respect to Borrowings, incur debt to finance such repurchases or a tender offer or for other valid purposes. Interest on any such Borrowings would increase our expenses and reduce our net income.

There can be no assurance that repurchases of our common stock or tender offers, if any, will cause our common stock to trade at a price equal to or in excess of its net asset value. Nevertheless, the possibility that a



portion of our outstanding common stock may be the subject of repurchases or tender offers may reduce the spread between market price and net asset value that might otherwise exist. Sellers may be less inclined to accept a significant discount in the sale of their common stock if they have a reasonable expectation of being able to receive a price of net asset value for a portion of their common stock in conjunction with an announced repurchase program or tender offer for our common stock.

Although the Board of Directors believes that repurchases or tender offers generally would have a favorable effect on the market price of our common stock, the acquisition of common stock by us will decrease our total assets and therefore will have the effect of increasing our expense ratio and decreasing the asset coverage with respect to any Leverage Instruments outstanding. Because of the nature of our investment objective, policies and portfolio, particularly our investment in illiquid or otherwise restricted securities, it is possible that repurchases of common stock or tender offers could interfere with our ability to manage our investments in order to seek our investment objective. Further, it is possible that we could experience difficulty in borrowing money or be required to dispose of portfolio securities to consummate repurchases of or tender offers for common stock.

### **Possible Conversion to Open-End Fund Status**

Our Charter provides that any amendment to our Charter to convert from a closed-end company to an open-end company requires the approval of our Board of Directors and the stockholders entitled to cast at least 80 percent of the votes entitled to be cast on such matter. However, if such amendment is also approved by at least 80 percent of our continuing directors (in addition to the approval by our Board of Directors), such proposal may be approved by a majority of the votes entitled to be cast on the matter. See “Description of Capital Stock” for a discussion of voting requirements applicable to our conversion to an open-end investment company. If we converted to an open-end investment company, we would be required to redeem all preferred stock then outstanding (requiring in turn that we liquidate a portion of our investment portfolio) and our common stock would no longer be listed on the NYSE. Conversion to open-end status could also require us to modify certain investment restrictions and policies. Stockholders of an open-end investment company may require the investment company to redeem their shares at any time (except in certain circumstances as authorized by or permitted under the 1940 Act) at their net asset value, less such redemption charge, if any, as might be in effect at the time of redemption. In order to avoid maintaining large cash positions or liquidating favorable investments to meet redemptions, open-end investment companies typically engage in a continuous offering of their shares. Open-end investment companies are thus subject to periodic asset in-flows and out-flows that can complicate portfolio management. Our Board of Directors may at any time propose our conversion to open-end status, depending upon its judgment regarding the advisability of such action in light of circumstances then prevailing.

## TAX MATTERS

The following discussion of federal income tax matters is based on the advice of our counsel, Paul Hastings LLP.

This section and the discussion in our SAI summarize certain U.S. federal income tax consequences of owning our securities for U.S. taxpayers. This section is current as of the date of this prospectus. Tax laws and interpretations change frequently, possibly with retroactive effect, and this summary does not describe all of the tax consequences to all taxpayers. Except as otherwise provided, this summary generally does not describe your situation if you are a non-U.S. person, a broker-dealer, or other investor with special circumstances. In addition, this section does not describe any state, local or foreign tax consequences. Investors should consult their own tax advisors regarding the tax consequences of investing in us.

### **Federal Income Taxation of Kayne Anderson MLP Investment Company**

We are treated as a corporation for federal income tax purposes. Thus, we are obligated to pay federal income tax on our net taxable income. We are also obligated to pay state income tax on our net taxable income, either because the states follow the federal treatment or because the states separately impose a tax on us. We invest our assets principally in MLPs, which generally are treated as partnerships for federal income tax purposes. As a partner in the MLPs, we report our allocable share of the MLP's taxable income, loss, deduction, and credits in computing our taxable income. Based upon our review of the historic results of the type of MLPs in which we invest, we expect that the cash flow received by us with respect to our MLP investments generally will exceed the taxable income allocated to us. There is no assurance that our expectation regarding the tax character of MLP distributions will be realized. If this expectation is not realized, there will be greater tax expense borne by us and less cash available to distribute to stockholders. In addition, we will take into account in our taxable income amounts of gain or loss recognized on the sale of MLP units. Currently, the maximum regular federal income tax rate for a corporation is 35%, but we may be subject to a 20% alternative minimum tax on our alternative minimum taxable income to the extent that the alternative minimum tax exceeds our regular income tax.

Deferred income taxes reflect (1) taxes on unrealized gains which are attributable to the difference between the fair market value and tax basis of our investments and (2) the tax benefit of accumulated capital or net operating losses. We will accrue a net deferred tax liability if our future tax liability on our unrealized gains exceeds the tax benefit of our accumulated capital or net operating losses, if any. We will accrue a net deferred tax asset if our future tax liability on our unrealized gains is less than the tax benefit of our accumulated capital or net operating losses or if we have net unrealized losses on our investments.

To the extent we have a net deferred tax asset, consideration is given as to whether or not a valuation allowance is required. The need to establish a valuation allowance for deferred tax assets is assessed periodically based on the criteria established by the Statement of Financial Standards, Accounting for Income Taxes (ASC 740) that it is more likely than not that some portion or all of the deferred tax asset will not be realized. In our assessment for a valuation allowance, consideration is given to all positive and negative evidence related to the realization of the deferred tax asset. This assessment considers, among other matters, the nature, frequency and extent of current and cumulative losses, forecasts of future profitability (which are highly dependent on future MLP cash distributions), the duration of statutory carryforward periods and the associated risk that capital or net operating loss carryforwards may expire unused.

If a valuation allowance is required to reduce the deferred tax asset in the future, it could have a material impact on our net asset value and results of operations in the period it is recorded.

Our earnings and profits are calculated using accounting methods that may differ from tax accounting methods used by an entity in which we invest. For instance, to calculate our earnings and profits we will use the

straight-line depreciation method rather than the accelerated depreciation method. This treatment may, for example, affect our earnings and profits if an MLP in which we invest calculates its income using the accelerated depreciation method. Our earnings and profits would not be increased solely by the income passed through from the MLP, but we would also have to include in our earnings and profits the amount by which the accelerated depreciation exceeded straight-line depreciation.

Because of the differences in the manner in which earnings and profits and taxable income are calculated, we may make distributions out of earnings and profits, treated as tax dividends, in years in which we have no taxable income.

In addition, in calculating our alternative minimum taxable income, certain percentage depletion deductions and intangible drilling costs may be treated as items of tax preference. Items of tax preference increase alternative minimum taxable income and increase the likelihood that we may be subject to alternative minimum tax.

We have not elected and have no current intention to elect to be treated as a regulated investment company under the Code because the extent of our investments in MLPs would generally prevent us from meeting the qualification requirements for regulated investment companies. The Code generally provides that a regulated investment company does not pay an entity level income tax, provided that it distributes all or substantially all of its income and satisfies certain source of income and asset diversification requirements. The regulated investment company taxation rules have no current application to us or to our stockholders.

### **Federal Income Taxation of Holders of Our Common Stock**

Unlike a holder of a direct interest in MLPs, a stockholder will not include its allocable share of our gross income, gains, losses, deductions, or credits in computing its own taxable income. Our distributions are treated as a taxable dividend to the stockholder to the extent of our current or accumulated earnings and profits. If the distribution exceeds our current or accumulated earnings and profits, the distribution will be treated as a return of capital to our common stockholder to the extent of the stockholder's basis in our common stock, and then the amount of a distribution in excess of a stockholder's basis would be taxed as capital gain. Common stockholders will receive a Form 1099 from us (rather than a Schedule K-1 from each MLP if the stockholder had invested directly in the MLPs) and will recognize dividend income only to the extent of our current and accumulated earnings and profits.

Generally, a corporation's earnings and profits are computed based upon taxable income, with certain specified adjustments. As explained above, based upon the historic performance of the MLPs, we anticipate that the distributed cash from an MLP will exceed our share of such MLP's income during a portion of our expected investment holding period. Thus, we anticipate that only a portion of distributions of cash and other income from investments will be treated as dividend income to our common stockholders. As a corporation for tax purposes, our earnings and profits will be calculated using (i) straight-line depreciation rather than accelerated depreciation, and cost rather than a percentage depletion method, and (ii) intangible drilling costs and exploration and development costs amortized over a five-year and ten-year period, respectively. Because of the differences in the manner in which earnings and profits and taxable income are calculated, we may make distributions out of earnings and profits, treated as dividends, in years in which we have no taxable income.

Our distributions that are treated as dividends generally will be taxable as ordinary income to holders, but (i) are expected to be eligible for treatment as "qualified dividend income" that is subject to reduced rates of federal income taxation for noncorporate stockholders, and (ii) may be eligible for the dividends received deduction available to corporate stockholders, in each case provided that certain holding period requirements are met. Under current law, qualified dividend income is taxable to noncorporate stockholders at a maximum federal income tax rate of 20%. In addition, currently a 3.8% federal tax on net investment income (the "Tax Surcharge") generally applies to dividend income and net capital gains for taxpayers whose adjusted gross income exceeds \$200,000 for single filers or \$250,000 for married joint filers.

If a distribution exceeds our current and accumulated earnings and profits, such distribution will be treated as a non-taxable reduction to the basis of the stock to the extent of such basis, and then as capital gain to the extent of the excess distribution. Such gain will be long-term capital gain if the holding period for the stock is more than one year. Individuals currently are subject to a maximum federal income tax rate of 20% on long-term capital gains (prior to the Tax Surcharge, if applicable). Corporations are taxed on capital gains at their ordinary graduated income tax rates.

If a holder of our common stock participates in our Dividend Reinvestment Plan, such stockholder will be taxed upon the amount of distributions as if such amount had been received by the participating stockholder in cash and the participating stockholder reinvested such amount in additional common stock, even though such holder has received no cash distribution from us with which to pay such tax.

#### *Sale of Our Common Stock*

The sale of our stock by holders will generally be a taxable transaction for federal income tax purposes. Holders of our stock who sell such shares will generally recognize gain or loss in an amount equal to the difference between the net proceeds of the sale and their adjusted tax basis in the shares sold. If such shares of stock are held as a capital asset at the time of the sale, the gain or loss will be a capital gain or loss, generally taxable as described above. A holder's ability to deduct capital losses may be limited.

#### *Investment by Tax-Exempt Investors and Regulated Investment Companies*

Employee benefit plans and most other organizations exempt from federal income tax, including individual retirement accounts and other retirement plans, are subject to federal income tax on unrelated business taxable income, or UBTI. Because we are a corporation for federal income tax purposes, an owner of our common stock will not report on its federal income tax return any of our items of income, gain, loss, deduction or credit. Therefore, a tax-exempt investor will not have UBTI attributable to its ownership or sale of our common stock unless its ownership of our common stock is debt financed. In general, common stock would be debt financed if the tax-exempt owner of common stock incurs debt to acquire common stock or otherwise incurs or maintains a debt that would not have been incurred or maintained if that common stock had not been acquired.

As stated above, an owner of our common stock will not report on its federal income tax return any of our items of gross income, gain, loss and deduction. Instead, the owner will report income with respect to our distributions or gain with respect to the sale of our common stock. Thus, distributions with respect to our common stock generally will result in income that is qualifying income for a regulated investment company. Furthermore, any gain from the sale or other disposition of our common stock will constitute gain from the sale of stock or securities and will also result in income that is qualifying income for a regulated investment company. In addition, our common stock will constitute qualifying assets to regulated investment companies, which generally must own at least 50% in qualifying assets and not more than 25% in certain non-qualifying assets at the end of each quarter, provided such regulated investment companies do not violate certain percentage ownership limitations with respect to our stock.

#### *Backup Withholding and Information Reporting*

Backup withholding of U.S. federal income tax at the current rate of 28% may apply to the distributions on our common stock to be made by us if you fail to timely provide your taxpayer identification number or if we are so instructed by the Internal Revenue Service, or IRS. Backup withholding is not a separate tax and any amounts withheld from a payment to a U.S. holder under the backup withholding rules are allowable as a refund or credit against the holder's U.S. federal income tax liability, provided that the required information is furnished to the IRS in a timely manner.

### *Other Taxation*

Foreign stockholders, including stockholders who are nonresident alien individuals, may be subject to U.S. withholding tax on certain distributions at a rate of 30% or such lower rates as may be prescribed by any applicable treaty.

### **Federal Income Tax Treatment of Holders of Our Preferred Stock**

Under present law, we take the position that all our MRP Shares constitute our equity, and thus distributions with respect to MRP Shares (other than distributions in redemption of the MRP Shares subject to Section 302(b) of the Code) will generally constitute dividends to the extent of our allocable current or accumulated earnings and profits, as calculated for federal income tax purposes. Such distributions generally will be taxable as described above under “Federal Income Taxation of Holders of Our Common Stock”.

### *Sale of Our Preferred Stock*

The sale of our preferred stock by holders will generally be taxable as described above under “Federal Income Taxation of Holders of Our Common Stock—Sale of Our Common Stock”. Similarly, a redemption by us (including a redemption resulting from our liquidation), if any, of all our preferred stock actually and constructively held by a stockholder generally will give rise to capital gain or loss under Section 302(b) of the Code if the stockholder does not own (and is not regarded under certain tax law rules of constructive ownership as owning) any of our common stock, and provided that the redemption proceeds do not represent declared but unpaid dividends. Other redemptions may also give rise to capital gain or loss, but certain conditions imposed by Section 302(b) of the Code must be satisfied to achieve such treatment, and Holders should consult their own tax advisors regarding such conditions.

### *Backup Withholding*

Backup withholding may apply to distributions on our preferred stock, as described above under “Federal Income Taxation of Holders of Our Common Stock—Backup Withholding and Information Reporting”.

### *Other Taxation*

Foreign stockholders, including stockholders who are nonresident alien individuals, may be subject to U.S. withholding tax on certain distributions at a rate of 30% or such lower rates as may be prescribed by any applicable tax treaty.

*The Foreign Account Tax Compliance Act (“FATCA”).* A 30% withholding tax on your distributions and on gross proceeds from the sale or other disposition of our shares generally applies if paid to a foreign entity unless: (i) if the foreign entity is a “foreign financial institution,” it undertakes certain due diligence, reporting, withholding and certification obligations, (ii) if the foreign entity is not a “foreign financial institution,” it identifies certain of its U.S. investors or (iii) the foreign entity is otherwise excepted under FATCA. If applicable and subject to any applicable intergovernmental agreements, withholding under FATCA is required: (i) with respect to our distributions to you; and (ii) with respect to gross proceeds from a sale or disposition of our shares that occur on or after January 1, 2019. If withholding is required under FATCA on a payment related to your shares, investors that otherwise would not be subject to withholding (or that otherwise would be entitled to a reduced rate of withholding) on such payment generally will be required to seek a refund or credit from the IRS to obtain the benefits of such exemption or reduction. We will not pay any additional amounts in respect to amounts withheld under FATCA. You should consult your tax advisor regarding the effect of FATCA based on your individual circumstances.

## **State and Local Taxes**

Payment and distributions with respect to our common stock and preferred stock also may be subject to state and local taxes.

Tax matters are very complicated, and the federal, state local and foreign tax consequences of an investment in and holding of our common stock and preferred stock will depend on the facts of each investor's situation. Investors are encouraged to consult their own tax advisers regarding the specific tax consequences that may affect them.

## **Tax Risks**

Investing in our securities involves certain tax risks, which are more fully described in the section "Risk Factors—Tax Risks."

## PLAN OF DISTRIBUTION

We may sell our common stock, preferred stock or debt securities from time to time on an immediate, continuous or delayed basis, in one or more offerings under this prospectus and any related prospectus supplement in any one or more of the following ways (1) directly to one or more purchasers, (2) through agents for the period of their appointment, (3) to underwriters as principals for resale to the public, (4) to dealers as principals for resale to the public, (5) through, in the case of our common stock, “at-the-market” transactions or (6) pursuant to our Dividend Reinvestment Plan.

The securities may be sold from time to time in one or more transactions at a fixed price or fixed prices, which may change; at prevailing market prices at the time of sale; prices related to prevailing market prices; at varying prices determined at the time of sale; or at negotiated prices. The securities may be sold for cash and other than for cash, including in exchange transactions for non-control securities, or may be sold for a combination of cash and securities. The prospectus supplement will describe the method of distribution of our securities offered therein.

Each prospectus supplement relating to an offering of our securities will state the terms of the offering, including:

- the names of any agents, underwriters or dealers;
- any sales loads, underwriting discounts and commissions or agency fees and other items constituting underwriters’ or agents’ compensation;
- any discounts, commissions, fees or concessions allowed or reallocated or paid to dealers or agents;
- the public offering or purchase price of the offered securities and the estimated net proceeds we will receive from the sale; and
- any securities exchange on which the offered securities may be listed.

Any public offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

### **Direct Sales**

We may sell our common stock, preferred stock and debt securities directly to, and solicit offers from, purchasers, including institutional investors or others who may be deemed to be underwriters as defined in the Securities Act for any resales of the securities. In this case, no underwriters or agents would be involved. We may use electronic media, including the Internet, to sell offered securities directly. We will describe the terms of any of those sales in a prospectus supplement.

### **Distribution Through Agents**

We may offer and sell our common stock, preferred stock and debt securities on a continuous basis through agents that we designate. We will name any agent involved in the offer and sale and describe any commissions payable by us in the prospectus supplement. Unless otherwise indicated in the prospectus supplement, the agents will be acting on a best efforts basis for the period of their appointment.

Offers to purchase securities may be solicited directly by the issuer or by agents designated by the issuer from time to time. Any such agent, who may be deemed to be an underwriter as the term is defined in the Securities Act, involved in the offer or sale of the offered securities in respect of which this prospectus is delivered will be named, and any commissions payable by the issuer to such agent set forth, in a prospectus supplement.

## **Distribution Through Underwriters**

We may offer and sell securities from time to time to one or more underwriters who would purchase the securities as principal for resale to the public either on a firm commitment or best efforts basis. If we sell securities to underwriters, we will execute an underwriting agreement with them at the time of the sale and will name them in the prospectus supplement. In connection with these sales, the underwriters may be deemed to have received compensation from us in the form of underwriting discounts and commissions. The underwriters also may receive commissions from purchasers of securities for whom they may act as agent. Unless otherwise stated in the prospectus supplement, the underwriters will not be obligated to purchase the securities unless the conditions set forth in the underwriting agreement are satisfied, and if the underwriters purchase any of the securities, they will be required to purchase all of the offered securities. In the event of default by any underwriter, in certain circumstances, the purchase commitments may be increased among the non-defaulting underwriters or the Underwriting Agreement may be terminated. The underwriters may sell the offered securities to or through dealers, and those dealers may receive discounts, concessions or commissions from the underwriters as well as from the purchasers for whom they may act as agent. Sales of the offered securities by underwriters may be in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The prospectus supplement will describe the method of reoffering by the underwriters. The prospectus supplement will also describe the discounts and commissions to be allowed or paid to the underwriters, if any, all other items constituting underwriting compensation, and the discounts and commissions to be allowed or paid to dealers, if any. If a prospectus supplement so indicates, we may grant the underwriters an option to purchase additional shares of common stock at the public offering price, less the underwriting discounts and commissions, within a specified number of days from the date of the prospectus supplement, to cover any over-allotments.

