Kayne Anderson MLP Investment CO
Form POS 8C
February 19, 2014

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**As filed with the Securities and Exchange Commission on February 19, 2014**

**File Nos. 333-192144**

**811-21593**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM N-14**

**REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 [X]**

¨ Pre-Effective Amendment No. þ Post-Effective Amendment No. 1

**KAYNE ANDERSON MLP INVESTMENT COMPANY**

(Exact name of Registrant as Specified in Charter)

**811 Main Street, 14th Floor**

**Houston, Texas 77002**

(Address of Principal Executive Offices)

**(713) 493-2020**

Registrant s Telephone Number, including Area Code

**David J. Shladovsky**

**KA Fund Advisors, LLC**

**1800 Avenue of the Stars, Third Floor**

**Los Angeles, California 90067**

(Name and Address of Agent for Service)

Copies of all communications to:

| | |
|---|---|
| **David A. Hearth, Esq.** | **John F. Della Grotta, Esq.** |
| **Paul Hastings LLP** | **Paul Hastings LLP** |
| **55 Second Street, 24th Floor** | **695 Town Center Drive** |
| **San Francisco, California 94105** | **Costa Mesa, California 92626** |

Calculation of Registration Fee under the Securities Act of 1933

**Approximate Date of Proposed Public Offering:** As soon as practicable after this Post-Effective Amendment No. 1 to this Registration Statement becomes effective.

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

| Title of Securities Being Registered | Amount Being Registered | Proposed Maximum Offering Price per Unit | Proposed Maximum Aggregate Offering Price | Amount of Registration Fee |
|---|---|---|---|---|
| Series HH Floating Rate Senior Notes | $175,000,000 | N/A | $175,000,000 | $22,540(1) |

(1) Fee previously paid.

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

**Subject to Completion, dated February 19, 2014**

**PROSPECTUS AMENDMENT**

# KAYNE ANDERSON MLP INVESTMENT COMPANY

Kayne Anderson MLP Investment Company (the Company , we , us , or our ), 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 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 also must comply with the rule of the Securities and Exchange Commission (the SEC ) 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.

We began investment activities in September 2004 following our initial public offering. As of December 31, 2013, we had net assets applicable to our common stock of approximately $3.5 billion and total assets of approximately $6.4 billion.

**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 November 30, 2013, Kayne Anderson and its affiliates managed approximately $25 billion, including approximately $16 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.

*(Continued on the following page)*

**Investing in our securities involves risk. See Risk Factors beginning on page 6 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 accuracy or adequacy of this prospectus amendment. Any representation to the contrary is a criminal offense.**

**, 2014**

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You should read this prospectus amendment and the accompanying prospectus before deciding whether to invest and retain it for future reference. A statement of additional information, dated December 12, 2013 ( 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 amendment.

**You can obtain, without charge, copies of our SAI, the table of contents of which is on page 85 of the accompanying prospectus and our annual, semi-annual and quarterly reports and you may request other information or make stockholder inquiries, in each case 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. Our annual, semi-annual and quarterly reports are also available on our website at http://www.kaynefunds.com. Information included on such website does not form part of this amendment.**

You should rely only on the information contained or incorporated by reference in this prospectus amendment and the accompanying prospectus. This prospectus amendment 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 amendment adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference in the accompanying prospectus. If any statement in this prospectus amendment or the accompanying prospectus is inconsistent with a statement in another document having a later date and incorporated by reference into the accompanying prospectus or this prospectus amendment, 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 our 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 amendment 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 amendment, the accompanying prospectus, or the sale of our securities. Our business, financial condition, results of operations and prospects may have changed since that date.

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**Prospectus Amendment**



**Prospectus**

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## CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus amendment, the accompanying prospectus and the SAI contain forward-looking statements. All statements other than statements of historical facts included in this prospectus amendment, 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, p project, will, should, expect, intend, plan, predict, anticipate, estimate, approximate or continue and other words and terms and the negative of such terms. Such forward-looking statements may be contained in this prospectus amendment 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 amendment, the accompanying prospectus or the SAI, including the risks outlined 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 amendment, 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.

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## RESULTS OF THE EXCHANGE OFFER

On August 22, 2013, we issued $175,000,000 in aggregate principal amount of unregistered Series HH Floating Rate Senior Notes due August 19, 2016, bearing interest at a floating rate per annum equal to 3-month LIBOR plus 1.25%, resetting quarterly (the Initial Series HH Notes ). In connection with the issuance of the Initial Series HH Notes, the Company entered into a registration rights agreement with UBS Securities LLC, as the initial purchaser of the Initial Series HH Notes and acting for the benefit of the holders from time to time of the Initial Series HH Notes (the Registration Rights Agreement ), pursuant to which the Company agreed to, among other things, (i) file with the SEC, and use its reasonable best efforts to cause to become effective, a registration statement with respect to its new Series HH Floating Rate Senior Notes due August 19, 2016, bearing interest at a floating rate per annum equal to 3-month LIBOR plus 1.25%, resetting quarterly (the Exchange Offer Registration Statement ), which such new Series HH Floating Rate Senior Notes would be identical in all material respects to the Old Notes, except for reference to the restrictive legends on the Initial Series HH Notes (the New Notes ), and (ii) complete an exchange offer of the registered New Notes for any and all outstanding unregistered Initial Series HH Notes (the Exchange Offer ).

On December 12, 2013, the Exchange Offer Registration Statement, initially filed with the SEC on November 6, 2013, was declared effective and the Company commenced the Exchange Offer. The Exchange Offer expired at 12:00 midnight on January 10, 2014. Of the $175,000,000 in aggregate principal amount of unregistered Old Notes outstanding at the commencement of the Exchange Offer, $174,700,000 in aggregate principal amount was tendered and accepted for exchange for registered New Notes before expiration of the Exchange Offer. The closing of the Exchange Offer occurred on January 16, 2014.

Pursuant to the Registration Rights Agreement, we agreed to use our commercially reasonable efforts to keep the Exchange Offer Registration Statement effective and to amend and supplement the prospectus contained therein, in order to permit such prospectus to be lawfully delivered by all persons subject to the prospectus delivery requirements of the Securities Act for such period of time as such persons must comply with such requirements in order to resell the New Notes; provided however, that (i) in the case where such prospectus and any amendment or supplement thereto must be delivered by an Exchanging Dealer, such period shall be the lesser of 180 days and the date on which all Exchanging Dealers have sold all New Notes held by them (subject to the suspension periods discussed below) and (ii) the Company shall make such prospectus and any amendment or supplement thereto, available to any broker-dealer for use in connection with any resale of any New Notes for a period of not less than 180 days after the consummation of the Exchange Offer.

We have the right to suspend sales under the Exchange Offer Registration Statement, to defer the updating of the Exchange Offer Registration Statement and to suspend sales thereunder for a period of not more than sixty (60) consecutive days (and, in the aggregate, not more than ninety (90) days) per any one year period, if it determines that it would be materially detrimental to the Company to file such Exchange Offer Registration Statement or continue sales under such Exchange Offer Registration Statement and concludes, as a result, that it is in our best interests and the best interests of our stockholders to defer the filing of such Exchange Offer Registration Statement or suspend such sales under such Exchange Offer Registration Statement at such time. An Exchanging Dealer is defined under the Registration Rights Agreement as any Holder (which may include the initial purchaser ) that is a broker-dealer and elects to exchange for New Notes any Old Notes that it acquired for its own account as a result of market-making activities or other trading activities (but not directly from the Company or any affiliate of the Company.

## KAYNE ANDERSON MLP INVESTMENT COMPANY 2013 ANNUAL FINANCIAL STATEMENTS

On January 17, 2014, we filed our Annual Report to Stockholders on Form N-CSR with the SEC (the 2013 Annual Report ). The 2013 Annual Report included the Company s audited financial statements, and the accompanying notes thereto, as of and for the year ended November 30, 2013 and financial highlights for period September 28, 2004 through November 30, 2004 and for the fiscal years ended November 30, 2005 through 2013 (the 2013 Annual Audited Financial Statements ). This prospectus amendment includes the 2013 Annual Audited Financial Statements updating the financial statements in the Exchange Offer Registration Statement dated December 12, 2013 relating to the New Notes, which accompanies this prospectus amendment.

## FOLLOW-ON OFFERING OF SERIES HH FLOATING RATE SENIOR NOTES DUE 2016

On February 7, 2014, we completed a private offering of $75,000,000 aggregate principal amount of Series HH floating rate senior notes due 2016 (the Follow-on Series HH Notes ). The Follow-on Series HH Notes consisted of an additional issuance of our Initial Series HH Notes. The Follow-on Series HH Notes became part of the same series as the outstanding Initial Series HH Notes. The Follow-on Series HH Notes and the Initial Series HH Notes bear interest at a floating rate per annum equal to 3-month LIBOR plus 1.25%, will be reset quarterly and will mature on August 19, 2016.

The Follow-on Series HH Notes were not registered under the Securities Act or any state securities laws and were sold only to qualified institutional buyers under Rule 144A of the Securities Act.

Similar to the Initial Series HH Notes, pursuant to a registration rights agreement, we agreed to file an exchange offer registration statement and, under certain circumstances, a shelf registration statement. If we fail to comply with certain of our obligations under such registration rights agreement, we will pay additional interest to the holders of the Follow-on Series HH Notes.

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## REGISTRATION STATEMENT

A Registration Statement on Form N-14, including amendments and post-effective amendments thereto (collectively, the Registration Statement ) relating to our securities offered hereby, has been filed by us with the SEC, Washington, D.C. This prospectus amendment, the accompanying prospectus and the SAI do not contain all of the information set forth in the Registration Statement, including any exhibits and schedules thereto. For further information with respect to us and our securities offered hereby, reference is made to our Registration Statement. Statements contained in this prospectus amendment, the accompanying prospectus or the SAI as to the contents of any contract or other document referred to are not necessarily complete and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference. Copies of the Registration Statement may be inspected without charge at the SEC s principal office in Washington, D.C., and copies of all or any part thereof may be obtained from the SEC upon the payment of certain fees prescribed by the SEC.

## EXPERTS

Our 2013 Audited Financial Statements included in this prospectus amendment, have been audited by PricewaterhouseCoopers LLP, independent registered public accounting firm, as set forth in their report therein, and are included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing. PricewaterhouseCoopers LLP provides auditing services to us. The principal business address of PricewaterhouseCoopers LLP is 601 South Figueroa, Los Angeles, California 90017.