## **Distribution Through Dealers**

We may offer and sell securities from time to time to one or more dealers who would purchase the securities as principal. The dealers then may resell the offered securities to the public at fixed or varying prices to be determined by those dealers at the time of resale. We will set forth the names of the dealers and the terms of the transaction in the prospectus supplement.

## **Distribution Through Remarketing Firms**

One or more dealers, referred to as “remarketing firms,” may also offer or sell the securities, if the prospectus supplement so indicates, in connection with a remarketing arrangement contemplated by the terms of the securities. Remarketing firms will act as principals for their own account or as agents. These remarketing firms will offer or sell the securities in accordance with the terms of the securities. The prospectus supplement will identify any remarketing firm and the terms of its agreement, if any, with us and will describe the remarketing firm’s compensation. Remarketing firms may be deemed to be underwriters in connection with the securities they remarket.

## **Distribution Through At-the-Market Offerings**

We may engage in at-the-market offerings to or through a market maker or into an existing trading market, on an exchange or otherwise, in accordance with Rule 415(a)(4). An at-the-market offering may be through an underwriter or underwriters acting as principal or agent for us.

## **General Information**

Agents, underwriters, or dealers participating in an offering of securities and remarketing firms participating in a remarketing of securities may be deemed to be underwriters, and any discounts and commission received by them and any profit realized by them on resale of the offered securities for whom they may act as agent, may be deemed to be underwriting discounts and commissions under the Securities Act.



We may offer to sell securities either at a fixed price or at prices that may vary, at market prices prevailing at the time of sale, at prices related to prevailing market prices, or at negotiated prices.

Ordinarily, each series of offered securities will be a new issue of securities, and other than our common stock, will have no established trading market.

If indicated in the applicable prospectus supplement, we may authorize underwriters or other persons acting as our agents to solicit offers by certain institutions to purchase securities from us pursuant to contracts providing for payment and delivery on a future date. Institutions with which these contracts may be made include: commercial and savings banks, insurance companies, pension funds, educational and charitable institutions and others, but in all cases these institutions must be approved by us. The obligations of any purchaser under any contract will be subject only to those conditions described in the applicable prospectus supplement. The underwriters and the other agents will not have any responsibility for the validity or performance of the contracts. The applicable prospectus supplement will describe the commission payable for solicitation of those contracts.

We may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those derivatives, the third parties may sell securities covered by this prospectus and the applicable prospectus supplement, including in short sale transactions. If so, the third parties may use securities pledged by us or borrowed from us or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from us in settlement of those derivatives to close out any related open borrowings of stock. The third parties in such sale transactions will be underwriters and will be identified in the applicable prospectus supplement (or a post-effective amendment).

We may loan or pledge securities to a financial institution or other third party that in turn may sell the securities using this prospectus. Such financial institution or third party may transfer its short position to investors in our securities or in connection with a simultaneous offering of other securities offered by this prospectus.

In connection with any offering of the securities in an underwritten transaction, the underwriters may engage in transactions that stabilize, maintain, or otherwise affect the market price of the common stock or any other security. Those transactions may include over-allotment, entering stabilizing bids, effecting syndicate covering transactions, and reclaiming selling concessions allowed to an underwriter or a dealer.

- An over-allotment in connection with an offering creates a short position in the offered securities for the underwriters' own account.
- An underwriter may place a stabilizing bid to purchase an offered security for the purpose of pegging, fixing, or maintaining the price of that security.
- Underwriters may engage in syndicate covering transactions to cover over-allotments or to stabilize the price of the offered securities by bidding for, and purchasing, the offered securities or any other securities in the open market in order to reduce a short position created in connection with the offering.
- The managing underwriter may impose a penalty bid on a syndicate member to reclaim a selling concession in connection with an offering when offered securities originally sold by the syndicate member are purchased in syndicate covering transactions or otherwise.

Any of these activities may stabilize or maintain the market price of the securities above independent market levels. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

Any underwriters that are qualified market makers on the NYSE may engage in passive market making transactions in our common stock on the NYSE in accordance with Regulation M under the Exchange Act, during the business day prior to the pricing of the offering, before the commencement of offers or sales of the common stock or any other covered security. Passive market makers must comply with applicable volume and price limitations and must be identified as passive market makers. In general, a passive market maker must display its bid at a price not in excess of the highest independent bid for such security; if all independent bids are lowered below the passive market maker's bid, however, the passive market maker's bid must then be lowered when certain purchase limits are exceeded. Passive market making may stabilize the market price of the securities at a level above that which might otherwise prevail in the open market and, if commenced, may be discontinued at any time.

We will not require underwriters or dealers to make a market in the securities. Any underwriters to whom the offered securities are sold for offering and sale may make a market in the offered securities, but the underwriters will not be obligated to do so and may discontinue any market-making at any time without notice.

Under agreements entered into with us, underwriters and agents may be entitled to indemnification by us against certain civil liabilities, including liabilities under the Securities Act, or to contribution for payments the underwriters or agents may be required to make. The underwriters, agents, and their affiliates may engage in financial or other business transactions with us and our subsidiaries, if any, in the ordinary course of business.

In compliance with the guidelines of FINRA, the maximum commission or discount to be received by any member of FINRA or independent broker-dealer will not be greater than 9% of the initial gross proceeds from the sale of any security being sold.

The aggregate offering price specified on the cover of this prospectus relates to the offering of the securities not yet issued as of the date of this prospectus. The place and time of delivery for the offered securities in respect of which this prospectus is delivered are set forth in the accompanying prospectus supplement.

To the extent permitted under the 1940 Act and the rules and regulations promulgated thereunder, the underwriters may from time to time act as a broker or dealer and receive fees in connection with the execution of our portfolio transactions after the underwriters have ceased to be underwriters and, subject to certain restrictions, each may act as a broker while it is an underwriter.

A prospectus and accompanying prospectus supplement in electronic form may be made available on the websites maintained by the underwriters. The underwriters may agree to allocate our securities for sale to their online brokerage account holders. Such allocations of our securities for internet distributions will be made on the same basis as other allocations. In addition, our securities may be sold by the underwriters to securities dealers who resell securities to online brokerage account holders.

### **Dividend Reinvestment Plan**

We may issue and sell shares of common stock pursuant to our Dividend Reinvestment Plan.

## **TRANSFER AGENT AND DIVIDEND-PAYING AGENT**

AST acts as our transfer agent and dividend-paying agent. Please send all correspondence to American Stock Transfer & Trust Company at 6201 15th Avenue, Brooklyn, New York 11219. For its services, AST receives a fixed fee per account. We will reimburse AST for certain out-of-pocket expenses, which may include payments by AST to entities, including affiliated entities, that provide sub-stockholder services, recordkeeping and/or transfer agency services to our beneficial owners. The amount of reimbursements for these services per benefit plan participant fund account per year will not exceed the per account fee payable by us to AST in connection with maintaining common stockholder accounts.

## **ADMINISTRATOR, CUSTODIAN AND FUND ACCOUNTANT**

Ultimus Fund Solutions, LLC (“Ultimus”), the Administrator, provides certain administrative services for us, including but not limited to preparing and maintaining books, records, and tax and financial reports, and monitoring compliance with regulatory requirements. The Administrator is located at 225 Pictoria Drive, Suite 450, Cincinnati, Ohio 45246.

JPMorgan Chase Bank, N.A. is the custodian of our common stock and other assets. JPMorgan Chase Bank, N.A. is located at 383 Madison Avenue, Fourth Floor, New York, New York 10179.

Ultimus is also our fund accountant. Ultimus assists in the calculation of our net asset value and maintains and keeps current the accounts, books, records and other documents relating to our financial and portfolio transactions.

## **LEGAL MATTERS**

Certain legal matters in connection with the securities offered hereby will be passed upon for us by Paul Hastings LLP, San Francisco, California. Paul Hastings LLP may rely as to certain matters of Maryland law on the opinion of Venable LLP, Baltimore, Maryland. If certain legal matters in connection with an offering of securities are passed upon by counsel for the underwriters of such offering, that counsel will be named in the prospectus supplement related to that offering.

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The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been filed with and declared effective by the Securities and Exchange Commission. The preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

FORM OF PROSPECTUS SUPPLEMENT  
(To prospectus dated \_\_\_\_\_, 201 )

Subject to completion, dated \_\_\_\_\_, 201 .

## Shares

# Kayne Anderson

*MLP Investment Company*

### Common Stock \$ \_\_\_\_\_ per share

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

We are offering \_\_\_\_\_ shares of our common stock in this prospectus supplement. This prospectus supplement, together with the accompanying prospectus dated \_\_\_\_\_, 201 , sets forth the information that you should know before investing.

Our shares of common stock are listed on the New York Stock Exchange under the symbol “KYN.” The last reported sale price of our common stock on \_\_\_\_\_, 201 was \_\_\_\_\_ per share. The net asset value per share of our common stock at the close of business on \_\_\_\_\_, 201 was \_\_\_\_\_.

**Investing in our common stock involves risk. See “Risk Factors” beginning on page 22 of the accompanying prospectus.**

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

	<u>Per Share</u>	<u>Total[(1)]</u>
Initial price to public .....	\$ _____	\$ _____
Underwriting discounts and commissions .....	\$ _____	\$ _____
Proceeds, before expenses, to us .....	\$ _____	\$ _____

[ (1) We have granted the underwriters an option exercisable for a period of 45 days from the date of this prospectus supplement to purchase up to additional shares of common stock at the public offering price, less the underwriting discount, to cover over-allotments, if any. If the underwriters exercise the option in full, the total underwriting discounts and commissions will be \$ \_\_\_\_\_, and the total proceeds, before expenses, to us will be \$ \_\_\_\_\_.]

The underwriters are offering the shares of common stock as described in “Underwriting.” Delivery of the shares of common stock will be made on or about \_\_\_\_\_, 201 .

**[Underwriter(s)]**

The date of this prospectus supplement is \_\_\_\_\_, 201 .

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. This prospectus supplement and the accompanying prospectus set forth certain information about us that a prospective investor should carefully consider before making an investment in our securities. This prospectus supplement, which describes the specific terms of this offering, also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference in the accompanying prospectus. The accompanying prospectus gives more general information, some of which may not apply to this offering. If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in this prospectus supplement; provided that if any statement in one of these documents is inconsistent with a statement in another document having a later date and incorporated by reference into the accompanying prospectus or prospectus supplement, the statement in the incorporated document having the later date modifies or supersedes the earlier statement. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted or where the person making the offer or sale is not qualified to do so or to any person to whom it is not permitted to make such offer or sale. The information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate only as of the respective dates on their front covers, regardless of the time of delivery of this prospectus supplement, the accompanying prospectus, or the sale of the common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

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You should read this prospectus supplement and the accompanying prospectus before deciding whether to invest and retain it for future reference. A statement of additional information, dated \_\_\_\_\_, 201 (“SAI”), as supplemented from time to time, containing additional information about us, has been filed with the SEC and is incorporated by reference in its entirety into this prospectus supplement. You may request a free copy of our SAI by calling toll-free at (877) 657-3863, or by writing to us at 811 Main Street, 14th Floor, Houston, Texas 77002. Electronic copies of the accompanying prospectus, our stockholder reports and our SAI are also available on our website (<http://www.kaynefunds.com>). You may also obtain copies of these documents (and other information regarding us) from the SEC’s web site (<http://www.sec.gov>).

### **CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus supplement, the accompanying prospectus and the SAI contain forward-looking statements. All statements other than statements of historical facts included in this prospectus that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements including, in particular, the statements about our plans, objectives, strategies and prospects regarding, among other things, our financial condition, results of operations and business. We have identified some of these forward-looking statements with words like “believe,” “may,” “could,” “might,” “forecast,” “possible,” “potential,” “project,” “will,” “should,” “expect,” “intend,” “plan,” “predict,” “anticipate,” “estimate,” “approximate” or “continue” and other words and terms of similar meaning and the negative of such terms. Such forward-looking statements may be contained in this prospectus supplement as well as in the accompanying prospectus. These forward-looking statements are based on current expectations about future events affecting us and are subject to uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Many factors mentioned in our discussion in this prospectus supplement and the accompanying prospectus, including the risks outlined under “Risk Factors,” will be important in determining future results. In addition, several factors that could materially affect our actual results are the ability of the MLPs and other Midstream Energy Companies in which we invest to achieve their objectives, our ability to source favorable private investments, the timing and amount of distributions and dividends from the MLPs and other Midstream Energy Companies in which we intend to invest, the dependence of our future success on the general economy and its impact on the industries in which we invest and other factors discussed in our periodic filings with the SEC.

Although we believe that the expectations reflected in our forward-looking statements are reasonable, we do not know whether our expectations will prove correct. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. The factors identified above are believed to be important factors, but not necessarily all of the important factors, that could cause our actual results to differ materially from those expressed in any forward-looking statement. Unpredictable or unknown factors could also have material adverse effects on us. Since our actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements, we cannot give any assurance that any of the events anticipated by the forward-looking statements will occur or, if any of them do, what impact they will have on our results of operations and financial condition. All forward-looking statements included in this prospectus supplement, the accompanying prospectus or the SAI are expressly qualified in their entirety by the foregoing cautionary statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of such documents. We do not undertake any obligation to update, amend or clarify these forward-looking statements or the risk factors contained therein, whether as a result of new information, future events or otherwise, except as may be required under the federal securities laws. We acknowledge that, notwithstanding the foregoing statements, the Private Securities Litigation Reform Act of 1995 does not apply to investment companies such as us.

## PROSPECTUS SUPPLEMENT SUMMARY

*This summary does not contain all of the information you should consider before investing in our common stock. You should read carefully this entire prospectus supplement, the accompanying prospectus, including the section entitled “Risk Factors” in the accompanying prospectus and the financial statements and related notes, before making an investment decision.*

### **The Company**

Kayne Anderson MLP Investment Company, a Maryland corporation, is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). Our investment objective is to obtain a high after-tax total return by investing at least 85% of our total assets in MLPs and other Midstream Energy Companies. We also must comply with the SEC’s rule regarding investment company names, which requires us, under normal market conditions, to invest at least 80% of our total assets in MLPs so long as “MLP” is in our name. Our shares of common stock are listed on the New York Stock Exchange (“NYSE”) under the symbol “KYN.”

As of \_\_\_\_\_, 201\_\_\_\_, we had net assets applicable to our common stock of approximately \$ \_\_\_\_\_ billion and total assets of approximately \$ \_\_\_\_\_ billion.

### **Portfolio Investments**

Our investments are principally in equity securities issued by MLPs. Generally, we invest in equity securities of (i) master limited partnerships, including preferred, common and subordinated units and general partner interests, (ii) owners of such interests in master limited partnerships and (iii) other Midstream Energy Companies. We may also invest in debt securities of MLPs and other Midstream Energy Companies with varying maturities of up to 30 years.

We are permitted to invest up to 50% of our total assets in unregistered or otherwise restricted securities of MLPs and other Midstream Energy Companies, including securities issued by private companies. We may invest up to 15% of our total assets in any single issuer.

We are permitted to invest up to 20% of our total assets in debt securities of MLPs and other Midstream Energy Companies, including below investment grade debt securities (commonly referred to as “junk bonds” or “high yield bonds”) rated, at the time of investment, at least B3 by Moody’s Investors Service, Inc., B- by Standard & Poor’s Financial Services LLC, a division of the McGraw-Hill Companies, Inc., or Fitch Ratings, Inc., comparably rated by another rating agency or, if unrated, determined by Kayne Anderson to be of comparable quality. In addition, up to one-quarter of our permitted investments in debt securities (or up to 5% of our total assets) may be invested in unrated debt securities or debt securities that are rated less than B3/B- of public or private companies.

As of \_\_\_\_\_, 20\_\_\_\_, we held \$ \_\_\_\_\_ billion in equity investments and \$ \_\_\_\_\_ million in fixed income investments. Our top 10 largest holdings by issuer as of that date were:

	Company	Amount (\$ millions)	Percent of Total Investments
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			

**Investment Adviser**

KA Fund Advisors, LLC (“KAFA”) is our investment adviser and is responsible for implementing and administering our investment strategy. KAFA is a subsidiary of Kayne Anderson Capital Advisors, L.P. (“KACALP” and together with KAFA, “Kayne Anderson”). Both KAFA and KACALP are SEC-registered investment advisers. As of \_\_\_\_\_, 20\_\_\_\_, Kayne Anderson and its affiliates managed approximately \$ \_\_\_\_\_ billion, including approximately \$ \_\_\_\_\_ billion in MLPs and other Midstream Energy Companies. Kayne Anderson has invested in MLPs and other Midstream Energy Companies since 1998. We believe that Kayne Anderson has developed an understanding of the MLP market that enables it to identify and take advantage of public MLP investment opportunities. In addition, Kayne Anderson’s senior professionals have developed a strong reputation in the energy sector and have many long-term relationships with industry managers, which we believe gives Kayne Anderson an important advantage in sourcing and structuring private investments.

KAFA manages three other publicly traded investment companies: Kayne Anderson Energy Total Return Fund, Inc. (NYSE: KYE); Kayne Anderson Energy Development Company (NYSE: KED); and Kayne Anderson Midstream/Energy Fund, Inc. (NYSE: KMF).

**Distributions**

We have paid distributions to our common stockholders every fiscal quarter since inception and intend to continue to pay quarterly distributions to our common stockholders. Our most recent quarterly distribution of \$ \_\_\_\_\_ per share will be paid to common stockholders on \_\_\_\_\_, 20\_\_\_\_. Our next regularly scheduled quarterly distribution will be for our fiscal quarter ended \_\_\_\_\_, 20\_\_\_\_ and, if approved by our Board of Directors, will be paid to common stockholders on or about \_\_\_\_\_, 20\_\_\_\_. Payment of future distributions is subject to approval by our Board of Directors, as well as meeting the covenants of our senior debt, meeting the terms of our preferred stock and the asset coverage requirements of the 1940 Act and complying with Maryland law, our state of incorporation. The distributions we have paid or declared since the beginning of fiscal 20\_\_\_\_ are as follows:

Payment Date	Distribution per Share (\$)
--------------	-----------------------------

**The Offering**

Common stock we are offering . . . . . shares

Common stock to be outstanding after  
this offering . . . . . shares [(1)]

Use of proceeds after expenses . . . . . We estimate that our net proceeds from this offering after expenses without exercise of the over-allotment option will be approximately \$ million. We intend to use the net proceeds to make investments in portfolio companies in accordance with our investment objective and policies and for general corporate purposes. See “Use of Proceeds.”

Risk factors . . . . . See “Risk Factors” and other information included in the accompanying prospectus for a discussion of risk factors you should carefully consider before deciding to invest in shares of our common stock.