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**FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED NOVEMBER 30, 2013 AND FINANCIAL HIGHLIGHTS FOR THE PERIOD SEPTEMBER 28, 2004 THROUGH NOVEMBER 30, 2004 AND FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2005 THROUGH 2013**

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

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**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**PORTFOLIO SUMMARY**

**(UNAUDITED)**

**Portfolio Investments by Category**

**November 30, 2013** **November 30, 2012**

**Top 10 Holdings by Issuer**

| | Holding | Sector | Percent of Total Investments* as of November 30, 2013 | 2012 |
|---|---|---|---|---|
| 1. | Enterprise Products Partners L.P. | Midstream MLP | 9.0% | 8.9% |
| 2. | MarkWest Energy Partners, L.P. | Midstream MLP | 6.0 | 5.6 |
| 3. | Plains All American Pipeline, L.P. | Midstream MLP | 5.7 | 7.1 |
| 4. | Williams Partners L.P. | Midstream MLP | 5.7 | 4.3 |
| 5. | Energy Transfer Partners, L.P. | Midstream MLP | 5.2 | 0.8 |
| 6. | Kinder Morgan Management, LLC | Midstream MLP | 5.2 | 7.5 |
| 7. | DCP Midstream Partners, LP | Midstream MLP | 4.0 | 2.5 |
| 8. | Crestwood Midstream Partners LP | Midstream MLP | 3.9 | 2.5 |
| 9. | ONEOK Partners, L.P. | Midstream MLP | 3.5 | 3.7 |
| 10. | Regency Energy Partners LP | Midstream MLP | 3.4 | 3.9 |

* Includes cash and repurchase agreement (if any).

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**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**MANAGEMENT DISCUSSION**

**(UNAUDITED)**

**Company Overview**

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

As of November 30, 2013, we had total assets of $6.3 billion, net assets applicable to our common stock of $3.4 billion (net asset value of $34.30 per share), and 100.4 million shares of common stock outstanding.

Our investments are principally in equity securities issued by MLPs, but we also may invest in debt securities of MLPs and equity/debt securities of other Midstream Energy Companies. As of November 30, 2013, we held $6.2 billion in equity investments and no debt investments.

**Recent Events**

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

On September 24, 2013, we put in place an at-the-market offering program (or ATM program ). This ATM program enables us to sell newly issued shares of common stock at the market prices through ordinary brokers transactions. During our fiscal fourth quarter, we sold 0.5 million shares ($18 million) pursuant to the ATM.

**Results of Operations For the Three Months Ended November 30, 2013**

*Investment Income.* Investment income totaled $10.9 million for the quarter and consisted primarily of net dividends and distributions on our investments. We received $88.1 million of dividends and distributions, of which $76.3 million was treated as return of capital and $0.8 million was distributions in excess of cost basis. We received $6.0 million of paid-in-kind dividends during the quarter, which are not included in investment income, but are reflected as an unrealized gain.

*Operating Expenses.* Operating expenses totaled $36.9 million, including $20.2 million of net investment management fees, $10.4 million of interest expense (including non-cash amortization of debt offering costs of $0.5 million), and $1.1 million of other operating expenses. Preferred stock distributions for the quarter were $5.2 million (including non-cash amortization of offering costs of $0.3 million).

*Net Investment Loss.* Our net investment loss totaled $18.1 million and included a current tax benefit of $3.0 million and deferred income tax benefit of $4.9 million.

*Net Realized Gains.* We had net realized gains from our investments of $30.0 million, net of $10.1 million of current tax expense and $6.2 million of deferred tax expense.

*Net Change in Unrealized Gains.* We had a net increase in our unrealized gains of $175.8 million. The net change consisted of a $274.9 million increase in our unrealized gains on investments and a deferred tax expense of $99.1 million.

*Net Increase in Net Assets Resulting from Operations.* We had an increase in net assets resulting from operations of $187.7 million. This increase was comprised of a net investment loss of $18.1 million, net realized gains of $30.0 million and net increase in unrealized gains of $175.8 million, as noted above.

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**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**MANAGEMENT DISCUSSION**

**(UNAUDITED)**

**Results of Operations  For the Fiscal Year Ended November 30, 2013**

*Investment Income*.  Investment income totaled $40.0 million for the fiscal year and consisted primarily of net dividends and distributions on our investments. We received $310.0 million of dividends and distributions, of which $267.2 million was treated as return of capital and $3.1 million was distributions in excess of cost basis. Return of capital was increased by $0.3 million due to the 2012 tax reporting information that we received in the fiscal third quarter 2013. Interest and other income was $0.3 million. We received $26.3 million of paid-in-kind dividends during the fiscal year, which are not included in investment income, but are reflected as an unrealized gain.

*Operating Expenses*.  Operating expenses totaled $140.1 million, including $72.9 million of net investment management fees, $40.8 million of interest expense (including non-cash amortization of debt offering costs of $2.1 million), and $4.1 million of other operating expenses. Preferred stock distributions for the fiscal year were $22.3 million (including non-cash amortization of offering costs of $2.8 million).

*Net Investment Loss.*  Our net investment loss totaled $69.8 million and included a current tax benefit of $5.4 million and deferred income tax benefit of $24.9 million.

*Net Realized Gains*.  We had net realized gains from our investments of $202.5 million, net of $21.0 million of current tax expense and $96.0 million of deferred tax expense.

*Net Change in Unrealized Gains.*  We had a net increase in our unrealized gains of $603.8 million. The net change consisted of a $952.5 million increase in our unrealized gains on investments and a deferred tax expense of $348.7 million.

*Net Increase in Net Assets Resulting from Operations*.  We had an increase in net assets resulting from operations of $736.5 million. This increase was comprised of a net investment loss of $69.8 million, net realized gains of $202.5 million and net increase in unrealized gains of $603.8 million, as noted above.

**Distributions to Common Stockholders**

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

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

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

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**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**MANAGEMENT DISCUSSION**

**(UNAUDITED)**

**Net Distributable Income (NDI)**

(amounts in millions, except for per share amounts)

| | Three Months Ended November 30, 2013 | Fiscal Year Ended November 30, 2013 |
|---|---|---|
| **Distributions and Other Income from Investments** | | |
| Dividends and Distributions[1] | $ 88.1 | $ 310.0 |
| Paid-In-Kind Dividends and Distributions[1] | 6.0 | 26.3 |
| Interest and Other Income | | 0.3 |
| Net Premiums Received from Call Options Written | | 3.2 |
| Total Distributions and Other Income from Investments | 94.1 | 339.8 |
| **Expenses** | | |
| Investment Management Fee | (20.2) | (72.9) |
| Other Expenses | (1.1) | (4.1) |
| Interest Expense | (9.9) | (39.1) |
| Preferred Stock Distributions | (4.9) | (19.5) |
| Income Tax Benefit | 7.9 | 30.3 |
| **Net Distributable Income (NDI)** | **$ 65.9** | **$ 234.5** |
| Weighted Shares Outstanding | 100.1 | 94.6 |
| **NDI per Weighted Share Outstanding** | **$ 0.658** | **$ 2.478** |
| **Adjusted NDI per Weighted Share Outstanding** | **$ 0.627**[2] | **$ 2.455**[2][3] |
| **Distributions paid per Common Share**[4] | **$ 0.610** | **$ 2.350** |

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

(2) During the three months ended November 30, 2013, Plains All American GP LLC paid a special distribution of $3.2 million. Adjusted NDI excludes this distribution.

(3) Adjusted NDI excludes $0.5 million of premium paid and $0.6 million of accrued dividends as a result of the redemption of Series D mandatory redeemable preferred stock during the second quarter of fiscal 2013.

(4) The distribution of $0.61 per share for the fourth quarter of fiscal 2013 was paid on January 10, 2014. Distributions for fiscal 2013 include the distributions paid in April 2013, July 2013, October 2013 and January 2014.

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

- NDI and Adjusted NDI generated in the current quarter;
- Expected NDI over the next twelve months; and
- Realized and unrealized gains generated by the portfolio.

On December 12, 2013, we declared a quarterly distribution of $0.61 per common share for the fourth quarter of fiscal 2013 (a total distribution of $61.4 million). The distribution represents an increase of 2.5% from the prior quarter s distribution and an increase of 10.9% from the distribution for the quarter ended November 30, 2012. The distribution was paid on January 10, 2014 to common stockholders of record on January 6, 2014.

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**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**MANAGEMENT DISCUSSION**

**(UNAUDITED)**

**Reconciliation of NDI to GAAP**

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

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

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

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

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

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

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

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

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

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

**Liquidity and Capital Resources**

Total leverage outstanding at November 30, 2013 of $1,693 million was comprised of $1,175 million of senior unsecured notes ( Senior Notes ), $69 million outstanding under our unsecured revolving credit facility (the Credit Facility ) and $449 million of mandatory redeemable preferred stock. Total leverage represented

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**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**MANAGEMENT DISCUSSION**

**(UNAUDITED)**

27% of total assets at November 30, 2013. As of January 14, 2014, we had $112 million borrowed under our Credit Facility, and we had $1.5 million of cash.

At November 30, 2013, our Credit Facility had a total commitment of $250 million and matures on March 4, 2016. The interest rate varies between LIBOR plus 1.60% and LIBOR plus 2.25%, depending on our asset coverage ratios. Outstanding loan balances accrue interest daily at a rate equal to one-month LIBOR plus 1.60% based on current asset coverage ratios. We pay a fee of 0.30% per annum on any unused amounts of the Credit Facility.

We had $1,175 million of Senior Notes outstanding at November 30, 2013. We have $110 million of Senior Notes that mature in November 2014 that we expect to refinance during the fiscal year. The remaining Senior Notes mature between 2015 and 2025.

As of November 30, 2013, we had $449 million of mandatory redeemable preferred stock outstanding. The mandatory redeemable preferred stock outstanding is subject to mandatory redemption at various dates from 2017 through 2021. On September 16, 2013, we completed a public offering of $50 million of Series G mandatory redeemable preferred stock with a mandatory redemption date of October 1, 2021. The net proceeds from the offering were used to make new portfolio investments, to repay indebtedness, and for general corporate purposes.

At November 30, 2013, our asset coverage ratios under the Investment Company Act of 1940, as amended (the 1940 Act ), were 413% for debt and 303% for total leverage (debt plus preferred stock). Our long-term target asset coverage ratio with respect to our debt is 375%, but at times we may be above or below our target depending on market conditions.

As of November 30, 2013, our total leverage consisted of both fixed rate (76%) and floating rate (24%) obligations. At such date, the weighted average interest/dividend rate on our total leverage was 3.51%.

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**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**SCHEDULE OF INVESTMENTS**

**NOVEMBER 30, 2013**

**(amounts in 000 s)**

| Description | No. of Shares/Units | Value |
|---|---|---|
| **Long-Term Investments 180.9%** | | |
| **Equity Investments[1] 180.9%** | | |
| **Midstream MLP[2] 149.9%** | | |
| Access Midstream Partners, L.P. | 2,793 | $ 156,883 |
| Arc Logistics Partners LP[3] | 795 | 16,023 |
| Atlas Pipeline Partners, L.P. | 626 | 21,878 |
| Boardwalk Pipeline Partners, LP | 192 | 5,057 |
| Buckeye Partners, L.P. | 2,676 | 182,200 |
| Crestwood Midstream Partners LP | 10,763 | 243,669 |
| Crosstex Energy, L.P. | 5,514 | 146,901 |
| DCP Midstream Partners, LP | 5,173 | 249,221 |
| El Paso Pipeline Partners, L.P. | 4,143 | 172,270 |
| Enbridge Energy Management, L.L.C.[4] | 1,108 | 31,644 |
| Enbridge Energy Partners, L.P. | 5,303 | 159,570 |
| Energy Transfer Partners, L.P.[5] | 6,039 | 327,063 |
| Enterprise Products Partners L.P.[5] | 8,895 | 560,114 |
| Global Partners LP | 2,061 | 73,983 |
| Holly Energy Partners, L.P. | 235 | 7,400 |
| Kinder Morgan Energy Partners, LP | 2,329 | 190,927 |
| Kinder Morgan Management, LLC[4] | 4,218 | 322,951 |
| Magellan Midstream Partners, L.P. | 2,850 | 177,112 |
| MarkWest Energy Partners, L.P.[6] | 5,387 | 372,080 |
| Midcoast Energy Partners, L.P.[3] | 864 | 15,543 |
| Niska Gas Storage Partners LLC | 1,814 | 27,584 |
| NuStar Energy L.P. | 1,722 | 91,894 |
| ONEOK Partners, L.P. | 4,109 | 220,089 |
| Plains All American Pipeline, L.P.[6] | 6,902 | 355,925 |
| PVR Partners, L.P. | 5,169 | 127,683 |
| QEP Midstream Partners, LP | 519 | 11,750 |
| Regency Energy Partners LP | 8,797 | 214,461 |
| Sprague Resources LP[3] | 1,285 | 22,144 |
| Summit Midstream Partners, LP | 1,003 | 33,693 |
| Sunoco Logistics Partners L.P. | 201 | 14,250 |
| Tallgrass Energy Partners, LP | 188 | 4,671 |
| Targa Resources Partners L.P. | 2,304 | 117,640 |
| Western Gas Partners, LP | 2,106 | 134,110 |
| Williams Partners L.P. | 6,889 | 354,022 |
| | | 5,162,405 |
| **Midstream Company 10.1%** | | |
| Kinder Morgan, Inc. | 1,447 | 51,419 |
| ONEOK, Inc. | 1,510 | 87,674 |
| Plains GP Holdings, L.P. Unregistered[6][7][8] | 6,402 | 137,087 |
| Targa Resources Corp. | 308 | 24,945 |

| | | |
|---|---|---|
| The Williams Companies, Inc. | 1,319 | 46,473 |
| | | 347,598 |

See accompanying notes to financial statements.

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**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**SCHEDULE OF INVESTMENTS**

**NOVEMBER 30, 2013**

**(amounts in 000 s)**

| Description | No. of Shares/Units | Value |
|---|---|---|
| **Shipping MLP 6.8%** | | |
| Capital Product Partners L.P. | 2,841 | $ 25,455 |
| Capital Products Partners L.P. Class B Units[7][9] | 3,030 | 28,879 |
| Dynagas LNG Partners LP[3] | 964 | 18,072 |
| Golar LNG Partners LP | 889 | 28,441 |
| KNOT Offshore Partners LP | 385 | 10,803 |
| Navios Maritime Partners L.P. | 857 | 14,405 |
| Teekay LNG Partners L.P. | 663 | 27,263 |
| Teekay Offshore Partners L.P. | 2,508 | 82,326 |
| | | 235,644 |
| **General Partner MLP 5.0%** | | |
| Alliance Holdings GP L.P. | 1,935 | 106,410 |
| Crestwood Equity Partners LP | 4,203 | 64,646 |
| | | 171,056 |
| **Upstream MLP & Income Trust 4.9%** | | |
| BreitBurn Energy Partners L.P. | 2,202 | 41,642 |
| Enduro Royalty Trust | 718 | 9,507 |
| EV Energy Partners, L.P. | 510 | 16,669 |
| Legacy Reserves L.P. | 682 | 18,395 |
| LRR Energy, L.P. | 403 | 6,617 |
| Mid-Con Energy Partners, LP | 2,352 | 53,451 |
| Pacific Coast Oil Trust | 578 | 8,231 |
| SandRidge Mississippian Trust II | 186 | 1,753 |
| SandRidge Permian Trust | 678 | 8,883 |
| VOC Energy Trust | 282 | 4,614 |
| | | 169,762 |
| **Other 4.2%** | | |
| Alliance Resource Partners, L.P. | 201 | 14,695 |
| Clearwater Trust[6][7][10] | N/A | 1,550 |
| Exterran Partners, L.P. | 2,355 | 65,533 |
| Lehigh Gas Partners LP | 19 | 550 |
| Rhino Resource Partners LP | 23 | 261 |
| SunCoke Energy Partners, L.P. | 1,301 | 35,088 |
| USA Compression Partners, LP | 1,062 | 26,023 |
| | | 143,700 |
| **Total Equity Investments (Cost $3,627,551)** | | 6,230,165 |

| | |
|---|---|
| **Liabilities** | |
| **Credit Facility** | (69,000) |
| **Senior Unsecured Notes** | (1,175,000) |
| **Mandatory Redeemable Preferred Stock at Liquidation Value** | (449,000) |
| **Current Tax Liability** | (3,730) |
| **Deferred Tax Liability** | (1,073,858) |
| **Other Liabilities** | (42,774) |
| **Total Liabilities** | (2,813,362) |
| **Other Assets** | 27,113 |
| **Total Liabilities in Excess of Other Assets** | (2,786,249) |
| **Net Assets Applicable to Common Stockholders** | $ 3,443,916 |

See accompanying notes to financial statements.

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**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**SCHEDULE OF INVESTMENTS**

**NOVEMBER 30, 2013**

**(amounts in 000 s)**

(1) Unless otherwise noted, equity investments are common units/common shares.

(2) Includes limited liability companies.

(3) Security is not currently paying cash distributions but is expected to pay cash distributions within the next 12 months.

(4) Dividends are paid-in-kind.

(5) In lieu of cash distributions, the Company has elected to receive distributions in additional units through the partnership s dividend reinvestment program.

(6) The Company believes that it is an affiliate of Clearwater Trust, MarkWest Energy Partners, L.P., Plains All American Pipeline, L.P. and Plains GP Holdings, L.P. ( Plains GP ). See Note 5 Agreements and Affiliations.

(7) Fair valued security, restricted from public sale. See Notes 2, 3 and 7 in Notes to Financial Statements.

(8) The Company holds an interest in Plains All American GP LLC ( PAA GP ), which controls the general partner of Plains All American, L.P. The Company s ownership of PAA GP is exchangeable into shares of Plains GP Holdings, L.P. (which trades on the NYSE under the ticker PAGP ) on a one-for-one basis at the Company s option. See Note 3 Fair Value.

(9) Class B Units are convertible on a one-for-one basis into common units of Capital Product Partners L.P. ( CPLP ) and are senior to the common units in terms of liquidation preference and priority of distributions. The Class B Units pay quarterly cash distributions of $0.21375 per unit and are convertible at any time at the option of the holder. If CPLP increases the quarterly cash distribution per common unit, the distribution per Class B Unit will increase by an equal amount. If CPLP does not redeem the Class B Units by May 2022, then the distribution increases by 25% per quarter to a maximum of $0.33345 per unit. CPLP may require that the Class B Units convert into common units after May 2015 if the common unit price exceeds $11.70 per unit, and the Class B Units are callable after May 2017 at a price of $9.27 per unit and after May 2019 at $9.00 per unit.

(10) The Company owns an interest in the Creditors Trust of Miller Bros. Coal, LLC ( Clearwater Trust ) consisting of a coal royalty interest and certain other assets. See Notes 5 and 7 in Notes to Financial Statements.

See accompanying notes to financial statements.

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**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**STATEMENT OF ASSETS AND LIABILITIES**

**NOVEMBER 30, 2013**

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

| | |
|---|---|
| **ASSETS** | |
| Investments at fair value: | |
| Non-affiliated (Cost $3,368,991) | $ 5,363,523 |
| Affiliated (Cost $258,560) | 866,642 |
| Total investments (Cost $3,627,551) | 6,230,165 |
| Cash | 257 |
| Deposits with brokers | 1,311 |
| Receivable for securities sold | 9,060 |
| Interest, dividends and distributions receivable | 1,783 |
| Deferred debt and preferred stock offering costs and other assets | 14,702 |
| **Total Assets** | 6,257,278 |
| **LIABILITIES** | |
| Payable for securities purchased | 1,933 |
| Investment management fee payable | 20,217 |
| Accrued directors fees and expenses | 106 |
| Accrued expenses and other liabilities | 20,518 |
| Current income tax liability | 3,730 |
| Deferred income tax liability | 1,073,858 |
| Credit facility | 69,000 |
| Senior unsecured notes | 1,175,000 |
| Mandatory redeemable preferred stock, $25.00 liquidation value per share (17,960,000 shares issued and outstanding) | 449,000 |
| **Total Liabilities** | 2,813,362 |
| **NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS** | $ 3,443,916 |
| **NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS CONSIST OF** | |
| Common stock, $0.001 par value (100,418,659 shares issued and outstanding, 182,040,000 shares authorized) | $ 100 |
| Paid-in capital | 2,047,560 |
| Accumulated net investment loss, net of income taxes, less dividends | (736,238) |
| Accumulated realized gains, net of income taxes | 493,123 |
| Net unrealized gains, net of income taxes | 1,639,371 |
| **NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS** | $ 3,443,916 |
| **NET ASSET VALUE PER COMMON SHARE** | $ 34.30 |

See accompanying notes to financial statements.