NYSE symbol . . . . . “KYN”

**The stockholder transaction expenses can be summarized as follows:**

Underwriting discounts and commissions (as a percentage of offering price) . . . . .	%
Net offering expenses borne by us (as a percentage of offering price) . . . . .	%
Dividend reinvestment plan fees (2) . . . . .	None

- (1) The number of shares outstanding after the offering assumes the underwriters’ over-allotment option is not exercised. If the over-allotment option is exercised in full, the number of shares outstanding will increase by shares.
- (2) You will pay brokerage charges if you direct American Stock Transfer & Trust Company, as agent for our common stockholders, to sell your common stock held in a dividend reinvestment account.

**Example**

This example replaces the example set forth on page of the accompanying base prospectus under the caption “Fees and Expenses” with respect to this offering.

The following example illustrates the expenses that common stockholders would pay on a \$1,000 investment in common stock assuming (1) underwriting discounts and commissions of % and offering expenses of % of the offering price; (2) total annual expenses before tax of % of net assets attributable to shares of common stock; (3) a 5% annual return on our portfolio securities, and income tax expense associated with the 5% assumed rate of return on such portfolio securities:

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
Total Expenses Paid by Common Stockholders(1) . . . . .	\$	\$	\$	\$

- (1) The underwriting discounts, commissions and offering expenses are borne by all common stockholders, including investors in this offering. Investors in this offering would pay \$ of underwriting discounts, commissions and offering expenses on a \$1,000 investment in common stock.

**The example should not be considered a representation of future expenses. Actual expenses may be greater or less than those assumed. Moreover, our actual rate of return may be greater or less than the hypothetical 5% return shown in the example.**

## USE OF PROCEEDS

We estimate that the net proceeds from the sale of the \_\_\_\_\_ shares of common stock that we are offering will be approximately \$ \_\_\_\_\_ million, after deducting the underwriting discount and estimated offering expenses payable by us or approximately \$ \_\_\_\_\_ million if the underwriters exercise the over-allotment option in full.

We intend to use the net proceeds of the offering to make investments in portfolio companies in accordance with our investment objective and policies and for general corporate purposes. We anticipate that we will be able to invest the net proceeds within \_\_\_\_\_ months from the date of this prospectus supplement.

Pending such investments, we anticipate (i) repaying all or a portion of the indebtedness owed under our existing unsecured revolving credit facility or term loan and (ii) investing the remaining net proceeds in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations or money market instruments. A delay in the anticipated use of proceeds could lower returns and reduce the amount of cash available to make dividend and interest payments on preferred stock and debt securities, respectively, and reduce the amount of net distributable income available for distribution to our common stockholders.

At \_\_\_\_\_, 201\_\_\_\_, we had outstanding borrowings on our revolving credit facility and term loan of \$ \_\_\_\_\_ and \$ \_\_\_\_\_, respectively. Any borrowings under our revolving credit facility and term loan will be used to fund investments in portfolio companies and for general corporate purposes. Amounts repaid under our revolving credit facility and term loan will remain available for future borrowings. [Affiliates of some of the underwriters are lenders under our revolving credit facility and will receive a pro rata portion of the net proceeds from this offering, if any, used to reduce amounts outstanding under our revolving credit facility. See “Underwriting — Affiliations — Conflicts of Interests.”]

## CAPITALIZATION

The following table sets forth our capitalization as of \_\_\_\_\_, 201\_\_\_\_, as adjusted to give effect to the issuance of the shares of common stock offered hereby. Common stockholders will bear the costs associated with this offering.

	As of _____, 201____	
	(Unaudited)	
	Actual	As Adjusted
	(\$ in 000s, except per share data)	
Cash and Cash Equivalents .....	\$	\$ (1)
Short-Term Debt: .....	\$	\$
Long-Term Debt: .....	\$	\$
Mandatory Redeemable Preferred Stock:		
Series B MRP Shares, \$0.001 par value per share, liquidation preference \$25.00 per share (320,000 shares issued and outstanding, 320,000 shares authorized) (2) .....		
Series C MRP Shares, \$0.001 par value per share, liquidation preference \$25.00 per share (1,680,000 shares issued and outstanding, 1,680,000 shares authorized) (2) .....		
Series F MRP Shares, \$0.001 par value per share, liquidation preference \$25.00 per share (5,000,000 shares issued and outstanding, 5,000,000 authorized)(2) .....		
Series H MRP Shares, \$0.001 par value per share, liquidation preference \$25.00 per share (2,000,000 shares issued and outstanding, 2,000,000 authorized) (2) .....		
Series I MRP Shares, \$0.001 par value per share, liquidation preference \$25.00 per share (1,000,000 shares issued and outstanding, 1,000,000 authorized) (2) .....		
Series J MRP Shares, \$0.001 par value per share, liquidation preference \$25.00 per share (2,000,000 shares issued and outstanding, 2,000,000 authorized) (2) .....		
Common Stockholders' Equity:		
Common stock, \$0.001 par value per share, _____ shares authorized ( _____ shares issued and outstanding, _____ shares issued and outstanding, as adjusted) (2)[(3)] ...	\$	\$
Paid-in capital (4) .....		
Accumulated net investment loss, net of income taxes, less dividends .....		
Accumulated realized gains on investments, options and interest rate swap contracts, net of income taxes .....		
Net unrealized gains on investments and options, net of income taxes .....		
Net assets applicable to common stockholders .....	\$	\$

- (1) We intend to use the net proceeds from this offering to make investments in portfolio companies in accordance with our investment objective and policies, to repay indebtedness or for general corporate purposes. Pending such uses, we anticipate either investing the proceeds in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations, money market instruments or cash.
- (2) We do not hold any of these outstanding securities for our account.
- (3) [This does not include shares that may be issued in connection with the underwriters' over allotment option.]
- (4) As adjusted, additional paid-in capital reflects the proceeds from the issuance of shares of common stock offered hereby (\$ \_\_\_\_\_), less \$0.001 par value per share of common stock (\$ \_\_\_\_\_), less the sales commission (\$ \_\_\_\_\_) and less the estimated offering costs borne by us (\$ \_\_\_\_\_) related to the issuance of shares of common stock in this offering.

**UNDERWRITING**  
**[TO BE FURNISHED AT TIME OF OFFERING]**

**LEGAL MATTERS**

Certain legal matters in connection with our common stock will be passed upon for us by Paul Hastings LLP, San Francisco, California, and for the underwriter by . Paul Hastings LLP and may rely as to certain matters of Maryland law on the opinion of Venable LLP, Baltimore, Maryland.

**WHERE YOU CAN FIND MORE INFORMATION**

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and the 1940 Act, and are required to file reports, including annual and semi-annual reports, proxy statements and other information with the SEC. We voluntarily file quarterly shareholder reports. Our most recent shareholder report filed with the SEC is for the period ended , 201 . These documents are available on the SEC’s EDGAR system and can be inspected and copied for a fee at the SEC’s public reference room, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Additional information about the operation of the public reference room facilities may be obtained by calling the SEC at (202) 551-5850.

This prospectus supplement and the accompanying prospectus do not contain all of the information in our registration statement, including amendments, exhibits and schedules. Statements in this prospectus supplement and the accompanying 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 us can be found in our 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 our registration statement, other documents incorporated by reference, and other information we have filed electronically with the SEC, including proxy statements and reports filed under the Exchange Act.

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**Shares**

**Kayne Anderson MLP Investment Company**

**[LOGO]**

**Common Stock**

**PROSPECTUS SUPPLEMENT**

**, 201**

**[Underwriters]**

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The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been filed with and declared effective by the Securities and Exchange Commission. The preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated \_\_\_\_\_, 201 .

# Kayne Anderson

*MLP Investment Company*

## % Series      Mandatory Redeemable Preferred Shares Liquidation Preference \$      per share Mandatory Redeemable      , 20

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

We are offering \_\_\_\_\_ shares of our Series \_\_\_\_\_ Mandatory Redeemable Preferred Shares (“Series \_\_\_\_\_ MRP Shares”) with an aggregate liquidation preference of \$ \_\_\_\_\_ in this prospectus supplement. This prospectus supplement, together with the accompanying prospectus dated \_\_\_\_\_, 201 (the “prospectus”), sets forth the information that you should know before investing.

Investors in the Series \_\_\_\_\_ MRP Shares will be entitled to receive cash dividends at an annual rate of \_\_\_\_\_ % per annum. Dividends on the Series MRP Shares will be payable on the first business day of each month, beginning on \_\_\_\_\_, 201 and upon the redemption of the Series \_\_\_\_\_ MRP Shares. The initial dividend period for the Series \_\_\_\_\_ MRP Shares will commence on \_\_\_\_\_, 201 and end on \_\_\_\_\_, 20 . Each subsequent dividend period will be a calendar month (or the portion thereof occurring prior to the redemption of such Series \_\_\_\_\_ MRP Shares). Dividends with respect to any monthly dividend period will be declared and paid to holders of record of Series \_\_\_\_\_ MRP Shares as their names appear on our books and records at the close of business on the 15th day of such monthly dividend period (or if such day is not a business day, the next preceding business day) or, with respect to the initial dividend period, to holders of record of Series \_\_\_\_\_ MRP Shares as their names appear on our books and records at the close of business on \_\_\_\_\_, 20 .

We are required to redeem the Series \_\_\_\_\_ MRP Shares on \_\_\_\_\_, 201 . In addition, the Series MRP \_\_\_\_\_ Shares are subject to optional and mandatory redemption by us in certain circumstances described in this prospectus supplement.

Application has been made to list the Series \_\_\_\_\_ MRP Shares on the New York Stock Exchange (the “NYSE”) under the symbol “KYN Pr \_\_\_\_\_”. If the application is approved, trading on such exchange will begin within \_\_\_\_\_ days after the date of this prospectus supplement, subject to notice of issuance. We have been advised by the Underwriters that they intend to make a market in the Series \_\_\_\_\_ MRP Shares, but they are not obligated to do so and may discontinue market-making at any time without notice. Consequently, it is anticipated that, prior to the commencement of trading on the NYSE, an investment in Series \_\_\_\_\_ MRP Shares may be illiquid.

We intend to use the net proceeds from the sale of Series \_\_\_\_\_ MRP Shares to make investments in portfolio companies in accordance with our investment objective and policies, to repay indebtedness and for general corporate purposes. See “Use of Proceeds” in this prospectus supplement.

The Series \_\_\_\_\_ MRP 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 government agency.

**Investing in Series \_\_\_\_\_ MRP Shares involves risk. See “Risks of Investing in Mandatory Redeemable Preferred Shares” on page S-MRPS-7 of this prospectus supplement and “Risk Factors” beginning on page 22 of the accompanying prospectus.**

	Per Share	Total
Initial price to public . . . . .	\$ _____	\$ _____
Underwriting discount . . . . .	\$ _____	\$ _____
Proceeds before expenses to the Company[(1)] . . . . .	\$ _____	\$ _____

[(1) Assumes no exercise of the overallotment option described below.]

The Underwriters may also purchase up to an aggregate of \_\_\_\_\_ additional Series \_\_\_\_\_ MRP Shares from us, at the initial public offering price, less the underwriting discount, with \_\_\_\_\_ days from the date of this prospectus supplement solely to cover overallotments, if any.

**None of the Securities and Exchange Commission, any state securities commission or any other regulatory body has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The Series \_\_\_\_\_ MRP Shares will be ready for delivery on or about \_\_\_\_\_, 201 .

\_\_\_\_\_  
[Underwriter(s)]

\_\_\_\_\_  
, 201 .

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. This prospectus supplement and the accompanying prospectus set forth certain information about us that a prospective investor should carefully consider before making an investment in our securities. This prospectus supplement, which describes the specific terms of this offering, also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference in the accompanying prospectus. The accompanying prospectus gives more general information, some of which may not apply to this offering. If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in this prospectus supplement; provided that if any statement in one of these documents is inconsistent with a statement in another document having a later date and incorporated by reference into the accompanying prospectus or this prospectus supplement, the statement in the incorporated document having the later date modifies or supersedes the earlier statement. We have not, and the Underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the Underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted or where the person making the offer or sale is not qualified to do so or to any person to whom it is not permitted to make such offer or sale. The information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate only as of the respective dates on their front covers, regardless of the time of delivery of this prospectus supplement, the accompanying prospectus, or the sale of the Series MRP Shares. Our business, financial condition, results of operations and prospects may have changed since that date.

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You should read this prospectus supplement and the accompanying prospectus before deciding whether to invest and retain it for future reference. A statement of additional information, dated , 201 (“SAI”), as supplemented from time to time, containing additional information about us, has been filed with the Securities and Exchange Commission (“SEC”) and is incorporated by reference in its entirety into this prospectus supplement. You may request a free copy of our SAI by calling toll-free at (877) 657-3863, or by writing to us at 811 Main Street, 14th Floor, Houston, Texas 77002. Electronic copies of the accompanying prospectus, our stockholder reports and our SAI are also available on our website (<http://www.kaynefunds.com>). You may also obtain copies of these documents (and other information regarding us) from the SEC’s web site (<http://www.sec.gov>).

Capitalized terms used but not defined in this prospectus supplement shall have the meanings given to such terms in the Articles Supplementary setting forth the rights and preferences of the Series MRP Shares (the “Articles Supplementary”). The Articles Supplementary are available from us upon request.

#### **CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus supplement, the accompanying prospectus and the SAI contain forward-looking statements. All statements other than statements of historical facts included in this prospectus supplement, the accompanying prospectus or the SAI that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements including, in particular, the statements about our plans, objectives, strategies and prospects regarding, among other things, our financial condition, results of operations and business. We have identified some of these forward-looking statements with words like “believe,” “may,” “could,” “might,” “forecast,” “possible,” “potential,” “project,” “will,” “should,” “expect,” “intend,” “plan,” “predict,” “anticipate,” “estimate,” “approximate” or “continue” and other words and terms of similar meaning and the negative of such terms. Such forward-looking statements may be contained in this prospectus supplement as well as in the accompanying prospectus. These forward-looking statements are based on current expectations about future events affecting us and are subject to uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Many factors mentioned in our discussion in this prospectus supplement, the accompanying prospectus or the SAI, including the risks outlined under “Risks of Investing in Mandatory Redeemable Preferred Shares” in this prospectus supplement and under “Risk Factors” in the accompanying prospectus, will be important in

determining future results. In addition, several factors that could materially affect our actual results are the ability of the MLPs and other Midstream Energy Companies in which we invest to achieve their objectives, our ability to source favorable private investments, the timing and amount of distributions and dividends from the MLPs and other Midstream Energy Companies in which we intend to invest, the dependence of our future success on the general economy and its impact on the industries in which we invest and other factors discussed in our periodic filings with the SEC.

Although we believe that the expectations reflected in our forward-looking statements are reasonable, we do not know whether our expectations will prove correct. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. The factors identified above are believed to be important factors, but not necessarily all of the important factors, that could cause our actual results to differ materially from those expressed in any forward-looking statement. Unpredictable or unknown factors could also have material adverse effects on us. Since our actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements, we cannot give any assurance that any of the events anticipated by the forward-looking statements will occur or, if any of them do, what impact they will have on our results of operations and financial condition. All forward-looking statements included in this prospectus supplement, the accompanying prospectus or the SAI, are expressly qualified in their entirety by the foregoing cautionary statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of such documents. We do not undertake any obligation to update, amend or clarify these forward-looking statements or the risk factors contained therein, whether as a result of new information, future events or otherwise, except as may be required under the federal securities laws. We acknowledge that, notwithstanding the foregoing statements, the Private Securities Litigation Reform Act of 1995 does not apply to investment companies such as us.

## PROSPECTUS SUPPLEMENT SUMMARY

*This summary does not contain all of the information that you should consider before investing in our mandatory redeemable preferred stock. You should read carefully this entire prospectus supplement, the accompanying prospectus, including the sections entitled “Risks of Investing in Mandatory Redeemable Preferred Shares” on page S- of this prospectus supplement and “Risk Factors” beginning on page of the accompanying prospectus.*

### The Company

Kayne Anderson MLP Investment Company, a Maryland corporation, is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). Our investment objective is to obtain a high after-tax total return by investing at least 85% of our total assets in MLPs and other Midstream Energy Companies. We also must comply with the SEC’s rule regarding investment company names, which requires us, under normal market conditions, to invest at least 80% of our total assets in MLPs so long as “MLP” is in our name. Our shares of common stock are listed on the New York Stock Exchange (“NYSE”) under the symbol “KYN.”

As of , 201 , we had net assets applicable to our common stock of approximately \$ billion and total assets of approximately \$ billion.

As of , 201 , we had \$ billion of total leverage outstanding. This leverage is comprised of debt (notes and borrowings under our revolving credit facility and term loan) and mandatory redeemable preferred stock. Under normal market conditions, our policy is to use leverage that represents approximately 30% of total assets. As of , 201 , we had \$ million in unsecured notes outstanding with maturity dates ranging from 20 to 20 (the “Notes”).

### Investment Adviser

KA Fund Advisors, LLC (“KAFA” or the “Adviser”) is our investment adviser, responsible for implementing and administering our investment strategy. KAFA is a subsidiary of Kayne Anderson Capital Advisors, L.P. (“KACALP” and, together with KAFA, “Kayne Anderson”). Each of KAFA and KACALP is an SEC-registered investment adviser. As of , 201 , Kayne Anderson and its affiliates managed approximately \$ billion, including approximately \$ billion in MLPs and other Midstream Energy Companies. Kayne Anderson has invested in MLPs and other Midstream Energy Companies since 1998. We believe that Kayne Anderson has developed an understanding of the MLP market that enables it to identify and take advantage of public MLP investment opportunities. In addition, Kayne Anderson’s senior professionals have developed a strong reputation in the energy sector and have many long-term relationships with industry managers, which we believe gives Kayne Anderson an important advantage in sourcing and structuring private investments.

KAFA manages three other publicly traded investment companies: Kayne Anderson Energy Total Return Fund, Inc. (NYSE: KYE); Kayne Anderson Energy Development Company (NYSE: KED); and Kayne Anderson Midstream/Energy Fund, Inc. (NYSE: KMF).

### Portfolio Investments

Our investments are principally in equity securities issued by MLPs. Generally, we invest in equity securities of (i) master limited partnerships, including preferred, common and subordinated units and general partner interests, (ii) owners of such interests in master limited partnerships and (iii) other Midstream Energy Companies. We may also invest in debt securities of MLPs and other Midstream Energy Companies with varying maturities of up to 30 years.

We are permitted to invest up to 50% of our total assets in unregistered or otherwise restricted securities of MLPs and other Midstream Energy Companies, including securities issued by private companies. We may invest up to 15% of our total assets in any single issuer.

We are permitted to invest up to 20% of our total assets in debt securities of MLPs and other Midstream Energy Companies, including below investment grade debt securities (commonly referred to as “junk bonds” or “high yield bonds”) rated, at the time of investment, at least B3 by Moody’s Investors Service, Inc., B- by Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, or Fitch, Inc., comparably rated by another rating agency or, if unrated, determined by Kayne Anderson to be of comparable quality. In addition, up to one-quarter of our permitted investments in debt securities (or up to 5% of our total assets) may be invested in unrated debt securities or debt securities that are rated less than B3/B- of public or private companies.