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**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**STATEMENT OF OPERATIONS**

**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2013**

**(amounts in 000 s)**

| | |
|---|---|
| **INVESTMENT INCOME** | |
| **Income** | |
| Dividends and distributions: | |
| Non-affiliated investments | $ 269,593 |
| Affiliated investments | 40,452 |
| Total dividends and distributions | 310,045 |
| Return of capital | (267,195) |
| Distributions in excess of cost basis | (3,122) |
| Net dividends and distributions | 39,728 |
| Interest and other income | 275 |
| Total Investment Income | 40,003 |
| **Expenses** | |
| Investment management fees, before investment management fee waiver | 73,968 |
| Administration fees | 982 |
| Professional fees | 561 |
| Custodian fees | 543 |
| Reports to stockholders | 413 |
| Directors fees and expenses | 424 |
| Insurance | 212 |
| Other expenses | 977 |
| Total expenses before waiver, interest expense, preferred distributions and taxes | 78,080 |
| Investment management fee waiver | (1,099) |
| Interest expense and amortization of offering costs | 40,805 |
| Distributions on mandatory redeemable preferred stock and amortization of offering costs | 22,357 |
| Total expenses before taxes | 140,143 |
| **Net Investment Loss Before taxes** | (100,140) |
| Current income tax benefit | 5,425 |
| Deferred income tax benefit | 24,864 |
| **Net Investment Loss** | (69,851) |
| **REALIZED AND UNREALIZED GAINS (LOSSES)** | |
| **Net Realized Gains** | |
| Investments non-affiliated | 318,317 |
| Investments affiliated | (463) |
| Options | 1,612 |
| Interest rate swap contracts | 32 |

| | |
|---|---|
| Current income tax expense | (20,954) |
| Deferred income tax expense | (96,020) |
| Net Realized Gains | 202,524 |
| **Net Change in Unrealized Gains** | |
| Investments non-affiliated | 716,653 |
| Investments affiliated | 235,912 |
| Options | (27) |
| Deferred income tax benefit (expense) | (348,740) |
| Net Change in Unrealized Gains | 603,798 |
| **Net Realized and Unrealized Gains** | 806,322 |
| **NET INCREASE IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM OPERATIONS** | $ 736,471 |

See accompanying notes to financial statements.

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**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**STATEMENT OF CHANGES IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS**

**(amounts in 000 s, except share amounts)**

| | For the Fiscal Year Ended November 30, | |
|---|---|---|
| | **2013** | **2012** |
| **OPERATIONS** | | |
| Net investment loss, net of tax[(1)] | $ (69,851) | $ (58,611) |
| Net realized gains, net of tax | 202,524 | 94,944 |
| Net change in unrealized gains, net of tax | 603,798 | 235,058 |
| **Net Increase in Net Assets Resulting from Operations** | 736,471 | 271,391 |
| **DIVIDENDS AND DISTRIBUTIONS TO COMMON STOCKHOLDERS[(1)(2)]** | | |
| Dividends | (144,672) | (127,330) |
| Distributions return of capital | (70,129) | (45,115) |
| **Dividends and Distributions to Common Stockholders** | (214,801) | (172,445) |
| **CAPITAL STOCK TRANSACTIONS** | | |
| Issuance of common stock offering of 11,249,151 and 12,500,000 shares of common stock, respectively | 392,861 | 385,075 |
| Underwriting discounts and offering expenses associated with the issuance of common stock | (15,534) | (16,085) |
| Issuance of 738,095 and 801,204 shares of common stock from reinvestment of dividends and distributions, respectively | 24,098 | 23,282 |
| **Net Increase in Net Assets Applicable to Common Stockholders from Capital Stock Transactions** | 401,425 | 392,272 |
| **Total Increase in Net Assets Applicable to Common Stockholders** | 923,095 | 491,218 |
| **NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS** | | |
| Beginning of year | 2,520,821 | 2,029,603 |
| End of year | $ 3,443,916 | $ 2,520,821 |

(1) Distributions on the Company s mandatory redeemable preferred stock are treated as an operating expense under GAAP and are included in the calculation of net investment loss. See Note 2 Significant Accounting Policies. Distributions in the amount of $19,545 and $17,409 paid to mandatory redeemable preferred stockholders for the fiscal years ended November 30, 2013 and 2012, respectively, were characterized as dividends (eligible to be treated as qualified dividend income). This characterization is based on the Company s earnings and profits.

(2) Distributions paid to common stockholders for the fiscal years ended November 30, 2013 and 2012, respectively, are characterized as either dividends (eligible to be treated as qualified dividend income) or distributions (return of capital). This characterization is based on the Company s earnings and profits.

See accompanying notes to financial statements.

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**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**STATEMENT OF CASH FLOWS**

**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2013**

**(amounts in 000 s)**

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Net increase in net assets resulting from operations | $ 736,471 |
| Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities: | |
| Return of capital distributions | 267,195 |
| Net realized gains | (319,498) |
| Net unrealized gains | (952,538) |
| Purchase of long-term investments | (1,907,962) |
| Proceeds from sale of long-term investments | 1,156,609 |
| Increase in deposits with brokers | (1,095) |
| Increase in receivable for securities sold | (2,381) |
| Increase in interest, dividends and distributions receivable | (1,695) |
| Amortization of deferred debt offering costs | 2,082 |
| Amortization of mandatory redeemable preferred stock offering costs | 2,812 |
| Increase in other assets, net | (51) |
| Decrease in payable for securities purchased | (2,618) |
| Increase in investment management fee payable | 5,030 |
| Increase in accrued directors fees and expenses | 12 |
| Decrease in call option contracts written, net | (406) |
| Increase in accrued expenses and other liabilities | 1,255 |
| Increase in current tax liability | 3,191 |
| Increase in deferred tax liability | 419,896 |
| **Net Cash Used in Operating Activities** | (593,691) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | |
| Increase in borrowings under credit facility | 50,000 |
| Issuance of shares of common stock, net of offering costs | 377,327 |
| Proceeds from offering of senior unsecured notes | 410,000 |
| Proceeds from offering on mandatory redeemable preferred stock | 175,000 |
| Redemption of senior unsecured notes | (125,000) |
| Redemption of mandatory redeemable preferred stock | (100,000) |
| Costs associated with renewal of credit facility | (1,986) |
| Costs associated with offering of senior unsecured notes | (2,596) |
| Costs associated with offering of mandatory redeemable preferred stock | (4,212) |
| Cash distributions paid to common stockholders, net | (190,703) |
| **Net Cash Provided by Financing Activities** | 587,830 |
| **NET DECREASE IN CASH** | (5,861) |
| **CASH BEGINNING OF YEAR** | 6,118 |
| **CASH END OF YEAR** | $ 257 |

Supplemental disclosure of cash flow information:

Non-cash financing activities not included herein consisted of reinvestment of distributions of $24,098 pursuant to the Company s dividend reinvestment plan.

During the fiscal year ended November 30, 2013, interest paid was $38,050 and income tax paid was $12,338.

The Company received $48,046 of paid-in-kind and non-cash dividends and distributions during the fiscal year ended November 30, 2013. See Note 2 Significant Accounting Policies.

See accompanying notes to financial statements.

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**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**FINANCIAL HIGHLIGHTS**

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

| | For the Fiscal Year Ended November 30, | | | | | | | | | For the Period September 28, 2004[1] through November 30, 2004 |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2013** | **2012** | **2011** | **2010** | **2009** | **2008** | **2007** | **2006** | **2005** | |
| **Per Share of Common Stock[2]** | | | | | | | | | | |
| Net asset value, beginning of period | $ 28.51 | $ 27.01 | $ 26.67 | $ 20.13 | $ 14.74 | $ 30.08 | $ 28.99 | $ 25.07 | $ 23.91 | $ 23.70[3] |
| Net investment income (loss)[4] | (0.73) | (0.71) | (0.69) | (0.44) | (0.33) | (0.73) | (0.73) | (0.62) | (0.17) | 0.02 |
| Net realized and unrealized gain (loss) | 8.72 | 4.27 | 2.91 | 8.72 | 7.50 | (12.56) | 3.58 | 6.39 | 2.80 | 0.19 |
| Total income (loss) from operations | 7.99 | 3.56 | 2.22 | 8.28 | 7.17 | (13.29) | 2.85 | 5.77 | 2.63 | 0.21 |
| Dividends and distributions auction rate preferred[4][5] | | | | | (0.01) | (0.10) | (0.10) | (0.10) | (0.05) | |
| Common dividends[5] | (1.54) | (1.54) | (1.26) | (0.84) | | | (0.09) | | (0.13) | |
| Common distributions return of capital[5] | (0.75) | (0.55) | (0.72) | (1.08) | (1.94) | (1.99) | (1.84) | (1.75) | (1.37) | |
| Total dividends and distributions common | (2.29) | (2.09) | (1.98) | (1.92) | (1.94) | (1.99) | (1.93) | (1.75) | (1.50) | |
| Underwriting discounts and offering costs on the issuance of auction rate preferred stock | | | | | | | | | (0.03) | |
| Effect of issuance of common stock | 0.09 | 0.02 | 0.09 | 0.16 | 0.12 | | 0.26 | | 0.11 | |
| Effect of shares issued in reinvestment of distributions | | 0.01 | 0.01 | 0.02 | 0.05 | 0.04 | 0.01 | | | |
| Total capital stock transactions | 0.09 | 0.03 | 0.10 | 0.18 | 0.17 | 0.04 | 0.27 | | 0.08 | |
| Net asset value, end of period | $ 34.30 | $ 28.51 | $ 27.01 | $ 26.67 | $ 20.13 | $ 14.74 | $ 30.08 | $ 28.99 | $ 25.07 | $ 23.91 |
| Market value per share of common stock, end of period | $ 37.23 | $ 31.13 | $ 28.03 | $ 28.49 | $ 24.43 | $ 13.37 | $ 28.27 | $ 31.39 | $ 24.33 | $ 24.90 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Total investment return based on common stock market value[6] | 28.2% | 19.3% | 5.6% | 26.0% | 103.0% | (48.8)% | (4.4)% | 37.9% | 3.7% | (0.4)%[7] |

See accompanying notes to financial statements.

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**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**FINANCIAL HIGHLIGHTS**