As of \_\_\_\_\_, 201 , we held \$ \_\_\_\_\_ billion in equity investments and \$ \_\_\_\_\_ million in fixed income investments. Our top 10 largest holdings by issuer as of that date were:

	<u>Company</u>	<u>Amount (\$ millions)</u>	<u>Percent of Total Investments</u>
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			

## The Offering

Issuer	Kayne Anderson MLP Investment Company
Series MRP Shares Offered	Series MRP Shares, \$ liquidation preference per share (\$ aggregate liquidation preference). The Series MRP Shares are being offered by the underwriters (the “Underwriters”) listed under “Underwriting,” for which are acting as representatives. [We have granted the Underwriters the right for days to purchase up to an additional Shares to cover over-allotments. Unless otherwise specifically stated, the information throughout this prospectus supplement does not take into account the possible issuance to the Underwriters of additional Series MRP Shares pursuant to their right to purchase additional Series MRP Shares to cover over-allotments.]
Dividend Rate	The Series MRP Shares will pay monthly cash dividends at a rate of % per annum. The dividend rate is subject to adjustment (but will not in any event be lower than %) in certain circumstances. See “Description of Mandatory Redeemable Preferred Shares — Series MRP Shares — Dividends and Dividend Periods — Fixed Dividend Rate,” “Description of Mandatory Redeemable Preferred Shares — Series MRP Shares — Dividends and Dividend Periods — Adjustment to Fixed Dividend Rate — Ratings” and “Description of Mandatory Redeemable Preferred Shares — Series MRP Shares — Dividends and Dividend Periods — Default Rate — Default Period” in this prospectus supplement.
Dividend Payments	The holders of Series MRP Shares will be entitled to receive cash dividends when, as and if authorized by the Board of Directors and declared by us, out of funds legally available therefor. Dividends on the Series MRP Shares will be payable on the first business day of each month, beginning on , 201 , and upon redemption of the Series MRP Shares (each payment date a “Dividend Payment Date”). The initial dividend period for the Series MRP Shares will commence on , 201 and end on , 201 . Each subsequent dividend period will be a one month period (or the portion thereof occurring prior to the redemption of such Series MRP Shares) (each dividend period a “Dividend Period”). Dividends with respect to any monthly Dividend Period will be declared and paid to holders of record of the Series MRP Shares as their names appear on our books and records at the close of business on the 15th day of such Dividend Period (or if such day is not a business day, the next preceding business day) or with respect to the initial Dividend Period, to holders of record of Series MRP Shares as their names appear on our books and records at the close of business on , 201. See “Description of Mandatory Redeemable Preferred Shares — Series MRP Shares — Dividends and Dividend Periods” in this prospectus supplement.
Term Redemption	We are required to redeem all outstanding Series MRP Shares on , 201 (the “Term Redemption Date”) at a redemption price equal to \$ per share plus an amount equal to accumulated



but unpaid dividends thereon (whether or not earned or declared but excluding interest thereon) to (but excluding) the Term Redemption Date (the “Redemption Price”). See “Description of Mandatory Redeemable Preferred Shares — Series MRP Shares — Redemption — Term Redemption” in this prospectus supplement

#### Mandatory Redemption for Asset Coverage and Series MRP Shares Basic Maintenance Amount Asset Coverage.

If we fail to maintain asset coverage of at least 225% (the “Series MRP Shares Asset Coverage”) as of the close of business on the last day of any month and such failure is not cured as of the close of business on the date that is 30 days following such day, the Series MRP Shares will be subject to mandatory redemption at the Redemption Price. See “Asset Coverage Requirements” and “Description of Mandatory Redeemable Preferred Shares — Series MRP Shares — Redemption — Mandatory Redemption” in this prospectus supplement.

Series MRP Shares Basic Maintenance Amount. If we fail to maintain assets in our portfolio that have a value equal to the Series MRP Shares Basic Maintenance Amount (as defined below) as of the close of business on the last business day of any week, and such failure is not cured as of the close of business on the date that is 30 days following such day, the Series MRP Shares will be subject to mandatory redemption at the Redemption Price. See “Asset Coverage Requirements” and “Description of Mandatory Redeemable Preferred Shares — Series MRP Shares — Redemption — Mandatory Redemption” in this prospectus supplement.

*Mandatory Redemption of Series MRP Shares.* To the extent that a redemption of the Series MRP Shares is required as a result of our failure to maintain either (i) asset coverage of at least 225% or (ii) assets in our portfolio that have a value equal to the basic maintenance amount required by the rating agency rating the Series MRP Shares under its specific rating agency guideline at any time, the Series MRP Shares will be subject to mandatory redemption at the Redemption Price. See “Asset Coverage Requirements” and “Description of Mandatory Redeemable Preferred Shares — Series MRP Shares — Redemption — Mandatory Redemption” in this prospectus supplement.

#### Optional Redemption

We may redeem the Series MRP Shares at any time following , 201 at the Optional Redemption Price (as defined below) per share. On a limited basis, if at any time on or prior to , 201 , the Series MRP Shares Asset Coverage is less than or equal to 235% for any 5 business days within a 10 business day period, we may redeem the Series MRP Shares at % of the liquidation preference per share, plus an amount equal to the then accumulated but unpaid dividends thereon to (but excluding) the date fixed for redemption. See “Description of Mandatory Redeemable Preferred Shares — Series MRP Shares — Redemption — Optional Redemption” in this prospectus supplement.

Use of Proceeds	<p>We estimate that our net proceeds from this offering after deducting the underwriting discount and estimated offering expenses payable by us will be approximately \$            million[, or \$            million if the Underwriters exercise the over-allotment option in full]. We intend to use all of the net proceeds of this offering to make investments in portfolio companies in accordance with our investment objective and policies, to repay indebtedness and for general corporate purposes. See “Use of Proceeds” in this prospectus supplement.</p>
NYSE Listing	<p>Application has been made to list the Series     MRP Shares on the NYSE under the symbol “KYN Pr     ”. If the application is approved, trading on such exchange will begin within     days after the date of this prospectus supplement, subject to notice of issuance. We have been advised by the Underwriters that they intend to make a market in the Series     MRP Shares, but they are not obligated to do so and may discontinue market-making at any time without notice. Consequently, it is anticipated that, prior to the commencement of trading on the NYSE, an investment in Series     MRP Shares may be illiquid.</p>
Ratings	<p>There can be no assurance that any rating obtained in connection with the offering of Series     MRP Shares will be maintained at the level originally assigned through the term of the Series     MRP Shares. The dividend rate payable on the Series     MRP Shares will be subject to an increase in the event that the rating of the Series     MRP Shares by (together with any nationally recognized statistical ratings agency then rating the Series     MRP Shares, a “Rating Agency”) is downgraded below “     ” (or the equivalent of such rating by another Rating Agency), or if no Rating Agency is then rating the Series     MRP Shares. See “Description of Mandatory Redeemable Preferred Shares — Series     MRP Shares — Dividends and Dividend Periods — Adjustment to Fixed Dividend Rate — Ratings” in this prospectus supplement. The Board of Directors has the right to terminate the designation of or any other Rating Agency as a Rating Agency for purposes of the Series     MRP Shares. In such event, any rating of such terminated Rating Agency, to the extent it would have been taken into account in any of the provisions of the Series     MRP Shares which are described in this prospectus supplement or included in the Articles Supplementary, will be disregarded, and only the ratings of the then-designated Rating Agency will be taken into account.</p>
Federal Income Tax Matters	<p>Under present law, we believe that the Series     MRP Shares will constitute equity, and thus distributions with respect to the Series     MRP Shares will generally constitute dividends to the extent of our allocable current or accumulated earnings and profits, as calculated for federal income tax purposes. Such dividends generally will be taxable as ordinary income to holders but are expected to be treated as “qualified dividend income” that is generally subject to reduced rates of federal income taxation for noncorporate investors and are also expected to be eligible for the dividends received deduction available to corporate stockholders, in each case provided that certain holding period requirements are met. See “Federal Income Tax Matters” in this prospectus supplement.</p>

Redemption and Paying Agent

American Stock Transfer & Trust Company

Risk Factors

See “Risk Factors” and other information included in the accompanying prospectus, as well as “Risks of Investing in Mandatory Redeemable Preferred Shares” in this prospectus supplement, for a discussion of risk factors you should carefully consider before deciding to invest in Series MRP Shares.

## **RISKS OF INVESTING IN MANDATORY REDEEMABLE PREFERRED SHARES**

*Investing in any of our securities involves risk, including the risk that you may receive little or no return on your investment or even that you may lose part or all of your investment. Therefore, before investing in the Series MRP Shares you should consider carefully the following risks, as well as the risk factors set forth under “Risk Factors” beginning on page of the accompanying prospectus.*

### **Interest Rate Risk**

Our Series MRP Shares pay dividends at a fixed dividend rate. Prices of fixed income investments vary inversely with changes in market yields. The market yields on intermediate term securities comparable to Series MRP Shares may increase, which would likely result in a decline in the secondary market price of Series MRP Shares prior to their term redemption.

### **Secondary Market and Delayed Listing Risk**

Because we have limited prior trading history for exchange-listed preferred shares, it is difficult to predict the trading patterns of Series MRP Shares, including the effective costs of trading Series MRP Shares. Moreover, the Series MRP Shares will not be immediately tradable on a stock exchange after the date of the offering and during this time period, an investment in Series MRP Shares will be illiquid. Even after the application is approved and the Series MRP Shares are listed on the NYSE as anticipated, there is a risk that the market for Series MRP Shares may be thinly traded and relatively illiquid compared to the market for other types of securities, with the spread between the bid and asked prices considerably greater than the spreads of other securities with comparable terms and credit ratings.

### **Early Redemption Risk**

We may voluntarily redeem Series MRP Shares or may be forced to redeem Series MRP Shares to meet regulatory requirements or asset coverage requirements. Such redemptions may be at a time that is unfavorable to holders of Series MRP Shares. See “Asset Coverage Requirements” and “Description of Mandatory Redeemable Preferred Shares — Series MRP Shares — Redemption” in this prospectus supplement.

### **Reinvestment Risk**

Given the multi-year term and potential for early redemption of Series MRP Shares, holders of Series MRP Shares may face an increased reinvestment risk, which is the risk that the return on an investment purchased with proceeds from the sale or redemption of Series MRP Shares may be lower than the return previously obtained from an investment in Series MRP Shares.

### **Credit Crisis and Liquidity Risk**

General market uncertainty and extraordinary conditions in the credit markets may impact the liquidity of our investment portfolio, which in turn, during extraordinary circumstances, could impact our distributions and/or the liquidity of the Term Redemption Liquidity Account. Furthermore, there may be market imbalances of sellers and buyers of Series MRP Shares during periods of extreme illiquidity and volatility. Such market conditions may lead to periods of thin trading in any secondary market for the Series MRP Shares and may make valuation of the Series MRP Shares uncertain. As a result, the spread between bid and asked prices is likely to increase significantly such that a Series MRP Shares investor may have greater difficulty selling his or her Series MRP Shares. Less liquid and more volatile trading environments could result in sudden and significant increases or declines in the market price for Series MRP Shares.

## USE OF PROCEEDS

We estimate that the net proceeds from the sale of the \_\_\_\_\_ Series \_\_\_\_\_ MRP Shares that we are offering will be approximately \$ \_\_\_\_\_ million, after payment of the underwriting discount and estimated offering expenses payable by us [or approximately \$ \_\_\_\_\_ million if the Underwriters exercise the overallotment option in full].

We intend to use the net proceeds of this offering to make investments in portfolio companies in accordance with our investment objective and policies, to repay indebtedness and for general corporate purposes. We anticipate that we will be able to invest the net proceeds within \_\_\_\_\_ months from the date of this prospectus supplement.

Pending such investments, we anticipate (i) repaying all or a portion of the indebtedness owed under our existing unsecured revolving credit facility or term loan and (ii) investing the remaining net proceeds in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations or money market instruments. A delay in the anticipated use of proceeds could lower returns and reduce the amount of cash available to make dividend and interest payments on preferred stock and debt securities, respectively, and reduce the amount of net distributable income available for distribution to our common stockholders.

At \_\_\_\_\_, 201\_\_\_\_, we had outstanding borrowings on our revolving credit facility and term loan of \$ \_\_\_\_\_ and \$ \_\_\_\_\_, respectively. Any borrowings under our revolving credit facility and term loan will be used to fund investments in portfolio companies and for general corporate purposes. Amounts repaid under our revolving credit facility and term loan will remain available for future borrowings. [Affiliates of some of the underwriters are lenders under our revolving credit facility and will receive a pro rata portion of the net proceeds from this offering, if any, used to reduce amounts outstanding under our revolving credit facility. See “Underwriting — Affiliations — Conflicts of Interests.”]

## CAPITALIZATION

The following table sets forth our capitalization as of \_\_\_\_\_, 201\_\_\_\_, as adjusted to give effect to the issuance of the Series \_\_\_\_\_ MRP Shares offered hereby. Common stockholders will bear the costs associated with this offering.

	As of _____, 201____	
	(Unaudited)	
	Actual	As Adjusted
	(\$ in 000s, except per share data)	
Cash and Cash Equivalents .....	\$	\$ (1)
Short-Term Debt:	\$	\$
Long-Term Debt:	\$	\$
Mandatory Redeemable Preferred Stock:		
Series B MRP Shares, \$0.001 par value per share, liquidation preference \$25.00 per share (320,000 shares issued and outstanding, 320,000 shares authorized) (2) .....	\$	\$
Series C MRP Shares, \$0.001 par value per share, liquidation preference \$25.00 per share (1,680,000 shares issued and outstanding, 1,680,000 shares authorized) (2) .....		
Series F MRP Shares, \$0.001 par value per share, liquidation preference \$25.00 per share (5,000,000 shares issued and outstanding, 5,000,000 shares authorized)(2) .....		
Series H MRP Shares, \$0.001 par value per share, liquidation preference \$25.00 per share (2,000,000 shares issued and outstanding, 2,000,000 authorized) (2) .....		
Series I MRP Shares, \$0.001 par value per share, liquidation preference \$25.00 per share (1,000,000 shares issued and outstanding, 1,000,000 authorized) (2) .....		
Series J MRP Shares, \$0.001 par value per share, liquidation preference \$25.00 per share (2,000,000 shares issued and outstanding, 2,000,000 authorized) (2) .....		
Series _____ MRP Shares, \$0.001 par value per share, liquidation preference \$ per share ( _____ shares issued and outstanding, _____ shares authorized) (2)[(3)] .....		
Common Stockholders' Equity:		
Common stock, \$0.001 par value per share, shares authorized ( _____ shares issued and outstanding) (2) .....	\$	\$
Paid-in capital .....		
Accumulated net investment loss, net of income taxes, less dividends .....		
Accumulated realized gains on investments, options, and interest rate swap contracts, net of income taxes .....		
Net unrealized gains on investments and options, net of income taxes .....		
Net assets applicable to common stockholders .....	\$	\$

- (1) We intend to use the net proceeds from this offering to make investments in portfolio companies in accordance with our investment objective and policies, to repay indebtedness or for general corporate purposes. Pending such uses, we anticipate either investing the proceeds in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations, money market instruments or cash.
- (2) We do not hold any of these outstanding securities for our account.
- [(3) This does not include shares that may be issued in connection with the underwriters' over allotment option.]

## ASSET COVERAGE REQUIREMENTS

The 1940 Act and the Rating Agency rating the Series MRP Shares impose asset coverage requirements that may limit our ability to engage in certain types of transactions and may limit our ability to take certain actions without confirming with the Rating Agency that such action will not impair the ratings.

We are required to satisfy two separate asset maintenance requirements with respect to outstanding Series MRP Shares: (1) we must maintain assets in our portfolio that have a value, discounted in accordance with guidelines set forth by the Rating Agency, at least equal to the aggregate liquidation preference of the Series MRP Shares, plus specified liabilities, payment obligations and other amounts as set forth by the Rating Agency (the “Series MRP Shares Basic Maintenance Amount”); and (2) we must satisfy the 1940 Act asset coverage requirements. The Rating Agency may amend its guidelines from time to time.

In order to meet the 1940 Act asset coverage requirements, we must maintain, with respect to our outstanding preferred stock, asset coverage of at least 200%. Notwithstanding the foregoing, we have agreed, while the Series MRP Shares are outstanding, to maintain the Series MRP Shares Asset Coverage (or asset coverage of at least 225%). We estimate that based on our capitalization as of \_\_\_\_\_, 201\_\_\_\_, our asset coverage, after giving effect to this offering would be:

	(\$ in millions)	
Value of Company assets less all liabilities and indebtedness not represented by senior securities . . . . .	\$	
Senior securities representing indebtedness (including borrowings on our credit facility), plus the aggregate liquidation preference of all outstanding Preferred Shares . . . . .	\$	= _____ %

A copy of the current Rating Agency Guidelines will be provided to any holder of Series MRP Shares promptly upon written request by such holder to the Company at 811 Main Street, 14th Floor, Houston, Texas 77002. See “Rating Agency Guidelines” in the accompanying prospectus for a more detailed description of our asset maintenance requirements.

## DESCRIPTION OF MANDATORY REDEEMABLE PREFERRED SHARES

The following is a brief description of the terms of the Series MRP Shares. This description does not purport to be complete and is subject to and qualified in its entirety by reference to the more detailed description of the Mandatory Redeemable Preferred Shares in the Articles Supplementary, a copy of which is filed as an exhibit to our registration statement.

### General

As of , 201 , our authorized capital consisted of shares of common stock, \$0.001 par value per share; 320,000 shares of Series B Mandatory Redeemable Preferred Stock, \$0.001 par value per share (the “Series B MRP Shares”); 1,680,000 shares of Series C Mandatory Redeemable Preferred Stock, \$0.001 par value per share (the “Series C MRP Shares”); 5,000,000 shares of Series F Mandatory Redeemable Preferred Stock, \$0.001 par value per share (the “Series F MRP Shares”); 2,000,000 shares of Series H Mandatory Redeemable Preferred Stock \$0.001 par value per share (the “Series H MRP Shares”); 1,000,000 shares of Series I Mandatory Redeemable Preferred Stock \$0.001 par value per share (the “Series I MRP Shares”) and 2,000,000 shares of Series J Mandatory Redeemable Preferred Stock \$0.001 par value per share (the “Series J MRP Shares”). In addition, the Articles Supplementary provide that shares of common stock shall be classified and designated as an aggregate of Series MRP Shares with the rights, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption as set forth in the Articles Supplementary.

As of , 201 there were no outstanding options or warrants to purchase our stock. No stock has been authorized for issuance under any equity compensation plans. Under Maryland law, our stockholders generally are not personally liable for our debts or obligations.