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

| | For the Fiscal Year Ended November 30, | | | | | | | | | For Per Septen 200 thro Novem 20 |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 20 |
| **al Data and** | | | | | | | | | | |
| plicable to ckholders, end | $ 3,443,916 | $ 2,520,821 | $ 2,029,603 | $ 1,825,891 | $ 1,038,277 | $ 651,156 | $ 1,300,030 | $ 1,103,392 | $ 932,090 | $ 7 |
| enses to ssets | | | | | | | | | | |
| fees (net of | 2.4% | 2.4% | 2.4% | 2.1% | 2.1% | 2.2% | 2.3% | 3.2% | 1.2% | |
| es | 0.1 | 0.2 | 0.2 | 0.2 | 0.4 | 0.3 | 0.2 | 0.2 | 0.3 | |
| | 2.5 | 2.6 | 2.6 | 2.3 | 2.5 | 2.5 | 2.5 | 3.4 | 1.5 | |
| nse and on mandatory preferred | 2.1 | 2.4 | 2.3 | 1.9 | 2.5 | 3.4 | 2.3 | 1.7 | 0.8 | |
| xpense | 14.4 | 7.2 | 4.8 | 20.5 | 25.4 | (9) | 3.5 | 13.8 | 6.4 | |
| es | 19.0% | 12.2% | 9.7% | 24.7% | 30.4% | 5.9% | 8.3% | 18.9% | 8.7% | |
| nvestment ) to average net | (2.3)% | (2.5)% | (2.5)% | (1.8)% | (2.0)% | (2.8)% | (2.3)% | (2.4)% | (0.7)% | |
| /(decrease) in common resulting from average net | 24.3% | 11.6% | 7.7% | 34.6% | 43.2% | (51.2)% | 7.3% | 21.7% | 10.0% | |
| nover rate | 21.2% | 20.4% | 22.3% | 18.7% | 28.9% | 6.7% | 10.6% | 10.0% | 25.6% | |
| assets | $ 3,027,563 | $ 2,346,249 | $ 1,971,469 | $ 1,432,266 | $ 774,999 | $ 1,143,192 | $ 1,302,425 | $ 986,908 | $ 870,672 | $ 7 |
| ured notes end of period | 1,175,000 | 890,000 | 775,000 | 620,000 | 370,000 | 304,000 | 505,000 | 320,000 | 260,000 | |
| y outstanding, l | 69,000 | 19,000 | | | | | 97,000 | 17,000 | | |
| preferred period | | | | | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | |
| edeemable ck, end of | 449,000 | 374,000 | 260,000 | 160,000 | | | | | | |
| res of common ding | 94,658,194 | 82,809,687 | 72,661,162 | 60,762,952 | 46,894,632 | 43,671,666 | 41,134,949 | 37,638,314 | 34,077,731 | 33,1 |
| ge of total | 412.9% | 418.5% | 395.4% | 420.3% | 400.9% | 338.9% | 328.4% | 449.7% | 487.3% | |
| | 303.4% | 296.5% | 296.1% | 334.1% | 333.3% | 271.8% | 292.0% | 367.8% | 378.2% | |

| | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ge of total ot and preferred | | | | | | | | | | | | | | | | | | |
| ount of per share of ck during the | $ | 11.70 | $ | 10.80 | $ | 10.09 | $ | 7.70 | $ | 6.79 | $ | 11.52 | $ | 12.14 | $ | 8.53 | $ | 5.57 |

See accompanying notes to financial statements.

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**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**FINANCIAL HIGHLIGHTS**

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

(1) Commencement of operations.

(2) Based on average shares of common stock outstanding.

(3) Initial public offering price of $25.00 per share less underwriting discounts of $1.25 per share and offering costs of $0.05 per share.

(4) Distributions on the Company s mandatory redeemable preferred stock are treated as an operating expense under GAAP and are included in the calculation of net investment income (loss). See Note 2 Significant Accounting Policies.

(5) The information presented for 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.

(6) Total investment return is calculated assuming a purchase of common stock at the market price on the first day and a sale at the current market price on the last day of the period reported. The calculation also assumes reinvestment of distributions at actual prices pursuant to the Company s dividend reinvestment plan.

(7) Not annualized.

(8) Unless otherwise noted, ratios are annualized.

(9) For the fiscal year ended November 30, 2008, the Company accrued deferred income tax benefits of $339,991 (29.7% of average net assets) primarily related to unrealized losses on investments. Realization of a deferred tax benefit was dependent on whether there would be sufficient taxable income of the appropriate character within the carryforward periods to realize a portion or all of the deferred tax benefit. Because it could not have been predicted whether the Company would incur a benefit in the future, a deferred income tax expense of 0% was assumed.

(10) Calculated pursuant to section 18(a)(1)(A) of the 1940 Act. Represents the value of total assets less all liabilities not represented by Senior Notes or any other senior securities representing indebtedness and mandatory redeemable preferred stock divided by the aggregate amount of Senior Notes and any other senior securities representing indebtedness. Under the 1940 Act, the Company may not declare or make any distribution on its common stock nor can it incur additional indebtedness if, at the time of such declaration or incurrence, its asset coverage with respect to senior securities representing indebtedness would be less than 300%. For purposes of this test, the Credit Facility is considered a senior security representing indebtedness.

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

See accompanying notes to financial statements.

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**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

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

**1. Organization**

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

**2. Significant Accounting Policies**

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

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

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

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

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

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

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**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

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

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

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

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

***Investment Team Valuation Documentation.*** Preliminary valuation conclusions will be determined by senior management of KAFA. Such valuations and supporting documentation is submitted to the Valuation Committee (a committee of the Company s Board of Directors) and the 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 the Board of Directors at its next regular meeting.

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

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

At November 30, 2013, the Company held 4.9% of its net assets applicable to common stockholders (2.7% of total assets) in securities valued at fair value pursuant to procedures adopted by the Board of Directors, with fair value of $167,516. See Note 3 Fair Value and Note 7 Restricted Securities.

F. *Repurchase Agreements* From time to time, the Company has agreed to purchase securities from financial institutions subject to the seller s agreement to repurchase them at an agreed-upon time and price ( repurchase agreements ). The financial institutions with whom the Company enters into repurchase agreements are banks and broker/dealers which KAFA considers creditworthy. The seller under a repurchase agreement is required to maintain the value of the securities as collateral, subject to the agreement, at not less than the repurchase price plus accrued interest. KAFA monitors daily the mark-to-market of the value of the collateral, and, if necessary, requires the seller to maintain additional securities so that the value of the collateral is not less than the repurchase price. Default by or bankruptcy of the seller would, however, expose the Company to possible loss because of adverse market action or delays in connection with the disposition of the underlying securities. As of November 30, 2013, the Company did not have any repurchase agreements.

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

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**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

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

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

The Company may also sell short against the box (*i.e.,* the Company enters into a short sale as described above while holding an offsetting long position in the security which it sold short). If the Company enters into a short sale against the box, the Company would segregate an equivalent amount of securities owned as collateral while the short sale is outstanding. During the fiscal year ended November 30, 2013, the Company did not engage in any short sales.

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

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

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

The Company includes all cash distributions received on its Statement of Operations and reduces its investment income by (i) the estimated return of capital and (ii) the distributions in excess of cost basis. For the fiscal year ended November 30, 2013, the Company had $267,195 of return of capital and $3,122 of cash distributions that were in excess of cost basis, which were treated as realized gains.

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

| | **Fiscal Year Ended November 30, 2013** |
|---|---|
| Return of capital portion of dividends and distributions received | 86% |
| Return of capital attributable to net realized gains (losses) | $ 48,942 |
| Return of capital attributable to net change in unrealized gains (losses) | 218,253 |
| Total return of capital | $ 267,195 |

For the fiscal year ended November 30, 2013, the Company estimated the return of capital portion of distributions received to be $266,944 (86%). This amount was increased by $251 due to the 2012 tax reporting information received by the Company in the fiscal third quarter 2013. As a result, the return of capital percentage was unchanged for the fiscal year ended November 30, 2013.

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**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

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

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

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

The Company receives paid-in-kind and non-cash dividends and distributions in the form of additional units or shares from the investments listed in the table below. For paid-in-kind dividends/distributions, the additional units are not reflected in investment income during the period received but are recorded as unrealized gains upon receipt. Non-cash distributions are reflected in investment income because the Company has the option to receive its distributions in cash or in additional units of the security. During the fiscal year ended November 30, 2013, the Company received the following paid-in-kind and non-cash dividends and distributions.

| | Fiscal Year Ended November 30, 2013 |
|---|---|
| **Paid-in-kind dividends/distributions** | |
| Buckeye Partners, L.P. (Class B Units)[(1)] | $ 2,983 |
| Crestwood Midstream Partners LP (Class C Units)[(2)] | 612 |
| Enbridge Energy Management, L.L.C. | 735 |
| Kinder Morgan Management, LLC | 21,998 |
| | 26,328 |
| **Non-cash distributions** | |
| Energy Transfer Partners, L.P. | 9,689 |
| Enterprise Products Partners L.P. | 12,029 |
| | 21,718 |
| Total paid-in-kind and non-cash dividends/distributions | $ 48,046 |

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

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

K. *Distributions to Stockholders* Distributions to common stockholders are recorded on the ex-dividend date. Distributions to mandatory redeemable preferred stockholders are accrued on a daily basis as described in Note 12 Preferred Stock. As required by the Distinguishing Liabilities from Equity topic of the Financial Accounting Standards Board ( FASB ) Accounting Standards Codification (ASC 480), the Company includes the accrued distributions on its mandatory redeemable preferred stock as an operating expense due to the fixed term of this obligation. For tax purposes the payments made to the holders of the Company s mandatory redeemable preferred stock are treated as dividends or distributions.

**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

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

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

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

M. *Federal and State Income Taxation* The Company, as a corporation, is obligated to pay federal and state income tax on its taxable income. The Company invests its assets primarily in MLPs, which generally are treated as partnerships for federal income tax purposes. As a limited partner in the MLPs, the Company includes its allocable share of the MLP s taxable income in computing its own taxable income. Deferred income taxes reflect (i) taxes on unrealized gains (losses), which are attributable to the difference between fair value and tax basis, (ii) the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and (iii) the net tax benefit of accumulated net operating and capital losses. To the extent the Company has a deferred tax asset, consideration is given as to whether or not a valuation allowance is required. The need to establish a valuation allowance for deferred tax assets is assessed periodically by the Company based on the Income Tax Topic of the FASB Accounting Standards Codification (ASC 740), that it is more likely than not that some portion or all of the deferred tax asset will not be realized. In the assessment for a valuation allowance, consideration is given to all positive and negative evidence related to the realization of the deferred tax asset. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability (which are highly dependent on future cash distributions from the Company s MLP holdings), the duration of statutory carryforward periods and the associated risk that operating and capital loss carryforwards may expire unused.

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

The Company s policy is to classify interest and penalties associated with underpayment of federal and state income taxes, if any, as income tax expense on its Statement of Operations. For the fiscal year ended November 30, 2013, the Company did not have any interest or penalties associated with the underpayment of any income taxes. Tax years subsequent to fiscal year 2009 remain open and subject to examination by the federal and state tax authorities.

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

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

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**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

**3. Fair Value**

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

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**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

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

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

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

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

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

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

The following table presents the Company s assets measured at fair value on a recurring basis at November 30, 2013, and the Company presents these assets by security type and description on its Schedule of Investments or on its Statement of Assets and Liabilities. Note that the valuation levels below are not necessarily an indication of the risk or liquidity associated with the underlying investment.

| | Total | Quoted Prices in Active Markets (Level 1) | Prices with Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| **Assets at Fair Value** | | | | |
| Equity investments | $ 6,230,165 | $ 6,062,649 | $ | $ 167,516 |

The Company did not have any liabilities that were measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at November 30, 2013. For the fiscal year ended November 30, 2013, there were no transfers between Level 1 and Level 2.

As of November 30, 2013, the Company had senior unsecured notes ( Senior Notes ) outstanding with aggregate principal amount of $1,175,000 and 17,960,000 shares of mandatory redeemable preferred stock outstanding with a total liquidation value of $449,000. See Note 11 Senior Unsecured Notes and Note 12 Preferred Stock.