Under our Charter, our Board of Directors is authorized to classify and reclassify any unissued shares of stock into other classes or series of stock and authorize the issuance of shares of stock on a parity with the Series B MRP Shares, Series C MRP Shares, Series F MRP Shares, Series H MRP Shares, Series I MRP Shares, Series J MRP Shares and Series MRP Shares with preferences, rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption as determined by the Board of Directors without obtaining stockholder approval. As permitted by the Maryland General Corporation Law, our Charter provides that the Board of Directors, without any action by our stockholders, may amend the Charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue.

### Series MRP Shares

The Series MRP Shares have a liquidation preference of \$ per share, plus all accumulated but unpaid dividends (whether or not earned or declared) to the date of final distribution. The Series MRP Shares when issued and sold through this offering (1) will be fully paid and non-assessable, (2) will not be convertible into shares of our common stock or any other security and (3) will have no preemptive rights. The Series MRP Shares will be subject to optional and mandatory redemption as described below under “— Redemption.”

Holders of Series MRP Shares will not receive certificates representing their ownership interest in such shares. The Depository Trust Company will initially act as Securities Depository with respect to the Series MRP Shares.

American Stock Transfer & Trust Company will act as the transfer agent, registrar and paying agent (“paying agent”) for the Series MRP Shares. Furthermore, the paying agent will send notices to holders of Series MRP Shares of any meeting at which holders of Series MRP Shares have the right to vote. See “— Voting Rights” below. However, the paying agent generally will serve merely as our agent, acting in accordance with our instructions.



*Dividends and Dividend Periods*

*General.* Holders of Series MRP Shares will be entitled to receive monthly cumulative cash dividends, when, as and if authorized by the Board of Directors and declared by us, out of funds legally available therefor, on the initial Dividend Payment Date with respect to the initial Dividend Period and, thereafter, on each Dividend Payment Date with respect to a subsequent Dividend Period at the rate per annum (the “Dividend Rate”) equal to the Applicable Rate (or the “Default Rate”) for each Dividend Period. The Applicable Rate is computed on the basis of a 360 day year consisting of twelve 30 day months. Dividends so authorized and declared and payable shall be paid to the extent permitted under Maryland law and to the extent available and in preference to and priority over any distribution declared and payable on our common stock. For a description of the tax treatment of distributions paid on the Series MRP Shares, see “Federal Income Tax Matters” in this prospectus supplement.

*Fixed Dividend Rate.* The Applicable Rate is an annual rate of % for Series MRP Shares and may be adjusted upon a change in the credit rating of the Series MRP Shares.

*Payment of Dividends and Dividend Periods.* Dividends on the Series MRP Shares will be payable on the first business day of each month, beginning , 201 and upon redemption of the Series MRP Shares. The initial Dividend Period for the Series MRP Shares will commence on , 201 and end on , 201 and each subsequent Dividend Period will be a one month period (or the portion thereof occurring prior to the redemption of such Series MRP Shares). Dividends with respect to any monthly Dividend Period will be declared and paid to holders of record of Series MRP Shares as their names shall appear on our books and records, at the close of business on the 15th day of such Dividend Period (or if such day is not a business day, the next preceding business day) or, with respect to the initial Dividend Period, to holders of record of Series MRP Shares as their names shall appear on our books and records at the close of business on , 201 (each, a “Record Date”). Dividends payable on any Series MRP Shares for any period of less than a full monthly Dividend Period (or a period of more than a full monthly dividend period in the case of the Initial Dividend Period) or upon any redemption of such shares on any redemption date other than on a Dividend Payment Date, will be computed on the basis of the actual number of days elapsed for any period divided by 360.

*Adjustment to Fixed Dividend Rate — Ratings.* So long as the Series MRP Shares are rated on any date no less than “ ” by (or no less than the equivalent of such rating by another Rating Agency), then the Dividend Rate for such series of shares will be equal to the Applicable Rate. If the highest credit rating assigned by (or any other rating agency) on any date to the outstanding Series MRP Shares is equal to one of the ratings set forth in the table below, the Dividend Rate applicable to such outstanding shares for such date will be adjusted by adding the respective enhanced dividend amount (which shall not be cumulative) set forth opposite such rating (or the equivalent rating from any other rating agency) to the Applicable Rate.

*Dividend Rate Adjustment Schedule*

<u>[Rating Agency]</u>	<b>Enhanced Dividend Amount</b>
	%
	%
	%
	%
	%

We shall use our reasonable best efforts to cause at least one Rating Agency to maintain a current rating on the outstanding Series MRP Shares. If no Rating Agency is rating the outstanding Series MRP Shares, the Dividend Rate (so long as no such rating exists) applicable to the Series MRP Shares for such date shall be a rate equal to the Applicable Rate plus %, unless the Dividend Rate is the Default Rate, in which case the Dividend Rate shall remain the Default Rate.

The Board of Directors has the right to terminate the designation of \_\_\_\_\_ or any other Rating Agency as a Rating Agency for purposes of the Series \_\_\_\_\_ MRP Shares. In such event, any rating of such terminated Rating Agency, to the extent it would have been taken into account in any of the provisions of the Series \_\_\_\_\_ MRP Shares which are described in this prospectus supplement or included in the Articles Supplementary, will be disregarded, and only the rating of the then-designated Rating Agency will be taken into account. If a Rating Agency replaces any credit rating used in the determination of the Dividend Rate with a replacement credit rating, references to the replaced credit rating shall thereafter refer to the replacement credit rating. No adjustment to the Dividend Rate shall result in the Dividend Rate being less than the Applicable Rate.

*Default Rate — Default Period.* The Dividend Rate will be the Default Rate in the following circumstances. Subject to the cure provisions below, a “Default Period” with respect to Series \_\_\_\_\_ MRP Shares will commence on any Dividend Payment Date or any date on which the Company would be required to redeem any Series \_\_\_\_\_ MRP Shares assuming none of the conditions of the Special Proviso (as defined below) were applicable if we fail to deposit irrevocably in trust in same-day funds, with the paying agent by 3:00 p.m., New York City time, (i) the full amount of any dividends on the Series \_\_\_\_\_ MRP Shares payable on the Dividend Payment date (a “Dividend Default”) or (ii) the full amount of any redemption price payable with respect to any redemption required assuming none of the conditions of the Special Proviso exist (the “Redemption Date”) (a “Redemption Default” and, together with a Dividend Default, hereinafter referred to as a “Default”). Subject to the cure provisions in the next paragraph below, a Default Period with respect to a Default or a Redemption Default shall end on the business day on which, by 12:00 noon, New York City time, all unpaid dividends and any unpaid redemption price shall have been deposited irrevocably in trust in same-day funds with the paying agent. In the case of a Dividend Default, the Dividend Rate for each day during the Default Period will be equal to the Default Rate. The “Default Rate” for any calendar day shall be equal to the Applicable Rate in effect on such day plus \_\_\_\_\_ percent ( \_\_\_\_\_ %) per annum.

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

*Mechanics of Payment of Dividends.* Not later than 3:00 p.m., New York City time, on the business day next preceding each Dividend Payment Date, we are required to deposit with the paying agent sufficient funds for the payment of dividends. We do not intend to establish any reserves for the payment of dividends. All amounts paid to the paying agent for the payment of dividends will be held irrevocably in trust for the payment of such dividends to the holders of Series \_\_\_\_\_ MRP Shares. Dividends will be paid by the paying agent to the holders of Series \_\_\_\_\_ MRP Shares as their names appear on our books and records on the Record Date. Such payments are made to holders of Series \_\_\_\_\_ MRP Shares as their names appear on our books and records at the close of business on the 15th day of such Dividend Period (or if such day is not a business day, the next preceding business day) or, with respect to the initial Dividend Period, to holders of record of Series \_\_\_\_\_ MRP Shares as their names appear on our books and records at the close of business on \_\_\_\_\_, 201 . Dividends that are in arrears for any past Dividend Period may be declared and paid at any time, without reference to any regular Dividend Payment Date to the holders of Series \_\_\_\_\_ MRP Shares as their names appear on our books and records on the close of business on a date, not exceeding 15 days preceding the payment date, as may be fixed by the Board of Directors. Any payment of dividends in arrears will first be credited against the earliest accumulated but unpaid dividends. No interest will be payable in respect of any dividend payment or payments on any Series MRP Shares which may be in arrears. See “— Default Rate — Default Period” above.

Upon failure to pay dividends for two years or more, the holders of Series \_\_\_\_\_ MRP Shares will acquire certain additional voting rights. See “— Voting Rights” below. Such rights shall be the exclusive remedy of the holders of Series \_\_\_\_\_ MRP Shares upon any failure to pay dividends on Series \_\_\_\_\_ MRP Shares.

*Redemption*

*Term Redemption.* We are required to redeem all of the Series MRP Shares on , 201 , the Term Redemption Date, at the Redemption Price.

*Optional Redemption.* To the extent permitted under the 1940 Act and Maryland law, we may, at our option, redeem Series MRP Shares, in whole or in part, out of funds legally available therefor, at any time and from time to time, upon not less than 30 calendar days nor more than 40 calendar days prior notice. This optional redemption is limited during the first year the Series MRP Shares are outstanding to situations in which the Series MRP Shares Asset Coverage is less than or equal to 235% for any five business days within a 10 business day period. The amount of Series MRP Shares that may be redeemed during the first year may not exceed an amount that results in a Series MRP Share Asset Coverage of more than 250% pro forma for such redemption. At any time on or prior to , 201 , subject to the foregoing conditions, we may redeem Series MRP Shares at a price per share equal to 102% of the liquidation preference per share, plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared but excluding interest thereon) to (but excluding) the date fixed for redemption. After , 201 , subject to the foregoing conditions and to the extent permitted under the 1940 Act and Maryland law, we may redeem the Series MRP Shares at the Optional Redemption Price per share. The “Optional Redemption Price” shall equal the product of the percentage provided below, as applicable, and the liquidation preference per share, plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared but excluding interest thereon) to (but excluding) the date fixed for redemption:

<u>Time Periods</u>	<u>Percentage</u>
After , 201 and on or before , 201 .....	%
After , 201 and on or before , 201 .....	%
After , 201 and on or before the Term Redemption Date .....	%

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

We shall not effect any optional redemption unless (i) on the date of such notice and on the date fixed for redemption we have available either (A) cash or cash equivalents or (B) any other Deposit Securities with a maturity or tender date not later than one day preceding the applicable redemption date, or any combination thereof, having an aggregate value not less than the amount, including any applicable premium, due to holders of the Series MRP Shares by reason of the redemption of the Series MRP Shares on such date fixed for the redemption and (ii) we would satisfy the Series MRP Shares Basic Maintenance Amount.

We also reserve the right to repurchase Series MRP Shares in market or other transactions from time to time in accordance with applicable law and our Charter (including the Articles Supplementary) and at a price that may be more or less than the liquidation preference of the Series MRP Shares, but we are under no obligation to do so.

*Mandatory Redemption.* If, while any Series MRP Shares are outstanding, we fail to maintain the Series MRP Shares Asset Coverage as of the last day of any month or the Series MRP Shares Basic Maintenance Amount as of any valuation date (any such day, an “Asset Coverage Cure Date”), and such failure is not cured as of the date that is 30 days from such Asset Coverage Cure Date (any such day, a “Cure Date”), the Series MRP Shares will be subject to mandatory redemption out of funds legally available therefor at the Redemption Price. See “Rating Agency Guidelines — 1940 Act Asset Coverage” in the accompanying prospectus, but note that we have agreed, while the Series MRP Shares are outstanding, to maintain asset coverage of at least 225% instead of 200%.

The number of Series MRP Shares to be redeemed under these circumstances will be equal to the product of (1) the quotient of the number of outstanding Series MRP Shares divided by the aggregate number of our outstanding Preferred Shares, including the Series MRP Shares, and (2) the minimum number of Preferred Shares, including the Series MRP Shares, the redemption of which would result in our satisfying the Series MRP Shares Asset Coverage or Series MRP Shares Basic Maintenance Amount, as the case may be, in each case as of the relevant Cure Date (provided that, if there is no such minimum number of shares the redemption of which would have such result, all Series MRP Shares then outstanding will be redeemed).

We shall allocate the number of shares required to be redeemed to satisfy the Series MRP Shares Asset Coverage or Series MRP Shares Basic Maintenance Amount, as the case may be, pro rata among the holders of Series MRP Shares in proportion to the number of shares they hold, by lot or by such other method as we shall deem fair and equitable, subject to any mandatory redemption provisions.

We are required to effect such a mandatory redemption not sooner than 30 days and not later than 40 days after the Cure Date (the “Mandatory Redemption Date”) except that if we (1) do not have funds legally available for the redemption of, (2) are not permitted under any agreement or instrument relating to or evidencing indebtedness of the Company to redeem, or (3) are not otherwise legally permitted to redeem, all of the required number of Series MRP Shares and shares of any other class or series of Preferred Stock that are subject to mandatory redemption (we refer to clauses (1), (2) and (3) of this sentence as the “Special Proviso”), or we otherwise are unable to effect such redemption on or prior to such Mandatory Redemption Date; then we shall redeem those Series MRP Shares and shares of any other class or series of Preferred Stock on the earliest practical date on which we will have such funds available and are not otherwise prohibited from redeeming pursuant to any agreements or instruments or applicable law, upon notice to record holders of the Preferred Shares that are subject to mandatory redemption and the paying agent. Our ability to make a mandatory redemption may be limited by the provisions of the 1940 Act or Maryland law.

*Redemption Procedure.* In the event of a redemption, we will file a notice of our intention to redeem any Series MRP Shares with the SEC under Rule 23c-2 under the 1940 Act or any successor provision, to the extent applicable.

We also shall deliver a notice of redemption to the paying agent and the holders of Series MRP Shares to be redeemed not less than 30 days nor more than 40 days prior to the applicable redemption date (“Notice of Redemption”). The Notice of Redemption will be addressed to the registered owners of the Series MRP Shares at their addresses appearing on our books or records. Such notice will set forth (1) the redemption date, (2) the number and identity of Series MRP Shares to be redeemed, (3) the redemption price (specifying the amount of accumulated dividends to be included therein and the amount of the redemption premium, if any), (4) that dividends on the shares to be redeemed will cease to accumulate on such redemption date, and (5) the provision under the Articles Supplementary by which redemption shall be made. No defect in the Notice of Redemption or in the transmittal or mailing thereof will affect the validity of the redemption proceedings, except as required by applicable law.

If less than all of the Series MRP Shares are to be redeemed on any date, the shares per holder to be redeemed on such date will be selected by us on a pro rata basis in proportion to the number of shares held by such holder, by lot or by such other method as is determined by us to be fair and equitable.

If Notice of Redemption has been given, then upon the deposit with the paying agent of funds sufficient to effect such redemption, dividends on such shares will cease to accumulate and such shares will be no longer deemed to be outstanding for any purpose and all rights of the holders of the shares so called for redemption will cease and terminate, except the right of the holders of such shares to receive the redemption price, but without any interest or additional amount. Upon written request, we shall be entitled to receive from the paying agent, promptly after the date fixed for redemption, any cash deposited with the paying agent in excess of (1) the aggregate redemption price of the Series MRP Shares called for redemption on such date and (2) such other

amounts, if any, to which holders of Series MRP Shares called for redemption may be entitled. Any funds so deposited that are unclaimed two years after such redemption date will be paid, to the extent permitted by law, by the paying agent to us upon our request. Subsequent to such payment, holders of Series MRP Shares called for redemption may look only to us for payment.

To the extent that any redemption for which a Notice of Redemption has been given is not made by reason of the Special Proviso, such redemption shall be made as soon as practicable to the extent such funds become legally available or such redemption is no longer otherwise prohibited. Failure to redeem Series MRP Shares shall be deemed to exist when we shall have failed, for any reason whatsoever, to deposit with the Paying Agent on or prior to the date fixed for redemption the redemption price with respect to any shares for which such Notice of Redemption has been given in accordance with the Articles Supplementary. Notwithstanding the fact that we may not have redeemed Series MRP Shares for which a Notice of Redemption has been given, dividends may be declared and paid on Series MRP Shares and shall include those Series MRP Shares for which Notice of Redemption has been given but for which deposit of funds has not been made.

So long as any Series MRP Shares are held of record by the nominee of the Securities Depository, the redemption price for such shares will be paid on the redemption date to the nominee of the Securities Depository. The Securities Depository's normal procedures provide for it to distribute the amount of the redemption price to its agent members who, in turn, are expected to distribute such funds to the persons for whom they are acting as agent.

Notwithstanding the provisions for redemption described above, no Series MRP Shares may be redeemed unless all dividends in arrears on the outstanding Series MRP Shares, and any of our shares ranking on a parity with the Series MRP Shares with respect to the payment of dividends or upon liquidation, have been or are being contemporaneously paid or set aside for payment, except in connection with our liquidation, in which case all Series MRP Shares and all shares ranking in parity with the Series MRP Shares must receive proportionate amounts. At any time we may purchase or acquire all the outstanding Series MRP Shares pursuant to the successful completion of an otherwise lawful purchase or exchange offer made on the same terms to, and accepted by, holders of all outstanding Series MRP Shares.

Except for the provisions described above, nothing contained in the Articles Supplementary limits any legal right of ours to purchase or otherwise acquire any Series MRP Shares at any price, whether higher or lower than the price that would be paid in connection with an optional or mandatory redemption, so long as, at the time of any such purchase, there is no arrearage in the payment of dividends on, or the mandatory or optional redemption price with respect to, any Series MRP Shares for which Notice of Redemption has been given and we are in compliance with the Series MRP Shares Asset Coverage and the Series MRP Shares Basic Maintenance Amount after giving effect to such purchase or acquisition on the date thereof. Any shares purchased, redeemed or otherwise acquired by us shall be returned to the status of authorized but unissued shares of common stock. If less than all outstanding Series MRP Shares are redeemed or otherwise acquired by us, we shall give notice of such transaction to the paying agent, in accordance with the procedures agreed upon by the Board of Directors.

#### *Term Redemption Liquidity Account*

On or prior \_\_\_\_\_, 201 (the "Liquidity Account Initial Date"), we will cause the custodian to segregate, by means of appropriate identification on its books and records or otherwise in accordance with the custodian's normal procedures, from our other assets (the "Term Redemption Liquidity Account") Deposit Securities (each a "Liquidity Account Investment" and collectively, the "Liquidity Account Investments") with an aggregate Market Value equal to at least % of the Term Redemption Amount (as defined below) with respect to such Series MRP Shares.

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

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

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

#### *Voting Rights*

Except as otherwise indicated in our Charter or Bylaws, or as otherwise required by applicable law, holders of our preferred stock (including our Series MRP Shares) have one vote per share and vote together with holders of common stock as a single class on all matters submitted to our stockholders. See “Description of Capital Stock — Preferred Stock — Voting Rights” in the accompanying prospectus.

The 1940 Act requires that the holders of any preferred stock (including our Series MRP Shares), voting separately as a single class, have the right to elect at least two directors at all times. The remaining directors will be elected by holders of common stock and preferred stock (including our Series MRP Shares), voting together as a single class. In addition, the holders of any shares of our preferred stock (including our Series MRP Shares) have the right to elect a majority of the directors at any time two years’ accumulated dividends on our preferred stock (including our Series MRP Shares) are unpaid or at any other time provided for under the 1940 Act. The 1940 Act also requires that, in addition to any approval by stockholders that might otherwise be required, the approval of the holders of a majority of shares of our outstanding preferred stock (including our Series MRP Shares), voting separately as a class, would be required to (i) adopt any plan of reorganization that would adversely affect our Series MRP Shares, and (ii) take any action requiring a vote of security holders under Section 13(a) of the 1940 Act, including, among other things, changes in our subclassification as a closed-end investment company or changes in our fundamental investment restrictions. See “Description of Capital Stock — Certain Provisions of the Maryland General Corporation Law and Our Charter and Bylaws” in the accompanying prospectus.

The affirmative vote of the holders of a majority of our outstanding preferred stock (including our Series MRP Shares) determined with reference to a 1940 Act Majority (as defined in our Charter), voting as a

separate class, will be required to (1) approve any plan of reorganization (as such term is used in the 1940 Act) adversely affecting such shares or any action requiring a vote of our security holders under Section 13(a) of the 1940 Act, (2) approve our liquidation or dissolution, (3) approve, in certain circumstances, the creation, incurrence or existence of any material lien, mortgage, pledge, charge, security interest, security agreement, conditional sale or trust receipt or other material encumbrance of any kind upon any of our assets as a whole and (4) create, authorize, issue, incur or suffer to exist any indebtedness for borrowed money or any direct or indirect guarantee of such indebtedness for borrowed money or any direct or indirect guarantee of such indebtedness, except as may be permitted by our investment restrictions or the 1940 Act, provided, however, that in certain instances the entering into one or more repurchase agreements will not constitute indebtedness.

The affirmative vote of the holders of two-thirds of our outstanding Series MRP Shares or, if the NYSE amends its voting rights policy to allow investment companies regulated under the 1940 Act to use the 1940 Act Majority (as defined in our Charter) voting standard, the affirmative vote of the holders of a 1940 Act Majority (as defined in our Charter) of the outstanding Series MRP Shares, voting separately as a series, will be required with respect to any matter that materially and adversely affects the rights, preferences, or powers of the Series MRP Shares in a manner different from that of our other separate series of classes of stock.

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

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

The class vote of holders of our preferred stock described above will in each case be in addition to any other vote required to authorize the action in question.

## FEDERAL INCOME TAX MATTERS

The following is a general summary of certain federal income tax considerations regarding the ownership and disposition of Series MRP Shares. This discussion is based on the provisions of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), the applicable Treasury regulations promulgated thereunder, judicial authority and current administrative rulings and practice, all of which are subject to change, possibly on a retroactive basis. There can be no assurance that the Internal Revenue Service (the “IRS”) will not challenge one or more of the tax consequences described herein, and we have not obtained, nor do we intend to obtain, a ruling from the IRS with respect to such consequences. This discussion does not purport to be complete or to deal with all aspects of federal income taxation that may be relevant to holders in light of their particular circumstances or who are subject to special rules, such as banks, thrift institutions and certain other financial institutions, real estate investment trusts, regulated investment companies, insurance companies, brokers and dealers in securities or currencies, certain securities traders, tax-exempt investors, individual retirement accounts, certain tax-deferred accounts, and foreign investors. Tax matters are very complicated, and the tax consequences of an investment in and holding of Series MRP Shares will depend on the particular facts of each investor’s situation. Investors are urged to consult their own tax advisors with respect to the application to their own circumstances of the general federal income taxation rules described below and with respect to other federal, state, local or foreign tax consequences to them before making an investment in Series MRP Shares. Unless otherwise noted, this discussion assumes that investors are U.S. persons for federal income tax purposes and hold Series MRP Shares as capital assets. For more detailed information regarding the federal income tax consequences of investing in our securities see “Tax Matters” in the accompanying prospectus.

If an entity that is classified as a partnership for federal income tax purposes is a beneficial owner of Series MRP Shares, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Partnerships and other entities that are classified as partnerships for federal income tax purposes and persons holding Series MRP Shares through a partnership or other entity classified as a partnership for federal income tax purposes are urged to consult their own tax advisors.

### **Federal Income Tax Treatment of Holders of Series MRP Shares**

Under present law, we believe that the Series MRP Shares will constitute equity, and thus distributions with respect to the Series MRP Shares (other than distributions in redemption of Series MRP Shares subject to Section 302(b) of the Code) will generally constitute dividends to the extent of our allocable current or accumulated earnings and profits, as calculated for federal income tax purposes. Such dividends generally will be taxable as ordinary income to holders but are expected to be treated as “qualified dividend income” that is generally subject to reduced rates of federal income taxation for noncorporate investors that meet certain holding periods and are also expected to be eligible for the dividends received deduction available to corporate stockholders under Section 243 of the Code. Under federal income tax law, qualified dividend income received by individual and other noncorporate stockholders is taxed at long-term capital gain rates, which currently reach a maximum of 20%. Qualified dividend income generally includes dividends from domestic corporations and dividends from non-U.S. corporations that meet certain criteria. To be treated as qualified dividend income, the stockholder must hold the Series MRP Shares paying otherwise qualifying dividend income more than 60 days during the 121-day period beginning 60 days before the ex-dividend date. A stockholder’s holding period may be reduced for purposes of this rule if the stockholder engages in certain risk reduction transactions with respect to the Series MRP Shares. In addition, a 3.8% Medicare contribution tax generally applies to dividend income and net capital gains for taxpayers whose adjusted gross incomes exceed \$200,000 for single filers and \$250,000 for married joint filers.

Corporate holders should be aware that certain limitations apply to the availability of the dividends received deduction, including limitations on the aggregate amount of the deduction that may be claimed and limitations based on the holding period of the Series MRP Shares on which the dividend is paid, which holding period may be reduced if the holder engages in risk reduction transactions with respect to its Series MRP Shares.



Corporate holders are urged to consult their own tax advisors regarding the application of these limitations to their particular situation.

Generally, a corporation's earnings and profits are computed based upon taxable income, with certain specified adjustments. We anticipate that the cash distributions received from MLPs in our portfolio will exceed the earnings and profits associated with owning such MLPs.

Earnings and profits are generally treated, for federal income tax purposes, as first being used to pay distributions on Series MRP Shares, and then to the extent remaining, if any, to pay distributions on our common stock. Distributions in excess of our earnings and profits, if any, will first reduce a stockholder's adjusted tax basis in his or her Series MRP Shares and, after the adjusted tax basis is reduced to zero, will constitute capital gains to a stockholder.

*Sale, Exchange or Redemption of Series MRP Shares.* The sale or exchange of Series MRP Shares by holders will generally be a taxable transaction for federal income tax purposes. Holders of shares of stock who sell or exchange such shares will generally recognize gain or loss in an amount equal to the difference between the net proceeds of the sale or exchange and their adjusted tax basis in the shares sold or exchanged. The gain or loss from the sale or exchange of Series MRP Shares will generally be capital gain or loss if you hold your Series MRP Shares as a capital asset. Similarly, a redemption by us (including a redemption resulting from our liquidation), if any, of all the shares actually and constructively held by a stockholder generally will give rise to capital gain or loss under Section 302(b) of the Code, except to the extent that the redemption proceeds represent declared but unpaid dividends. Other redemptions may also give rise to capital gain or loss, but certain conditions imposed by Section 302(b) of the Code must be satisfied as to the redeeming stockholder to achieve such treatment. If a redemption by us does not satisfy the conditions imposed by Section 302(b) of the Code for a redeeming stockholder, the redemption will constitute a distribution on the Series MRP Shares to the stockholder subject to the rules set forth in the paragraphs above.

Capital gain or loss will generally be long-term capital gain or loss if the Series MRP Shares were held for more than one year and will be short-term capital gain or loss if the disposed Series MRP Shares were held for one year or less. Net long-term capital gain recognized by a noncorporate holder generally will be subject to federal income tax at a lower rate (currently a maximum rate of 20%) than net short-term capital gain or ordinary income (currently a maximum rate of 39.6%). For corporate holders, capital gain is generally taxed at the same rate as ordinary income, that is, currently at a maximum rate of 35%. A holder's ability to deduct capital losses may be limited.

*Backup Withholding.* We may be required to withhold, for federal income tax purposes, a portion of all distributions (including redemption proceeds) payable to stockholders who fail to provide us with their correct taxpayer identification number, who fail to make required certifications or who have been notified by the IRS that they are subject to backup withholding (or if we have been so notified). Certain corporate and other stockholders specified in the Code and the applicable Treasury regulations are exempt from backup withholding. Backup withholding is not an additional tax. Any amounts withheld may be credited against the stockholder's federal income tax liability provided the appropriate information is furnished to the IRS in a timely manner.

## **Other Taxation**

Non-U.S. stockholders, including stockholders who are nonresident alien individuals, may be subject to U.S. withholding tax on certain distributions at a rate of 30% or such lower rates as may be prescribed by any applicable treaty. In addition, recently enacted legislation may impose additional U.S. reporting and withholding requirements on certain foreign financial institutions and other foreign entities with respect to distributions on and proceeds from the sale or disposition of our stock. This legislation will generally be effective for payments of dividends made on or after January 1, 2014 and payments of gross proceeds from sales of Series MRP Shares made on or after July 1, 2017. Non-U.S. stockholders should consult their tax advisors regarding the possible implications of this legislation as well as the other U.S. federal, state, local and foreign tax consequences of an investment in our stock.

**UNDERWRITING**  
**[TO BE FURNISHED AT TIME OF OFFERING]**

**LEGAL MATTERS**

Certain legal matters in connection with the securities offered hereby will be passed upon for us by Paul Hastings LLP, San Francisco, California. Paul Hastings LLP may rely as to certain matters of Maryland law on the opinion of Venable LLP, Baltimore, Maryland. Certain legal matters in connection with this offering will be passed upon for the Underwriters by \_\_\_\_\_, \_\_\_\_\_.

**WHERE YOU CAN FIND MORE INFORMATION**

We are subject to the informational requirements of the Exchange Act and the 1940 Act and are required to file reports (including annual and semi-annual reports), proxy statements and other information with the SEC. We voluntarily file quarterly shareholder reports. Our most recent shareholder report filed with the SEC is for the period ended \_\_\_\_\_, 2011. These documents are available on the SEC's EDGAR system and can be inspected and copied for a fee at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Additional information about the operation of the public reference room facilities may be obtained by calling the SEC at (202) 551-5850.

This prospectus supplement and the accompanying prospectus do not contain all of the information in our registration statement, including amendments, exhibits and schedules. Statements in this prospectus supplement and the accompanying 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 us can be found in our 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 our registration statement, other documents incorporated by reference, and other information we have filed electronically with the SEC, including proxy statements and reports filed under the Exchange Act.

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\$

**Kayne Anderson MLP Investment Company**

**[LOGO]**

**% Mandatory Redeemable Preferred Shares**  
**Liquidation Preference \$      per share**  
**Mandatorily Redeemable                      , 201**

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**PROSPECTUS SUPPLEMENT**

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**[Underwriter(s)]**

**, 201**

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The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been filed with and declared effective by the Securities and Exchange Commission. The preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

FORM OF PROSPECTUS SUPPLEMENT

(To prospectus dated \_\_\_\_\_, 201 )

Subject to completion, dated \_\_\_\_\_, 20 .

\$

Kayne Anderson

*MLP Investment Company*

**Series [Floating Rate] Notes due 20**

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

We are offering \$ \_\_\_\_\_ in aggregate principal amount of our Series \_\_\_\_\_ [Floating Rate] Notes due 20 \_\_\_\_\_ (the “Series \_\_\_\_\_ Notes”) in this prospectus supplement. This prospectus supplement, together with the accompanying prospectus dated \_\_\_\_\_, 201 (the “prospectus”), sets forth the information that you should know before investing.

The Series \_\_\_\_\_ [Floating Rate] Notes will bear interest at a [floating] rate equal to [ \_\_\_\_\_ LIBOR plus] % per annum and [will be reset [quarterly]]. The Series \_\_\_\_\_ [Floating Rate] Notes will mature on \_\_\_\_\_, 20 . We will pay interest on the Series \_\_\_\_\_ [Floating Rate] Notes on \_\_\_\_\_, commencing on \_\_\_\_\_, 201 . The Series \_\_\_\_\_ [Floating Rate] Notes are subject to optional prepayment and mandatory prepayment in certain circumstances. The Series \_\_\_\_\_ [Floating Rate] Notes have no sinking fund provisions.

The Series \_\_\_\_\_ [Floating Rate] Notes will be senior unsecured obligations and will rank equally in right of payment with all of our existing and future senior unsecured indebtedness, including our revolving credit facility and term loan.

We intend to use the net proceeds from the sale of the Series \_\_\_\_\_ [Floating Rate] Notes to . See “Use of Proceeds” in this prospectus supplement.

(continued on following page.)

**Investing in the Series \_\_\_\_\_ [Floating Rate] Notes involves risk. See “Risks of Investing in the Series \_\_\_\_\_ [Floating Rate] Notes” beginning on page S-NT-5 of this prospectus supplement and “Risk Factors” beginning on page 22 of the accompanying prospectus.**

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

The Series \_\_\_\_\_ [Floating Rate] Notes 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 governmental agency.

	<u>Per Note</u>	<u>Total</u>
Initial price to public .....	\$	\$
Underwriting discount .....	\$	\$
Proceeds before expenses to the Company .....	\$	\$

The Series \_\_\_\_\_ [Floating Rate] Notes will be ready for delivery on or about \_\_\_\_\_, 201 .

[Underwriter(s)]

, 201 .

You should read this prospectus supplement and the accompanying prospectus before deciding whether to invest and retain it for future reference. A statement of additional information, dated , 201 (“SAI”), as supplemented from time to time, containing additional information about us, has been filed with the SEC and is incorporated by reference in its entirety into this prospectus supplement. You may request a free copy of our SAI by calling toll-free at (877) 657-3863, or by writing to us at 811 Main Street, 14th Floor, Houston, Texas 77002. Electronic copies of the accompanying prospectus, our stockholder reports and our SAI are also available on our website (<http://www.kaynefunds.com>). You may also obtain copies of these documents (and other information regarding us) from the SEC’s web site (<http://www.sec.gov>).

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. This prospectus supplement and the accompanying prospectus set forth certain information about us that a prospective investor should carefully consider before making an investment in our securities. This prospectus supplement, which describes the specific terms of this offering, also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference in the accompanying prospectus. The accompanying prospectus gives more general information, some of which may not apply to this offering. If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in this prospectus supplement; provided that if any statement in one of these documents is inconsistent with a statement in another document having a later date and incorporated by reference into the accompanying prospectus or this prospectus supplement, the statement in the incorporated document having the later date modifies or supersedes the earlier statement. We have not, and the Underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the Underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted or where the person making the offer or sale is not qualified to do so or to any person to whom it is not permitted to make such offer or sale. The information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate only as of the respective dates on their front covers, regardless of the time of delivery of this prospectus supplement, the accompanying prospectus, or the sale of the Notes. Our business, financial condition, results of operations and prospects may have changed since that date.

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## CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the SAI contain forward-looking statements. All statements other than statements of historical facts included in this prospectus supplement, the accompanying prospectus or the SAI that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements including, in particular, the statements about our plans, objectives, strategies and prospects regarding, among other things, our financial condition, results of operations and business. We have identified some of these forward-looking statements with words like “believe,” “may,” “could,” “might,” “forecast,” “possible,” “potential,” “project,” “will,” “should,” “expect,” “intend,” “plan,” “predict,” “anticipate,” “estimate,” “approximate” or “continue” and other words and terms of similar meaning and the negative of such terms. Such forward-looking statements may be contained in this prospectus supplement as well as in the accompanying prospectus. These forward-looking statements are based on current expectations about future events affecting us and are subject to uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Many factors mentioned in our discussion in this prospectus supplement, the accompanying prospectus or the SAI, including the risks outlined under “Risks of Investing in Mandatory Redeemable Preferred Shares” in this prospectus supplement and under “Risk Factors” in the accompanying prospectus, will be important in determining future results. In addition, several factors that could materially affect our actual results are the ability of the MLPs and other Midstream Energy Companies in which we invest to achieve their objectives, our ability to source favorable private investments, the timing and amount of distributions and dividends from the MLPs and other Midstream Energy Companies in which we intend to invest, the dependence of our future success on the general economy and its impact on the industries in which we invest and other factors discussed in our periodic filings with the SEC.

Although we believe that the expectations reflected in our forward-looking statements are reasonable, we do not know whether our expectations will prove correct. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. The factors identified above are believed to be important factors, but not necessarily all of the important factors, that could cause our actual results to differ materially from those expressed in any forward-looking statement. Unpredictable or unknown factors could also have material adverse effects on us. Since our actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements, we cannot give any assurance that any of the events anticipated by the forward-looking statements will occur or, if any of them do, what impact they will have on our results of operations and financial condition. All forward-looking statements included in this prospectus supplement, the accompanying prospectus or the SAI, are expressly qualified in their entirety by the foregoing cautionary statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of such documents. We do not undertake any obligation to update, amend or clarify these forward-looking statements or the risk factors contained therein, whether as a result of new information, future events or otherwise, except as may be required under the federal securities laws. We acknowledge that, notwithstanding the foregoing statements, the Private Securities Litigation Reform Act of 1995 does not apply to investment companies such as us.

## PROSPECTUS SUPPLEMENT SUMMARY

*This summary does not contain all of the information that you should consider before investing in our Notes. You should read carefully this entire prospectus supplement, the accompanying prospectus, including the sections entitled “Risks of Investing in the Notes” beginning on page S- of this prospectus supplement and “Risk Factors” beginning on page of the accompanying prospectus.*

### **The Company**

Kayne Anderson MLP Investment Company, a Maryland corporation, is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). Our investment objective is to obtain a high after-tax total return by investing at least 85% of our total assets in MLPs and other Midstream Energy Companies. We also must comply with the SEC’s rule regarding investment company names, which requires us, under normal market conditions, to invest at least 80% of our total assets in MLPs so long as “MLP” is in our name. Our shares of common stock are listed on the New York Stock Exchange (“NYSE”) under the symbol “KYN.”

As of , 201 , we had net assets applicable to our common stock of approximately \$ billion and total assets of approximately \$ billion.

As of , 201 , we had \$ million of total leverage outstanding. This leverage is comprised of debt (notes and borrowings under our revolving credit facility and term loan) and mandatory redeemable preferred stock. Under normal market conditions, our policy is to use leverage that represents approximately 30% of total assets. As of , 201 , we had \$ million in notes outstanding with maturity dates ranging from 20 to 20 (the “Notes”).