Of the $449,000 of mandatory redeemable preferred stock, Series E ($120,000 liquidation value), Series F ($125,000 liquidation value) and Series G ($50,000 liquidation value) are publicly traded on the NYSE. As a result, the Company categorizes these series of mandatory redeemable preferred stock as Level 1. Of the $1,175,000 Senior Notes, Series HH ($175,000) may be traded by qualified institutional buyers under Rule 144A of the Securities Act of 1933, as amended (the Securities Act ), through a market maker. As a result, the Company categorizes the Series HH Senior Notes as Level 2. The remaining three series of preferred stock (the

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

The Company records these instruments on its Statement of Assets and Liabilities at principal amount or liquidation value. As of November 30, 2013, the estimated fair values of these leverage instruments are as follows.

| Instrument | Principal Amount/ Liquidation Value | Fair Value |
|---|---|---|
| Senior Notes (Series M through GG) | $ 1,000,000 | $ 1,029,800 |
| Senior Notes (Series HH) | $ 175,000 | $ 175,200 |
| Mandatory redeemable preferred stock (Series A, B and C) | $ 154,000 | $ 165,300 |
| Mandatory redeemable preferred stock (Series E, F and G) | $ 295,000 | $ 287,456 |

The following table presents the Company s assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the fiscal year ended November 30, 2013.

| | Equity Investments |
|---|---|
| Balance November 30, 2012 | $ 129,311 |
| Purchases | 65,000 |
| Issuances | 3,595 |
| Transfers out | (114,927) |
| Realized gains (losses) | |
| Unrealized gains, net | 84,537 |
| Balance November 30, 2013 | $ 167,516 |

The $84,537 of unrealized gains presented in the table above for the fiscal year ended November 30, 2013 relate to investments that are still held at November 30, 2013, and the Company includes these unrealized gains on the Statement of Operations Net Change in Unrealized Gains.

The purchases of $65,000 for the fiscal year ended November 30, 2013 relate to the Company s investment in Capital Products Partners L.P. (Class B Units) and Inergy Midstream, L.P. (Common Units). The issuance of $3,595 for the fiscal year ended November 30, 2013 relates to additional units received from Buckeye Partners, L.P. (Class B Units) and Crestwood Midstream Partners LP (Class C Units). The transfers out of $114,927 for the fiscal year ended November 30, 2013 relate to the Company s investments in Buckeye Partners, L.P. (Class B Units), Crestwood Midstream Partners LP, (Class C Units) and Inergy Midstream, L.P. (Common Units) that became marketable during fiscal 2013.

**Valuation Techniques and Unobservable Inputs**

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

**KAYNE ANDERSON MLP INVESTMENT COMPANY**

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Beginning in the fiscal fourth quarter, the Company s investment in Plains All American GP LLC ( PAA GP ), which controls the general partner of Plains All American, L.P., is valued as a PIPE investment. This is due to the recent initial public offering ( IPO ) of Plains GP Holdings, L.P. ( Plains GP ) as the Company s ownership of PAA GP is exchangeable into shares of Plains GP on a one-for-one basis at the Company s option. Plains GP completed its IPO in October 2013 and as part of such offering, the Company agreed to a 15-month lock-up on any Plains GP shares it receives in exchange for its ownership in PAA GP (lock-up expires in January 2015). During the 15-month lock-up period, the Company is valuing its investment in PAA GP on an as exchanged basis based on the public market value of Plains GP less a discount because of the lack of liquidity. In addition, the Company is entitled to a prorated distribution with respect of the portion of the fourth calendar quarter of 2013 that Plains GP was not public. Because this distribution is not reflected in the public market value of Plains GP, the Company is increasing the value of its investment in PAA GP by the estimated amount of this distribution until it is paid in February 2014.

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

The Company s other private investment is an interest in the Creditors Trust of Miller Bros. Coal, LLC ( Clearwater Trust ), which is a privately held entity. Clearwater Trust has an overriding royalty interest in certain coal reserves that were sold as part of the reorganization of Clearwater Natural Resources, LP. The Company uses a discounted cash flow analysis to value Clearwater Trust using projections provided to the Company by the owners of the coal reserves as well as internally developed estimates. These projections are sensitive to changes in assumptions specific to Clearwater Trust as well as general assumptions for the coal industry. Generally, a decrease in the cash flow projections or an increase in the equity rate of return (discount rate) selected by the Company will result in a decrease in the fair value of Clearwater Trust.

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

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The following table summarizes the significant unobservable inputs that the Company uses to value its portfolio investments categorized as Level 3 as of November 30, 2013:

**Quantitative Table for Valuation Techniques**

| Assets at Fair Value | Fair Value | Valuation Technique | Unobservable Inputs | Range Low | Range High | Average |
|---|---|---|---|---|---|---|
| Equity securities of public companies (PIPE) valued based on a discount to market value | $ 137,087 | - Discount to publicly-traded securities | - Current discount<br>- Remaining restricted period | 9.0%<br>417 days | 9.0%<br>417 days | 9.0%<br>417 days |
| Equity securities of public companies not valued based on a discount to market value | 28,879 | - Convertible pricing model | - Credit spread<br>- Volatility<br>- Discount for marketability | 7.0%<br>27.5%<br>8.0% | 8.0%<br>32.5%<br>8.0% | 7.5%<br>30.0%<br>8.0% |
| Equity securities of private trust | 1,550 | - Discounted cash flow | - Equity rate of return | 25% | 25% | 25% |
| Total | $ 167,516 | | | | | |

**4. Concentration of Risk**

The Company s investments are concentrated in the energy sector. The focus of the Company s portfolio within the energy sector may present more risks than if the Company s portfolio were broadly diversified across numerous sectors of the economy. A downturn in the energy sector would have a larger impact on the Company than on an investment company that does not concentrate in energy. The performance of securities in the energy sector may lag the performance of other industries or the broader market as a whole. Additionally, to the extent that the Company invests a relatively high percentage of its assets in the securities of a limited number of issuers, the Company may be more susceptible than a more widely diversified investment company to any single economic, political or regulatory occurrence. At November 30, 2013, the Company had the following investment concentrations.

| Category | Percent of Total Assets |
|---|---|

| | |
|---|---|
| Securities of energy companies | 99.3% |
| Equity securities | 99.6% |
| MLP securities | 90.2% |
| Largest single issuer | 9.0% |
| Restricted securities | 2.7% |

**5. Agreements and Affiliations**

A. *Administration Agreement* The Company has entered into an administration and accounting agreement with Ultimus Fund Solutions, LLC ( Ultimus ), which may be amended from time to time. Pursuant to the agreement, Ultimus will provide certain administrative and accounting services for the Company. The agreement has an initial term of two years (expiring on November 14, 2015) and has automatic one-year renewals unless earlier terminated by either party as provided under the terms of the agreement.

B. *Investment Management Agreement* The Company has entered into an investment management agreement with KAFA under which KAFA, subject to the overall supervision of the Company s Board of Directors, manages the day-to-day operations of, and provides investment advisory services to, the Company. For

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providing these services, KAFA receives an investment management fee from the Company. On September 18, 2013, the Company renewed its agreement with KAFA for a period of one year. The agreement will expire on December 11, 2014 and may be renewed annually thereafter upon approval of the Company s Board of Directors (including a majority of the Company s directors who are not interested persons of the Company, as such term is defined in the 1940 Act). In conjunction with this renewal, the Company renewed the agreement with KAFA for an additional one-year term expiring on December 11, 2014 to waive 0.125% of its 1.375% management fee on average total assets in excess of $4,500,000, thereby reducing the management fee to 1.25% on average total assets in excess of $4,500,000. For the fiscal year ended November 30, 2013, the Company paid management fees at an annual rate of 1.36% of the Company s average quarterly total assets.

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

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

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

In making such a determination as to whether to treat any class of limited partnership interests the Company holds as a voting security, the Company considers, among other factors, whether or not the holders of such limited partnership interests have the right to elect the board of directors of the limited partnership or the general partner. If the holders of such limited partnership interests do not have the right to elect the board of directors, the Company generally has not treated such security as a voting security. In other circumstances, based on the facts and circumstances of those partnership agreements, including the right to elect the directors of the general partner, the Company has treated those securities as voting securities. If the Company does not consider the

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security to be a voting security, it will not consider such partnership to be an affiliate unless the Company and its affiliates own more than 25% of the outstanding securities of such partnership. 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, the Company does not consider itself to be an affiliate if it owns more than 5% of such partnership s common units.

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

As of November 30, 2013, the Company believes that MarkWest Energy Partners, L.P. meets the criteria described above and is therefore considered an affiliate of the Company.

*Clearwater Trust* At November 30, 2013, the Company held approximately 63% of the Clearwater Trust. The Company believes that it is an affiliate of the trust under the 1940 Act by virtue of its majority interest in the trust.

*Plains GP Holdings, L.P., Plains All American GP LLC and Plains All American Pipeline, L.P.* Robert V. Sinnott is Chief Executive Officer of Kayne Anderson Capital Advisors, L.P. ( KACALP ), the managing member of KAFA. Mr. Sinnott also serves as a director of (i) PAA GP Holdings LLC, which is the general partner of Plains GP Holdings L.P. ( Plains GP ) and (ii) Plains All American GP LLC ( PAA GP ), which controls the general partner of Plains All American Pipeline, L.P. ( PAA ). Members of senior management of KACALP and KAFA, various affiliated funds managed by KACALP, including the Company, own shares of Plains GP as well as interests in PAA GP (which is exchangeable into shares of Plains GP as described in Note 3 Fair Value). The Company believes that it is an affiliate of Plains GP and PAA under the 1940 Act by virtue of (i) the Company s and other affiliated Kayne Anderson funds ownership interest in Plains GP and PAA GP and (ii) Mr. Sinnott s participation on the boards of Plains GP and PAA GP.

**6. Income Taxes**

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

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At November 30, 2013, the Company had a current income tax liability of $3,730. The payable is the result of estimated taxable income under alternative minimum tax ( AMT ) for the fiscal year ended November 30, 2013. Components of the Company s tax assets and liabilities as of November 30, 2013 are as follows:

| | |
|---|---|
| Current tax liability | $ (3,730) |
| Deferred tax assets: | |
| Net operating loss carryforwards Federal | 8,408 |
| Net operating loss carryforwards State | 412 |
| AMT credit carryforwards | 16,760 |
| Deferred tax liabilities: | |
| Net unrealized gains on investment securities, interest rate swap contracts and option contracts | (1,099,438) |
| Total deferred tax liability, net | $ (1,073,858) |

At November 30, 2013, the Company had federal net operating loss carryforwards of $24,723 (deferred tax asset of $8,408). Realization of the deferred tax assets and net operating loss carryforwards are dependent, in part, on generating sufficient taxable income prior to expiration of the loss carryforwards. The federal net operating loss carryforwards have expiration dates ranging from 2029 to 2032. In addition, the Company has state net operating loss carryforwards of $14,085 (deferred tax asset of $412). These state net operating loss carryforwards have expiration dates ranging from the current year to 2032.