### **Investment Adviser**

KA Fund Advisors, LLC (“KAFA”) is our investment adviser and is responsible for implementing and administering our investment strategy. KAFA is a subsidiary of Kayne Anderson Capital Advisors, L.P. (“KACALP” and together with KAFA, “Kayne Anderson”). Both KAFA and KACALP are SEC-registered investment advisers. As of , 20 , Kayne Anderson and its affiliates managed approximately \$ billion, including approximately \$ billion in MLPs and other Midstream Energy Companies. Kayne Anderson has invested in MLPs and other Midstream Energy Companies since 1998. We believe that Kayne Anderson has developed an understanding of the MLP market that enables it to identify and take advantage of public MLP investment opportunities. In addition, Kayne Anderson’s senior professionals have developed a strong reputation in the energy sector and have many long-term relationships with industry managers, which we believe gives Kayne Anderson an important advantage in sourcing and structuring private investments.

KAFA manages three other publicly traded investment companies: Kayne Anderson Energy Total Return Fund, Inc. (NYSE: KYE); Kayne Anderson Energy Development Company (NYSE: KED); and Kayne Anderson Midstream/Energy Fund, Inc. (NYSE: KMF).

### **Portfolio Investments**

Our investments are principally in equity securities issued by MLPs. Generally, we invest in equity securities of (i) master limited partnerships, including preferred, common and subordinated units and general partner interests, (ii) owners of such interests in master limited partnerships and (iii) other Midstream Energy Companies. We may also invest in debt securities of MLPs and other Midstream Energy Companies with varying maturities of up to 30 years.



We are permitted to invest up to 50% of our total assets in unregistered or otherwise restricted securities of MLPs and other Midstream Energy Companies, including securities issued by private companies. We may invest up to 15% of our total assets in any single issuer.

We are permitted to invest up to 20% of our total assets in debt securities of MLPs and other Midstream Energy Companies, including below investment grade debt securities (commonly referred to as “junk bonds” or “high yield bonds”) rated, at the time of investment, at least B3 by Moody’s Investors Service, Inc., B- by Standard & Poor’s Financial Services LLC, a division of the McGraw-Hill Companies, Inc., or Fitch Ratings, Inc., comparably rated by another rating agency or, if unrated, determined by Kayne Anderson to be of comparable quality. In addition, up to one-quarter of our permitted investments in debt securities (or up to 5% of our total assets) may be invested in unrated debt securities or debt securities that are rated less than B3/B- of public or private companies.

As of \_\_\_\_\_, 20\_\_\_\_, we held \$ \_\_\_\_\_ billion in equity investments and \$ \_\_\_\_\_ million in fixed income investments. Our top 10 largest holdings by issuer as of that date were:

	Company	Amount (\$ millions)	Percent of Total Investments
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			

**The Offering**

Issuer . . . . . Kayne Anderson MLP Investment Company

Securities Offered . . . . . \$ aggregate principal amount of [floating rate] notes due 20 .

Offering Price . . . . . 100% plus accrued interest, if any from , 201 .

Maturity . . . . . , 20 for the Series [Floating Rate] Notes.

Rating . . . . . “ ” from .

Interest Formula . . . . . The Series [Floating Rate] Notes will bear interest at a [floating] rate per annum equal to [ LIBOR plus]% per annum. [Interest rates on the Series [Floating Rate] Notes will be reset [quarterly].]

Interest Payment Dates . . . . . The day of each of , , and , commencing on , 201 .

Interest Determination Dates . . . . . Second London Business Day immediately preceding the first day of the relevant interest period.

[Interest Reset Dates . . . . . [ ], on the day of each of , , and , commencing on , 201 .]

Ranking . . . . . The Series [Floating Rate] Notes will be senior unsecured obligations and will rank equally and ratably (pari passu) in right of payment with any of our existing or future senior unsecured debt, including our credit facility and term loan. The Series [Floating Rate] Notes will be senior to any preferred stock issued by us. As of , 201 , we had total indebtedness outstanding of \$ million.

We have the ability to have up to 5% of our total assets in secured debt and not have such indebtedness be considered a senior security if such debt is for temporary purposes (*i.e.*, to be repaid within 60 days and is not extended or renewed). As of , 201 , we did not have any secured debt outstanding.

[Optional Prepayment of the Notes] . . . . [We may, at our option, prepay at any time all or any part of the Series [Floating Rate] Notes at 100% of the principal amount so prepaid, together with interest accrued thereon to the date of such prepayment and a prepayment premium equal to [ ]% of the principal amount so repaid.]

Prepayment of the Notes 90 Days Prior to Maturity at Par . . . . . We may, within 90 days prior to the final maturity date, at our option, prepay all or any part of the Series [Floating Rate] Notes at 100% of the principal amount so prepaid, together with interest accrued thereon to the date of such prepayment.

Special Optional Prepayment During Extended 10-Day Period . . . . . In the event we are not in compliance with either (a) the covenant to satisfy the rating agency Basic Maintenance Test or (b) the covenant to maintain 1940 Act asset coverage ratios, we have a 30-day period

to cure such default. Such 30-day period can be extended 10 days if, prior to the end of the 30-day period, we give notice of a prepayment of such principal amount of Series [Floating Rate] Notes and any of our other senior securities representing indebtedness sufficient to cure such default at 100% of the principal amount so prepaid, together with interest thereon to the date of repayment, and a prepayment premium equal to 1% of the principal amount so repaid.

In the event that we make a prepayment during such extended 10-day period, the principal amount of the Series [Floating Rate] Notes and other senior securities to be prepaid shall be allocated among all of the Series [Floating Rate] Notes and other senior securities at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment. Further, the amount of the Series [Floating Rate] Notes and the other senior securities to be prepaid shall at no time exceed an amount necessary for us to be in pro forma compliance with the rating agency Basic Maintenance Test and the 1940 Act asset coverage ratios pro forma for such prepayment.

Certain Covenants . . . . . The Series [Floating Rate] Notes will be issued under an indenture containing covenants requiring us to:

- have asset coverage ratios at or above minimums required by the 1940 Act; and
- maintain a current rating by an NRSRO; maintain a rating of no less than “BBB-” by any NRSRO rating the Notes.

Such indenture will also contain covenants limiting our ability to:

- engage in transactions with affiliates;
- consolidate, merge or transfer all or substantially all of our assets;
- declare or pay dividends on, redeem or repurchase our capital stock, under certain circumstances;
- create or designate subsidiaries; and
- create certain liens or incur additional debt secured by liens.

These covenants are subject to a number of important limitations and exceptions. See “Description of the Series [Floating Rate] Notes—Selected Indenture Covenants.”

Use of Proceeds . . . . . The net proceeds from the sale of the Series [Floating Rate] Notes will be used to make new portfolio investments, to repay outstanding indebtedness and for general corporate purposes.

Governing Law . . . . .

Trustee, Registrar, Paying Agent and  
Calculation Agent . . . . .

*Investing in any of our securities involves risk, including the risk that you may receive little or no return on your investment or even that you may lose part or all of your investment. Therefore, before investing in the Notes you should consider carefully the following risks, as well as the risk factors set forth under “Risk Factors” beginning on page \_\_ of the accompanying prospectus.*

### **Risks Related to the Series [Floating Rate] Notes**

#### *Unsecured Investment Risk to Holders of the Notes*

The Series [Floating Rate] Notes represent our unsecured obligation to pay interest and principal when due. We cannot assure you that we will have sufficient funds or that we will be able to arrange for additional financing to pay interest on the Series [Floating Rate] Notes when due or to repay the Series [Floating Rate] Notes at their stated maturity. Our failure to pay interest on the Series [Floating Rate] Notes when due or to repay the Series [Floating Rate] Notes upon their stated maturity would, subject to the cure provisions under the indenture pursuant to which they are issued, constitute an event of default under the indenture and could cause a default under other agreements that we may enter into from time to time. There is no sinking fund with respect to the Series [Floating Rate] Notes, and at their stated maturity, the entire outstanding principal amount of the Series [Floating Rate] Notes will become due and payable. See “Description of the Series [Floating Rate] Notes—Selected Indenture Covenants—Sinking Fund.”

#### *Ratings and Asset Coverage Risk*

has assigned ratings of “AAA” to our outstanding Notes and “A” to our outstanding preferred shares. To the extent that the Series [Floating Rate] Notes offered hereby are rated of similar or the same rating as those respectively assigned to our outstanding Notes or at all, the ratings do not eliminate or necessarily mitigate the risks of investing in the Series [Floating Rate] Notes. A rating may not fully or accurately reflect all of the credit and market risks associated with a senior security. A rating agency could downgrade our senior securities, which may make your securities less liquid in the secondary market. If a rating agency downgrades the ratings assigned to our senior securities, we may be required to alter our portfolio or redeem our senior securities. We may voluntarily redeem our senior securities under certain circumstances to the extent permitted under the terms of such securities, which may require that we meet specified asset maintenance tests and other requirements.

We have issued Notes and intend to offer and issue additional debt securities hereby, which constitute or will constitute senior securities representing indebtedness, as defined in the 1940 Act. Accordingly, the value of our total assets, less all our liabilities and senior securities not represented by such Notes and debt securities, must be at least equal to 300% of the aggregate principal value of such Notes and debt securities.

#### *Decline in Asset Value Risk*

A material decline in the value of our assets may impair our ability to maintain required levels of asset coverage for our senior securities.

#### *Holders of Our Notes May Be Subordinated to Other Debt*

The indenture governing the Series [Floating Rate] Notes permits us, in certain circumstances, to incur up to 5% of total assets in secured indebtedness. The Series [Floating Rate] Notes are effectively subordinated in right of payment to our secured indebtedness, if any, or other secured obligations to the extent of the value of the assets that secure such indebtedness or obligation. In the event of our bankruptcy, liquidation or reorganization or upon acceleration of the Series [Floating Rate] Notes, payment on the Series [Floating Rate] Notes will occur after our secured indebtedness, if any, is repaid. In these circumstances, holders of obligations secured by liens on collateral will be entitled to receive proceeds from any realization of the collateral to repay their obligations in full before holders of the Series [Floating Rate] Notes, who will only have an unsecured claim against our remaining assets, if any.

## USE OF PROCEEDS

We estimate that the net proceeds from the sale of the Series [Floating Rate] Notes that we are offering will be approximately \$ [ ] million, after payment of the underwriting discount and estimated offering expenses payable by us.

We intend to use the net proceeds of this offering to make investments in portfolio companies in accordance with our investment objective and policies, to repay indebtedness and for general corporate purposes. We anticipate that we will be able to invest the net proceeds within [ ] months from the date of this prospectus supplement.

Pending such investments, we anticipate (i) repaying all or a portion of the indebtedness owed under our existing unsecured revolving credit facility or term loan and (ii) investing the remaining net proceeds in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations or money market instruments. A delay in the anticipated use of proceeds could lower returns and reduce the amount of cash available to make dividend and interest payments on preferred stock and debt securities, respectively, and reduce the amount of net distributable income available for distribution to our common stockholders.

At [ ], 201 [ ], we had outstanding borrowings on the revolving credit facility and term loan of \$ [ ] and \$ [ ], respectively. Any borrowings under our revolving credit facility and term loan will be used to fund investments in portfolio companies and for general corporate purposes. Amounts repaid under our revolving credit facility and term loan will remain available for future borrowings. [Affiliates of some of the underwriters are lenders under our revolving credit facility and will receive a pro rata portion of the net proceeds from this offering, if any, used to reduce amounts outstanding under our revolving credit facility. See “Underwriting—Affiliations—Conflicts of Interests.”]

## CAPITALIZATION

The following table sets forth our capitalization as of \_\_\_\_\_, 201\_\_\_\_, as adjusted to give effect to the issuance of notes offered hereby. Common stockholders will bear the costs associated with this offering.

	As of _____, 201____	
	(Unaudited)	
	Actual	As Adjusted
	(\$ in 000s, except per share data)	
Cash and Cash Equivalents .....	\$	\$ (1)
Short-Term Debt: .....	\$	\$
Long-Term Debt: .....	\$	\$
Mandatory Redeemable Preferred Stock:		
Series B MRP Shares, \$0.001 par value per share, liquidation preference \$25.00 per share (320,000 shares issued and outstanding, 320,000 shares authorized) (2) .....	\$	\$
Series C MRP Shares, \$0.001 par value per share, liquidation preference \$25.00 per share (1,680,000 shares issued and outstanding, 1,680,000 shares authorized) (2) .....		
Series F MRP Shares, \$0.001 par value per share, liquidation preference \$25.00 per share (5,000,000 shares issued and outstanding, 5,000,000 authorized) (2) .....		
Series H MRP Shares, \$0.001 par value per share, liquidation preference \$25.00 per share (2,000,000 shares issued and outstanding, 2,000,000 authorized) (2) .....		
Series I MRP Shares, \$0.001 par value per share, liquidation preference \$25.00 per share (1,000,000 shares issued and outstanding, 1,000,000 authorized) (2) .....		
Series J MRP Shares, \$0.001 par value per share, liquidation preference \$25.00 per share (2,000,000 shares issued and outstanding, 2,000,000 authorized) (2) .....		
Common Stockholders' Equity:		
Common stock, \$0.001 par value per share, _____ shares authorized ( _____ shares issued and outstanding, _____ shares issued and outstanding, as adjusted) (2) .....	\$	\$
Paid-in capital .....		
Accumulated net investment loss, net of income taxes, less dividends .....		
Accumulated realized gains on investments, options and interest rate swap contracts, net of income taxes .....		
Net unrealized gains on investments and options, net of income taxes .....		
Net assets applicable to common stockholders .....	\$	\$

(1) We intend to use the net proceeds from this offering to make investments in portfolio companies in accordance with our investment objective and policies, to repay indebtedness or for general corporate purposes. Pending such uses, we anticipate either investing the proceeds in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations, money market instruments or cash.

(2) We do not hold any of these outstanding securities for our account.

## DESCRIPTION OF THE SERIES

## [FLOATING RATE] NOTES

The following is a brief description of the terms of the Series [Floating Rate] Notes. This description does not purport to be complete and is subject and qualified in its entirety by reference to the indenture dated as of \_\_\_\_\_, 20\_\_\_\_ between us and as Trustee thereunder. The Series [Floating Rate] Notes will be issued pursuant to the terms of the Indenture. Capitalized terms not defined in this Description of the Series [Floating Rate] Notes have the meanings assigned to such terms in the Indenture.

### *General*

As of \_\_\_\_\_, 20\_\_\_\_, the Company had \$ \_\_\_\_\_ million aggregate principal amount of Notes outstanding. The Notes are subordinated in right of payment to any of our secured indebtedness or other secured obligations to the extent of the value of the assets that secure the indebtedness or obligation. The Notes may be prepaid prior to their maturity at our option, in whole or in part, under certain circumstances and are subject to mandatory prepayment upon an event of default.

So long as Notes are outstanding, additional debt securities must rank on a parity with the Notes with respect to the payment of interest and upon the distribution of our assets.

We will issue the Series [Floating Rate] Notes as additional notes under the Indenture. Except as described below, the terms of the Series [Floating Rate] Notes will include those terms stated in the Indenture and those terms made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the "TIA"). The Series [Floating Rate] Notes are subject to all such terms, and you should refer to the Indenture and the TIA for a statement thereof. The following summary of the material provisions of the Indenture is not complete and is qualified in its entirety by reference to the Indenture, including the definitions therein of terms used below.

The Indenture does not limit the aggregate principal amount of debt securities, including notes, that we may issue under it. The debt securities may be issued from time to time in one or more series. We may, from time to time, without notice to or seeking the consent of the holders of the Series [Floating Rate] Notes, issue an unlimited principal amount of additional notes having identical terms and conditions of the Series [Floating Rate] Notes, except for the offering price and issue date (the "additional notes"). Any such additional notes will be part of the same issue as the Series [Floating Rate] Notes that we are currently offering, provided that such additional notes shall be fungible with the Series [Floating Rate] Notes offered by this prospectus for U.S. federal income tax purposes.

### *Principal and Maturity*

The Series [Floating Rate] Notes will be limited initially to, the aggregate principal amount of \$ \_\_\_\_\_. The Series [Floating Rate] Notes will mature on \_\_\_\_\_, 20\_\_\_\_.

### *Rankings*

The Series [Floating Rate] Notes rank senior to our common and preferred stock, and on a parity with any other series of notes, as to the payment of interest and distribution of assets upon liquidation. Pursuant to the indenture governing the Series [Floating Rate] Notes, we may only issue one class of senior securities representing indebtedness, except that we may have secured debt outstanding in the amount of up to 5% of our total assets if such debt is for temporary purposes only (*i.e.*, if it is to be repaid within 60 days and not extended or renewed). The Series [Floating Rate] Notes are unsecured obligations and, upon our liquidation, dissolution or winding, will rank: (1) senior to our outstanding common stock and any preferred stock; (2) at least equally and ratably (*pari passu*) in point of priority and security with our senior unsecured and unsubordinated debt, including our unsecured revolving credit facility; and (3) junior to any of our secured creditors, if any.

The New Series [Floating Rate] Notes will bear interest from the date of issue at a [floating] rate of [ LIBOR plus]% per annum , payable , on the day of each of , , and in each year and at maturity (each such date being referred to as an “Interest Payment Date” provided, that if any such date shall not be a Business Day, such Interest Payment Date shall be postponed to be the next Business Day) and to bear interest on overdue principal (including any overdue required or optional prepayment of principal), and premium, if any, and (to the extent legally enforceable) on any overdue installment of interest at the Default Rate until paid.

The Series [Floating Rate] Notes will not have the benefit of a sinking fund – that is, we will not deposit money on a regular basis into any separate custodial account to repay the Series [Floating Rate] Notes.

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

*Optional Prepayments of the Series**[Floating Rate] Notes*

The Company may, at its option, and only to the extent prepayment of the Series [Floating Rate] Notes is permitted under the 1940 Act and Maryland law, upon notice as provided below, prepay at any time all, or from time to time any part of, the Series [Floating Rate] Notes, in an amount not less than 5% of the aggregate principal amount of the Series [Floating Rate] Notes then outstanding in the case of a partial prepayment, at 100% of the principal amount so prepaid, together with interest accrued thereon to the date of such prepayment, the prepayment premium, if any, determined for the prepayment date with respect to such principal amount. The Company, through the Trustee, will provide written notice to each holder of each such optional prepayment not less than 25 days and not more than 75 days prior to the date fixed for such prepayment. Each such notice shall specify such date (which shall be a Business Day), the aggregate principal amount of each Series [Floating Rate] Note to be prepaid, and the interest to be paid on the prepayment date.

*Prepayments of Series**[Floating Rate] Notes 90 days Prior to Maturity at Par*

Notwithstanding anything contained herein to the contrary, so long as no default or event of default exists, the Company may, at its option, upon notice as provided below prepay all of the Series [Floating Rate] Notes on or after the date which is 90 days prior to maturity of such Series [Floating Rate] Notes at 100% of the principal amount of such Series [Floating Rate] Notes, together with interest on such Series [Floating Rate] Notes accrued to the date of prepayment. Such prepayment will not include any prepayment premium. The Company, through the Trustee, will provide written notice to each holder of each such optional prepayment not less than 25 days and not more than 75 days prior to the date fixed for such prepayment. Each such notice shall specify such date (which shall be a Business Day), the aggregate principal amount of each Series [Floating Rate] Note to be prepaid on such date and the interest to be paid on the prepayment date.