At November 30, 2013, the Company had AMT credit carryforwards of $16,760. AMT credits can be used to reduce regular tax to the extent that regular tax exceeds the AMT in a future year. AMT credits do not expire.

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

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

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

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Total income taxes were different from the amount computed by applying the federal statutory income tax rate of 35% to the net investment loss and realized and unrealized gains (losses) on investments before taxes as follows:

| | Fiscal Year Ended November 30, 2013 |
|---|---|
| Computed federal income tax at 35% | $ 410,164 |
| State income tax, net of federal tax | 21,035 |
| Non-deductible distributions on mandatory redeemable preferred stock and other | 4,226 |
| Total income tax expense (benefit) | $ 435,425 |

At November 30, 2013, the cost basis of investments for federal income tax purposes was $3,275,732. The cost basis for federal income tax purposes is $351,819 lower than the cost basis for GAAP reporting purposes primarily due to the additional basis adjustments attributable to the Company s share of the allocated income or losses from its MLP investments. At November 30, 2013, gross unrealized appreciation and depreciation of investments and options for federal income tax purposes were as follows:

| | |
|---|---|
| Gross unrealized appreciation of investments | $ 2,963,785 |
| Gross unrealized depreciation of investments | (9,352) |
| Net unrealized appreciation of investments | $ 2,954,433 |

**7. Restricted Securities**

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

At November 30, 2013, the Company held the following restricted investments:

| Investment | Acquisition Date | Type of Restriction | Number of Units (in 000 s) | Cost Basis | Fair Value | Fair Value Per Unit | Percent of Net Assets | Percent of Total Assets |
|---|---|---|---|---|---|---|---|---|
| **Level 3 Investments**[(1)] | | | | | | | | |
| Capital Products Partners L.P. | | | | | | | | |
| Class B Units | (2) | (3) | 3,030 | $ 22,627 | $ 28,879 | $ 9.53 | 0.8% | 0.5% |
| Clearwater Trust | | | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Trust Interest | (4) | (5) | N/A | 3,266 | 1,550 | N/A | 0.1 | 0.0 |
| Plains GP Holdings, L.P.[6] | | | | | | | | |
| Common Units | (2) | (3) | 6,402 | 25,396 | 137,087 | 21.41 | 4.0 | 2.2 |
| Total | | | | $ 51,289 | $ 167,516 | | 4.9% | 2.7% |

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

(2) Security was acquired at various dates during the fiscal year ended November 30, 2013 and/or in prior fiscal years.

(3) Unregistered or restricted security of a publicly-traded company.

(4) On September 28, 2010, the Bankruptcy Court finalized the plan of reorganization of Clearwater Natural Resources, LP ( Clearwater ). As part of the plan of reorganization, the Company received an interest in the Clearwater Trust consisting of cash and a coal royalty interest as consideration for its unsecured loan to Clearwater. See Note 5 Agreements and Affiliations.

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(5) Unregistered security of a private trust.

(6) The Company holds an interest in Plains All American GP LLC ( PAA GP ), which controls the general partner of Plains All American, L.P. The Company s ownership of PAA GP is exchangeable into shares of Plains GP Holdings, L.P. (which trades on the NYSE under the ticker PAGP ) on a one-for-one basis at the Company s option. See Note 3 Fair Value.

**8. Derivative Financial Instruments**

As required by the Derivatives and Hedging Topic of the FASB Accounting Standards Codification (ASC 815), the following are the derivative instruments and hedging activities of the Company. There were no outstanding options at November 30, 2013. See Note 2 Significant Accounting Policies.

***Option Contracts*** Transactions in option contracts for the fiscal year ended November 30, 2013 were as follows:

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

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

***Interest Rate Swap Contracts*** The Company may enter into interest rate swap contracts to partially hedge itself from increasing expense on its leverage resulting from increasing interest rates. At the time the interest rate swap contracts reach their scheduled termination, there is a risk that the Company would not be able to obtain a replacement transaction or that the terms of the replacement transaction would not be as favorable as on the expiring transaction. In addition, if the Company is required to terminate any swap contract early, then the Company could be required to make a termination payment. As of November 30, 2013, the Company did not have any interest rate swap contracts outstanding.

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

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The Company did not have any derivative instruments outstanding as of November 30, 2013. The following table sets forth the effect of the Company s derivative instruments on the Statement of Operations.

| | | For the Fiscal Year Ended November 30, 2013 | |
|---|---|---|---|
| **Derivatives Not Accounted for as Hedging Instruments** | **Location of Gains/(Losses) on Derivatives Recognized in Income** | **Net Realized Gains/(Losses) on Derivatives Recognized in Income** | **Change in Unrealized Gains/(Losses) on Derivatives Recognized in Income** |
| Call options | Options | $ 1,612 | $ (27) |
| Interest rate swap contracts | Interest rate swap contracts | 32 | |
| | | $ 1,644 | $ (27) |

**9. Investment Transactions**

For the fiscal year ended November 30, 2013, the Company purchased and sold securities in the amounts of $1,907,962 and $1,156,609 (excluding short-term investments and options).

**10. Credit Facility**

At November 30, 2013, the Company had a $250,000 unsecured revolving credit facility (the Credit Facility ). The Credit Facility has a three-year term, maturing on March 4, 2016. Under the Credit Facility, the interest rate varies between LIBOR plus 1.60% and LIBOR plus 2.25%, depending on the Company s asset coverage ratios. The Company pays a fee of 0.30% per annum on any unused amounts of the Credit Facility.

For the fiscal year ended November 30, 2013, the average amount outstanding under the Credit Facility was $77,649 with a weighted average interest rate of 2.10%. As of November 30, 2013, the Company had $69,000 outstanding under the Credit Facility at an interest rate of 1.77%. See Financial Highlights for the Company s asset coverage ratios under the 1940 Act.

**11. Senior Unsecured Notes**

At November 30, 2013, the Company had $1,175,000 aggregate principal amount of Senior Notes outstanding. On April 16, 2013, the Company executed a definitive agreement for the private placement of $235,000 of Senior Notes. In conjunction with the execution of this agreement, on April 16, 2013, the Company received funding of $110,000 (the April Funding ) of the $235,000 total offering amount. Proceeds from the April Funding were used to make new portfolio investments and to repay outstanding indebtedness. The remaining $125,000 was funded on June 13, 2013 and was used to refinance $125,000 principal amount of the Series K Senior Notes which would have matured on June 19, 2013. On August 22, 2013, the Company completed an offering of $175,000 of Series HH Senior Notes to qualified institutional buyers in a private offering pursuant to Rule 144A under the Securities Act. The net proceeds from the offering were used to make new portfolio investments, to repay outstanding indebtedness and for general corporate purposes. On December 12, 2013, the Company commenced an offer to exchange its unregistered Series HH Senior Notes, for registered Series HH Senior Notes. The terms of these registered Senior Notes are substantially identical to the unregistered notes. The exchange offer concluded on January 10, 2014 with holders of $174,700 in unregistered Senior Notes electing to exchange their notes.

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The table below sets forth the key terms of each series of the Senior Notes at November 30, 2013.

| Series | Principal Outstanding, November 30, 2012 | Principal Redeemed | Principal Issued | Principal Outstanding, November 30, 2013 | Estimated Fair Value November 30, 2013 | Fixed/Floating Interest Rate | Maturity Date |
|---|---|---|---|---|---|---|---|
| K | $ 125,000 | $ 125,000 | $ | $ | $ | 5.991% | 6/19/13 |
| M | 60,000 | | | 60,000 | 62,800 | 4.560% | 11/4/14 |
| N | 50,000 | | | 50,000 | 50,300 | 3-month LIBOR + 185 bps | 11/4/14 |
| O | 65,000 | | | 65,000 | 68,400 | 4.210% | 5/7/15 |
| P | 45,000 | | | 45,000 | 45,200 | 3-month LIBOR + 160 bps | 5/7/15 |
| Q | 15,000 | | | 15,000 | 15,600 | 3.230% | 11/9/15 |
| R | 25,000 | | | 25,000 | 26,600 | 3.730% | 11/9/17 |
| S | 60,000 | | | 60,000 | 64,200 | 4.400% | 11/9/20 |
| T | 40,000 | | | 40,000 | 43,600 | 4.500% | 11/9/22 |
| U | 60,000 | | | 60,000 | 60,000 | 3-month LIBOR + 145 bps | 5/26/16 |
| V | 70,000 | | | 70,000 | 74,000 | 3.710% | 5/26/16 |
| W | 100,000 | | | 100,000 | 109,200 | 4.380% | 5/26/18 |
| X | 14,000 | | | 14,000 | 14,300 | 2.460% | 5/3/15 |
| Y | 20,000 | | | 20,000 | 20,700 | 2.910% | 5/3/17 |
| Z | 15,000 | | | 15,000 | 15,500 | 3.390% | 5/3/19 |
| AA | 15,000 | | | 15,000 | 15,400 | 3.560% | 5/3/20 |
| BB | 35,000 | | | 35,000 | 35,800 | 3.770% | 5/3/21 |
| CC | 76,000 | | | 76,000 | 77,600 | 3.950% | 5/3/22 |
| DD | | | 75,000 | 75,000 | 74,900 | 2.740% | 4/16/19 |
| EE | | | 50,000 | 50,000 | 49,200 | 3.200% | 4/16/21 |
| FF | | | 65,000 | 65,000 | 63,400 | 3.570% | 4/16/23 |
| GG | | | 45,000 | 45,000 | 43,100 | 3.670% | 4/16/25 |
| HH | | | 175,000 | 175,000 | 175,200 | 3-month LIBOR + 125 bps | 8/19/16 |
| | $ 890,000 | $ 125,000 | $ 410,000 | $ 1,175,000 | $ 1,205,000 | | |

Holders of the fixed rate Senior Notes are entitled to receive cash interest payments semi-annually (on June 19 and December 19) at the fixed rate. Holders of the floating rate Senior Notes are entitled to receive cash interest payments quarterly (on March 19, June 19, September 19 and December 19) at the floating rate. During the fiscal year ended November 30, 2013, the weighted average interest rate on the outstanding Senior Notes was 3.57%.

As of November 30, 2013, each series of Senior Notes were rated AAA by FitchRatings. In the event the credit rating on any series of Senior Notes falls below A- , the interest rate on such series will increase by 1% during the period of time such series is rated below A- . The Company is required to maintain a current rating from one rating agency with respect to each series of Senior Notes.

The Senior Notes were issued in private placement offerings to institutional investors and are not listed on any exchange or automated quotation system. The Senior Notes contain various covenants related to other indebtedness, liens and limits on the Company s overall leverage. Under the 1940 Act and the terms of the Senior Notes, the Company may not declare dividends or make other distributions on shares of its common stock or make purchases of such shares if, at any time of the declaration, distribution or purchase, asset coverage with respect to the outstanding Senior Notes would be less than 300%.