### *Special Optional Prepayment during Extended 10-Day Period*

The Company may, upon notice as required below, prepay all or any part of the Series [Floating Rate] Notes to cure certain events of default regarding the minimum coverage ratios under the Indenture at 100% of the principal amount so prepaid, together with interest accrued thereon to the date of such prepayment, the prepayment premium, if any, determined for such prepayment date with respect to the principal amount. The Company will give each holder written notice, through the Trustee, of each such prepayment prior to the end of the 30-Day period following the occurrence of such event of default. Such notice shall not be less than 7 days prior to the date fixed for such prepayment and shall specify such date (which shall be a Business Day) prior to the end of the extended 10-day period, the aggregate principal amount of Series [Floating Rate] Notes to be prepaid, the principal amount of Series [Floating Rate] Notes held by such holder to be prepaid, and the interest, and prepayment premium, if any, to be prepaid. In the event the Company makes any partial prepayment of Series [Floating Rate] Notes and any other senior securities representing indebtedness to cure any default during such extended 10-day period, the principal amount of Series [Floating Rate] Notes and any other senior securities representing indebtedness to be prepaid shall be allocated by the Company among all of the Series [Floating Rate] Notes, and other senior securities representing indebtedness at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment; *provided, however*, that the amount of Series [Floating Rate] Notes and the other senior securities to be repaid during such extended 10-day period shall at no time exceed an amount necessary for the Company to be in pro forma compliance with the covenants under “Selected Indenture Covenants—Affirmative Covenants—Asset Covenants” after giving effect to such repayment.

### *Allocation of Partial Prepayments*

In the case of each partial prepayment of the Series [Floating Rate] Notes, the principal amount of the Series [Floating Rate] Notes to be prepaid shall be allocated among all of the Series [Floating Rate] Notes then being prepaid at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment, subject to certain adjustments as set forth in the Indenture.

### *Maturity; Surrender, Status, Etc.*

In the case of each prepayment of Series [Floating Rate] Notes, the principal amount of each Series [Floating Rate] Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment (which shall be a Business Day), together with interest on such principal amount accrued to such date and any applicable prepayment premium. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and any applicable prepayment premium, interest on such principal amount shall cease to accrue. Any Series [Floating Rate] Note paid or prepaid in full shall be surrendered to the Trustee and cancelled and shall not be reissued, and no Series [Floating Rate] Note shall be issued in lieu of any prepaid principal amount of any Series [Floating Rate] Note.

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

- default in the payment of any interest upon a series of debt securities when it becomes due and payable and the continuance of such default for 5 business days;
- default in the payment of the principal of, or premium on, a series of debt securities whether at its stated maturity or at a date fixed for prepayment or by declaration or otherwise;
- default in the performance, or breach, of certain financial covenants, including financial tests incorporated from other agreements evidencing indebtedness pursuant to the terms of the

Series [Floating Rate] Notes, and covenants concerning the rating of the Series [Floating Rate] Notes, timely notification of the holders of the Series [Floating Rate] Notes of events of default, the incurrence of secured debt and the payment of dividends and other distributions and the making of redemptions on our capital stock, and continuance of any such default or breach for a period of 30 days; provided, however, in the case of our failure to maintain asset coverage or satisfy the basic maintenance test, such 30-day period will be extended by 10 days if we give the holders of the Series [Floating Rate] Notes notice of a prepayment of Series [Floating Rate] Notes in an amount necessary to cure such failure;

- default in the performance, or breach, of any covenant (other than those covenants described above) of ours under the terms of the Series [Floating Rate] Notes, and continuance of such default or breach for a period of 30 days after the earlier of (1) a responsible officer obtaining actual knowledge of such default and (2) our receipt of written notice of such default from any holder of such Series [Floating Rate] Notes;
- certain voluntary or involuntary proceedings involving us and relating to bankruptcy, insolvency or other similar laws;
- KAFA or one of its affiliates is no longer our investment adviser;
- if, on the last business day of each of twenty-four consecutive calendar months, the debt securities have a 1940 Act asset coverage of less than 100%;
- other defaults with respect to Borrowings in an aggregate principal amount of at least \$5 million, including payment defaults and any other default that would cause (or permit the holders of such Borrowings to declare) such Borrowings to be due prior to stated maturity;
- if our representations and warranties or any representations and warranties of our officers made in connection with transaction relating to the issuance of the Series [Floating Rate] Notes prove to have been materially false or incorrect when made; or
- other certain “events of default” provided with respect to the Series [Floating Rate] Notes that are typical for Borrowings of this type.

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

*Liquidation Rights.* In the event of (a) any insolvency or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding in connection therewith, relative to us or to our creditors, as such, or to our assets, or (b) any liquidation, dissolution or other winding up of us, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy, or (c) any assignment for the benefit of creditors or any other marshalling of assets and liabilities of ours, then (after any payments with respect to any secured creditor of ours outstanding at such time) and in any such event the holders of our Notes and the Series [Floating Rate] Notes shall be entitled to receive payment in full of all amounts due or to become due on or in respect of all debt securities (including any interest accruing thereon after the commencement of any such case or proceeding), or provision shall be made for such payment in cash or cash equivalents or otherwise in a manner satisfactory to the holders of our Notes and the Series [Floating

Rate] Notes, before the holders of any of our common or preferred stock are entitled to receive any payment on account of any redemption proceeds, liquidation preference or dividends from such shares. The holders of our Notes and the Series [Floating Rate] Notes shall be entitled to receive, for application to the payment thereof, any payment or distribution of any kind or character, whether in cash, property or securities, including any such payment or distribution which may be payable or deliverable by reason of the payment of any other indebtedness of ours being subordinated to the payment of our Notes and the Series [Floating Rate] Notes, which may be payable or deliverable in respect of our Notes and the Series [Floating Rate] Notes in any such case, proceeding, dissolution, liquidation or other winding up event.

Unsecured creditors of ours may include, without limitation, service providers including our Adviser, custodian, administrator, broker-dealers and the trustee, pursuant to the terms of various contracts with us. Secured creditors of ours may include without limitation parties entering into any interest rate swap, floor or cap transactions, or other similar transactions with us that create liens, pledges, charges, security interests, security agreements or other encumbrances on our assets. A consolidation, reorganization or merger of us with or into any other company, or a sale, lease or exchange of all or substantially all of our assets in consideration for the issuance of equity securities of another company shall not be deemed to be a liquidation, dissolution or winding up of us.

*Voting Rights.* The Series [Floating Rate] Notes have no voting rights, except to the extent required by law or as otherwise provided in the terms of the Series [Floating Rate] Notes relating to the acceleration of maturity upon the occurrence and continuance of an event of default. In connection with any other borrowings (if any), the 1940 Act does in certain circumstances grant to the lenders certain voting rights in the event of default in the payment of interest on or repayment of principal.

*Market.* The Series [Floating Rate] Notes will be listed on .

*Paying Agent.* , shall serve as the paying agent with respect to the Series [Floating Rate] Notes.

## FEDERAL INCOME TAX MATTERS

The following is a general summary of certain federal income tax considerations regarding the ownership and disposition of the Notes. This discussion is based on the provisions of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), the applicable Treasury regulations promulgated thereunder, judicial authority and current administrative rulings and practice, all of which are subject to change, possibly on a retroactive basis. There can be no assurance that the Internal Revenue Service (the “IRS”) will not challenge one or more of the tax consequences described herein, and we have not obtained, nor do we intend to obtain, a ruling from the IRS with respect to such consequences. This discussion does not purport to be complete or to deal with all aspects of federal income taxation that may be relevant to holders in light of their particular circumstances or who are subject to special rules, such as banks, thrift institutions and certain other financial institutions, real estate investment trusts, regulated investment companies, insurance companies, brokers and dealers in securities or currencies, certain securities traders, tax-exempt investors, individual retirement accounts, certain tax-deferred accounts, and foreign investors. Tax matters are very complicated, and the tax consequences of an investment in and holding of Notes will depend on the particular facts of each investor’s situation. Investors are urged to consult their own tax advisors with respect to the application to their own circumstances of the general federal income taxation rules described below and with respect to other federal, state, local or foreign tax consequences to them before making an investment in the Notes. Unless otherwise noted, this discussion assumes that investors are U.S. persons for federal income tax purposes and hold the Notes as capital assets. For more detailed information regarding the federal income tax consequences of investing in our securities see “Tax Matters” in the accompanying prospectus.

If an entity that is classified as a partnership for federal income tax purposes is a beneficial owner of Notes, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Partnerships and other entities that are classified as partnerships for federal income tax purposes and persons holding Notes through a partnership or other entity classified as a partnership for federal income tax purposes are urged to consult their own tax advisors.

### **Federal Income Tax Treatment of Holders of the Notes**

#### **Payments of Interest**

Interest on the Notes will generally be taxable to a U.S. Holder as ordinary income at the time it is paid or accrued in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

#### **Sale, Exchange, Redemption, Retirement or other Taxable Disposition of the Notes**

Upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. Holder will generally recognize gain or loss in an amount equal to the difference between:

- the amount of cash and the fair market value of other property received (other than amounts received in respect of accrued but unpaid interest) in exchange therefor and
- the holder’s adjusted tax basis in such Note.

Amounts attributable to accrued but unpaid interest on the Notes will be treated as ordinary interest income as described above. A U.S. Holder’s adjusted tax basis in a Note generally will equal the purchase price paid by the holder for the Note.

Gain or loss realized on the sale, exchange, retirement or other taxable disposition of a Note will be capital gain or loss and will be long-term capital gain or loss if, at the time of sale, exchange, redemption, retirement or other taxable disposition, the Note has been held by the U.S. Holder for more than one year. Net long-term capital gain recognized by a non-corporate U.S. Holder is generally subject to a current maximum U.S. federal rate of 20%. The deductibility of capital losses is subject to certain limitations under the Code.

## **Medicare Tax.**

A 3.8% Medicare contribution tax generally applies to interest income and net capital gains for U.S. Holders whose adjusted gross income exceeds \$200,000 for single filers or \$250,000 for married joint filers. U.S. Holders should consult their personal tax advisors concerning the possible application of the Medicare contribution tax to their investment in the Notes.

## **Information Reporting and Backup Withholding**

A U.S. Holder may be subject to a backup withholding tax (currently at a rate of 28%) when such U.S. Holder receives interest and principal payments on the Notes held or upon the proceeds received upon the sale or other disposition of such Notes. Certain U.S. Holders (including, among others, corporations and certain tax-exempt organizations) are generally not subject to backup withholding. A U.S. Holder will generally be subject to this backup withholding tax if such U.S. Holder is not otherwise exempt and such U.S. Holder (i) fails to furnish its taxpayer identification number, or TIN, which, for an individual, is ordinarily his or her social security number; (ii) furnishes an incorrect TIN; (iii) is notified by the Internal Revenue Service that it has failed to properly report payments of interest or dividends or (iv) fails to certify, under penalties of perjury, that it has furnished a correct TIN and that the Internal Revenue Service has not notified the U.S. Holder that it is subject to backup withholding.

U.S. Holders should consult their personal tax advisors regarding their qualification for an exemption from backup withholding and the procedures for obtaining such an exemption, if applicable. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder of the Notes will be allowed as a refund or a credit against such U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the Internal Revenue Service.

## **Non-U.S. Holders**

### **Payments of Interest**

The payment to a Non-U.S. Holder of interest on a Note that is not effectively connected with such holder's conduct of a U.S. trade or business generally will not be subject to U.S. federal income and withholding tax, pursuant to the "portfolio interest exception," provided that

- the Non-U.S. Holder does not directly, indirectly or constructively own 10% or more of the total combined voting power of all classes of the Company's stock entitled to vote within the meaning of Section 871(h)(3) of the Code,
- the Non-U.S. Holder is not a controlled foreign corporation that is related to us through stock ownership within the meaning of the Code, and
- the Non-U.S. Holder is not a bank whose receipt of interest on a Note is described in section 881(c)(3)(A) of the Code,

and provided that either:

- the beneficial owner of the Note certifies to us or our paying agent, under penalties of perjury, that it is not a U.S. Holder and provides its name and address on an Internal Revenue Service Form W-8BEN, or a suitable substitute form, or
- a securities clearing organization, bank or other financial institution that holds the Notes on behalf of such Non-U.S. Holder in the ordinary course of its trade or business certifies to us or our paying agent, under penalties of perjury, that it has received such an Internal Revenue Service Form W-8BEN or suitable substitute from the beneficial owner or from a financial institution between it and the beneficial owner and furnishes the payor with a copy thereof.

Special certification and other rules apply to certain Non-U.S. Holders that are entities rather than individuals, particularly entities treated as partnerships for U.S. federal income tax purposes and certain other flow-through entities, and to Non-U.S. Holders acting as (or holding Notes through) intermediaries.

If a Non-U.S. Holder cannot satisfy the requirements of the portfolio interest exception described above, payments of interest made to such Non-U.S. Holder will be subject to a 30% withholding tax, unless the beneficial owner of the Note provides us or our paying agent with a properly executed:

- Internal Revenue Service Form W-8BEN, or successor form, claiming an exemption from or reduction in the rate of withholding under the benefit of an applicable income tax treaty, or
- Internal Revenue Service Form W-8ECI, or successor form, stating that interest paid on the Note is not subject to withholding tax because it is effectively connected with the beneficial owner's conduct of a trade or business in the U.S.

If a Non-U.S. Holder is engaged in a trade or business in the U.S. and interest on the Note is effectively connected with the conduct of such trade or business, such Non-U.S. Holder will not be subject to the 30% withholding tax, but rather will be subject to U.S. federal income tax on that interest on a net income basis in the same manner as if it were a U.S. Holder. In addition, if such Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or lower applicable tax treaty rate) of its earnings and profits for that taxable year, subject to adjustments, that are effectively connected with its conduct of a trade or business in the United States.

Special rules may apply to certain Non-U.S. Holders, such as “controlled foreign corporations” and “passive foreign investment companies,” that are subject to special treatment under the Code. Such entities should consult their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them or to their shareholders.

#### **Sale, Exchange, Redemption, Retirement or other Taxable Disposition of the Notes**

A Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain recognized upon the sale, exchange redemption or other taxable disposition of a Note unless:

- that gain is effectively connected with the conduct of a trade or business within the U.S. by the Non-U.S. Holder, and, if a tax treaty applies, attributable to a U.S. permanent establishment maintained by such Non-U.S. Holder, or
- in the case of gains derived by an individual, such individual is present in the U.S. for 183 days or more in the taxable year of disposition and certain other conditions are met.

A Non-U.S. Holder that is a corporation described in the first bullet point above may be subject to a branch profits tax equal to 30% (or lower under an applicable tax treaty).

#### **U.S. Federal Estate Tax**

Subject to applicable estate tax treaty provisions, notes held by an individual Non-U.S. Holder at the time of his or her death will generally not be subject to U.S. federal estate tax if the interest on the Notes qualifies for the portfolio interest exemption from U.S. federal income tax under the rules described above without regard to the certification requirement described above, and payments with respect to such Notes would not have been effectively connected with the conduct of a trade or business in the U.S. by a nonresident decedent.

## Information Reporting and Backup Withholding

We will, when required, report to the Internal Revenue Service and to each Non-U.S. Holder any principal and interest paid to a Non-U.S. Holder and the amount of tax withheld with respect to such payments, if any. Copies of these information returns may also be made available under the provisions of a specific tax treaty or agreement with the tax authorities of the country in which the Non-U.S. Holder resides.

Non-U.S. Holders may be subject to backup withholding (currently at a rate of 28%) and additional information reporting requirements. However, backup withholding and additional information reporting requirements generally do not apply to payments of interest made by us or a paying agent to Non-U.S. Holders if the certification described above under “Non-U.S. Holders — Payments of Interest” is received, or an exemption has been otherwise established, provided that neither we nor the paying agent have actual knowledge or reason to know that the Non-U.S. Holder is a U.S. person for U.S. federal income tax purposes that is not an exempt recipient or that the conditions of any other exemption are not, in fact, satisfied.

If the foreign office of a foreign “broker,” as defined in the applicable Treasury regulations, pays the proceeds of a sale, redemption or other disposition of a Note to the seller thereof outside the U.S., backup withholding and information reporting requirements will generally not apply. However, information reporting requirements, but not backup withholding, will generally apply to a payment by a foreign office of a broker that is a U.S. person or a “U.S. related person,” unless the broker has documentary evidence in its records that the holder is a non-U.S. holder and certain other conditions are met or the holder otherwise establishes an exemption. For this purpose, a “U.S. related person” is:

- a foreign person that derives 50% or more of its gross income from all sources in specified periods from activities that are effectively connected with the conduct of a trade or business in the U.S.,
- a “controlled foreign corporation” (a foreign corporation controlled by certain U.S. shareholders), or
- a foreign partnership, if at any time during its tax year, one or more of its partners are U.S. persons, as defined in the applicable Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or if at any time during its taxable year, such foreign partnership is engaged in a trade or business in the U.S.

Payment by a U.S. office of any U.S. or foreign broker is generally subject to both backup withholding and information reporting unless the holder certifies under penalties of perjury that it is a Non-U.S. Holder or otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules from a payment to a Non-U.S. Holder of the Notes may be allowed as a refund or a credit against such holder’s U.S. federal income tax liability, provided that the required information is timely furnished to the Internal Revenue Service.

Non-U.S. Holders should consult their tax advisers concerning the possible application of Treasury regulations and income tax treaties to any payments made on or with respect to the Notes.

## UNDERWRITING

[TO BE FURNISHED AT TIME OF OFFERING]

## LEGAL MATTERS

Certain legal matters in connection with the securities offered hereby will be passed upon for us by Paul Hastings LLP, San Francisco, California. Paul Hastings LLP may rely as to certain matters of Maryland law on the opinion of Venable LLP, Baltimore, Maryland. Certain legal matters in connection with this offering will be passed upon for the Underwriters by \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_.

## WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Exchange Act and the 1940 Act and are required to file reports (including annual and semi-annual reports), proxy statements and other information with the SEC. We voluntarily file quarterly shareholder reports. Our most recent shareholder report filed with the SEC is for the period ended \_\_\_\_\_, 201\_\_\_\_. These documents are available on the SEC's EDGAR system and can be inspected and copied for a fee at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Additional information about the operation of the public reference room facilities may be obtained by calling the SEC at (202) 551-5850.

This prospectus supplement and the accompanying prospectus do not contain all of the information in our registration statement, including amendments, exhibits and schedules. Statements in this prospectus supplement and the accompanying 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 us can be found in our 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 our registration statement, other documents incorporated by reference, and other information we have filed electronically with the SEC, including proxy statements and reports filed under the Exchange Act.



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**Kayne Anderson MLP Investment Company**  
[LOGO]

**Series [Floating Rate] Notes due , 20**

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**PROSPECTUS SUPPLEMENT**

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[Underwriter(s)]

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**\$500,000,000**

**Kayne Anderson**

*MLP Investment Company*

**Common Stock  
Preferred Stock  
Debt Securities**

\_\_\_\_\_  
**PROSPECTUS**  
\_\_\_\_\_

**, 201**

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