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

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

At November 30, 2013, the Company was in compliance with all covenants under the Senior Notes agreements.

**12. Preferred Stock**

At November 30, 2013, the Company had 17,960,000 shares of mandatory redeemable preferred stock outstanding, with a total liquidation value of $449,000 ($25.00 per share). On April 3, 2013, the Company completed a public offering of 5,000,000 shares of Series F mandatory redeemable preferred stock at a price of $25.00 per share. Net proceeds from the offering were used primarily to redeem all 4,000,000 shares of Series D mandatory redeemable preferred stock ($100,000 liquidation value). The redemption price per share was equal to the liquidation value, plus (i) accumulated unpaid dividends of $578, calculated using the current rate of 4.95% accrued to, but not including, the redemption date and (ii) a redemption premium of $500 (0.5% of the liquidation value). On September 16, 2013, the Company completed a public offering of 2,000,000 shares of Series G mandatory redeemable preferred stock at a price of $25.00 per share ($50,000 liquidation value). Net proceeds from the offering were used to make new portfolio investments, to repay indebtedness, and for general corporate purposes.

The table below sets forth the key terms of each series of the mandatory redeemable preferred stock at November 30, 2013.

| | Liquidation Value | | | | Estimated Fair Value | | |
|---|---|---|---|---|---|---|---|
| **Series** | **November 30, 2012** | **Shares Redeemed** | **Shares Issued** | **November 30, 2013** | **November 30, 2013** | **Rate** | **Mandatory Redemption Date** |
| A | $ 104,000 | $ | $ | $ 104,000 | $ 112,700 | 5.57% | 5/7/17 |
| B | 8,000 | | | 8,000 | 8,400 | 4.53% | 11/9/17 |
| C | 42,000 | | | 42,000 | 44,200 | 5.20% | 11/9/20 |
| D | 100,000 | 100,000 | | | | 4.95% | 6/1/18 |
| E(1) | 120,000 | | | 120,000 | 120,576 | 4.25% | 4/1/19 |
| F(2) | | | 125,000 | 125,000 | 116,600 | 3.50% | 4/15/20 |
| G(3) | | | 50,000 | 50,000 | 50,280 | 4.60% | 10/1/21 |
| | $ 374,000 | $ 100,000 | $ 175,000 | $ 449,000 | $ 452,756 | | |

(1) Series E mandatory redeemable preferred stock is publicly traded on the NYSE under the symbol KYNPRE . The fair value is based on the price of $25.12 on November 30, 2013.
(2) Series F mandatory redeemable preferred stock is publicly traded on the NYSE under the symbol KYNPRF . The fair value is based on the price of $23.32 as of November 30, 2013.
(3) Series G mandatory redeemable preferred stock is publicly traded on the NYSE under the symbol KYNPRG . The fair value is based on the price of $25.14 as of November 30, 2013.

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

The table below outlines the terms of each series of mandatory redeemable preferred stock. The dividend rate on the Company s mandatory redeemable preferred stock will increase if the credit rating is downgraded below A by FitchRatings. Further, the annual dividend rate for all series of mandatory redeemable preferred stock will

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**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

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

increase by 4.0% if no ratings are maintained, and the annual dividend rate will increase by 5.0% if the Company fails to make dividend or certain other payments. The Company is required to maintain a current rating from one rating agency with respect to each series of mandatory redeemable preferred stock.

| | Series A, B and C | Series E, F and G |
|---|---|---|
| Rating as of November 30, 2013 (FitchRatings) | AA | AA |
| Ratings Threshold | A | A |
| Method of Determination | Lowest Credit Rating | Highest Credit Rating |
| Increase in Annual Dividend Rate | 0.5% to 4.0% | 0.75% to 4.0% |

The mandatory redeemable preferred stock rank senior to all of the Company s outstanding common shares and on parity with any other preferred stock. The mandatory redeemable preferred stock is redeemable in certain circumstances at the option of the Company and is also subject to a mandatory redemption if the Company fails to meet a total leverage (debt and preferred stock) asset coverage ratio of 225% or fails to maintain its basic maintenance amount as stated in the Company s rating agency guidelines.

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

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

At November 30, 2013, the Company was in compliance with the asset coverage and basic maintenance requirements of its mandatory redeemable preferred stock.

**13. Common Stock**

On September 24, 2013, the Company put in place an at-the-market offering program (or ATM program ). This ATM program enables the Company to sell newly issued shares of common stock at the market prices through ordinary brokers transactions. As of November 30, 2013, the Company had issued 505,156 shares of common stock pursuant to the ATM at an average price of $35.78 per share (gross proceeds of $18,074). The Company pays the sales agent a total commission of up to 2% of the gross sales price per share for shares sold pursuant to the program.

During fiscal 2013, the Company completed two public offerings of common stock: 1) on March 12, 2013, the Company sold 4,543,995 shares of common stock at a price of $33.36 per share and 2) on July 15, 2013, the Company sold a 6,200,000 shares of common stock at a price of $36.00 per share. At November 30, 2013, the Company had 182,040,000 shares of common stock authorized and 100,418,659 shares outstanding. As of that date, KACALP owned 4,000 shares. Transactions in common shares for the fiscal year ended November 30, 2013 were as follows:

| | |
|---|---|
| Shares outstanding at November 30, 2012 | 88,431,413 |
| Shares issued through reinvestment of distributions | 738,095 |
| Shares issued in connection with the offerings of common stock | 11,249,151 |
| Shares outstanding at November 30, 2013 | 100,418,659 |

**14. Subsequent Events**

On December 12, 2013, the Company declared its quarterly distribution of $0.61 per common share for the fourth quarter of fiscal 2013 for a total quarterly distribution payment of $61,391. The distribution was paid on January 10, 2014 to common stockholders of record on January 6, 2014. Of this total, pursuant to the

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**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

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

Company s dividend reinvestment plan, $6,786 was reinvested into the Company through the issuance of 191,901 shares of common stock.

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

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**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of

Kayne Anderson MLP Investment Company

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets applicable to common stockholders and of cash flows and the financial highlights present fairly, in all material respects, the financial position of Kayne Anderson MLP Investment Company (the Company ) at November 30, 2013, and the results of its operations and cash flows for the year then ended, the changes in its net assets applicable to common stockholders for each of the two years in the period then ended and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as financial statements ) are the responsibility of the Company s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at November 30, 2013 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Los Angeles, California

January 17, 2014

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PROSPECTUS

# $175,000,000

# KAYNE ANDERSON MLP INVESTMENT COMPANY

Offer to exchange our Series HH Floating Rate Senior Notes due August 19, 2016 that will bear interest at a floating rate per annum equal to 3-month LIBOR plus 1.25% and will be reset quarterly, which have been registered under the Securities Act of 1933, as amended (the Securities Act ), for any and all of our outstanding unregistered Series HH Floating Rate Senior Notes due August 19, 2016 that bear interest at a floating rate per annum equal to 3-month LIBOR plus 1.25% and reset quarterly, issued on August 22, 2013.

**The exchange offer and withdrawal rights will expire at 12:00 midnight, New York City time,**

**on January 10, 2014 (the 20th business day following the date of this prospectus), unless extended.**

Kayne Anderson MLP Investment Company (the Company, we, us or our ) is offering to exchange $175,000,000 aggregate principal amount of our new Series HH Floating Rate Senior Notes due August 19, 2016, that will bear interest at a floating rate per annum equal to 3-month LIBOR plus 1.25% and will be reset quarterly, which have been registered under the Securities Act, referred to in this prospectus as the New Notes, for any and all of our outstanding Series HH Floating Rate Senior Notes due August 19, 2016 issued on August 22, 2013, referred to in this prospectus as the Old Notes. The New Notes and the Old Notes are collectively referred to in this prospectus as the Notes.

We issued the Old Notes on August 22, 2013 in a transaction not requiring registration under the Securities Act. We are offering you New Notes, with terms substantially identical to those of the Old Notes, in exchange for Old Notes in order to satisfy our registration obligations from that previous transaction. If you fail to tender your Old Notes, you will continue to hold unregistered notes that you will not be able to transfer freely.

**See Risk Factors starting on page 6 of this prospectus for a discussion of risks associated with the exchange of Old Notes for the New Notes offered hereby.**

We will exchange New Notes for all Old Notes that are validly tendered and not withdrawn before expiration of the exchange offer. You may withdraw tenders of Old Notes at any time prior to the expiration of the exchange offer. The exchange procedure is more fully described in The Exchange Offer Procedures for Tendering.

The terms of the New Notes are identical in all material respects to those of the Old Notes, except that the transfer restrictions and registration rights applicable to the Old Notes do not apply to the New Notes. See Description of the New Notes for more details on the terms of the New Notes.

We will not receive any proceeds from the exchange offer.

There is no established trading market for the New Notes or the Old Notes.

Each broker-dealer that receives New Notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes received in exchange for Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. The Company has agreed that, for a period of 180 days after the effective date of this registration statement, it will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

The exchange of Old Notes for New Notes should not be a taxable event for United States federal income tax purposes. See Certain United States Federal Income Tax Considerations. All broker-dealers must comply with the registration and prospectus delivery requirements of the Securities Act. See Plan of Distribution.

**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.**

**December 12, 2013**

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**No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the New Notes offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.**

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This prospectus contains summaries of material terms of certain documents and refers you to certain documents that we have filed with the Securities and Exchange Commission (the SEC ). A Statement of Additional Information, dated December 12, 2013 (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 can obtain, without charge, copies of our SAI, the table of contents of which is on page 85 of this prospectus and our annual, semi-annual and quarterly reports and you may request other information or make stockholder inquiries, in each case 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. Our annual, semi-annual and quarterly reports are also available on our website at http://www.kaynefunds.com.**

**Information included on such website does not form part of this prospectus.**

In order to obtain timely delivery of such materials, you must request information from us no later than five business days prior to the expiration of the exchange offer.

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## 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 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. Our most recent shareholder report filed with the SEC is for the period ended August 31, 2013. 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.

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## SUMMARY

*This summary highlights selected information from this prospectus and is therefore qualified in its entirely by the more detailed information appearing elsewhere, or incorporated by reference, in this prospectus. It may not contain all the information that is important to you. We urge you to read carefully this entire prospectus and the other documents to which it refers to understand fully the terms of the Notes. References in this prospectus to the Company, we, us, our and ours refer to Kayne Anderson MLP Investment Company unless the context otherwise requires.*

### The Company

Kayne Anderson MLP Investment Company, a Maryland corporation, is a non-diversified, closed-end management investment company registered under the 1940 Act. Our investment objective is to obtain after-tax total return by investing at least 85% of our total assets in MLPs and other Midstream Energy Companies. Our shares of common stock are listed on the New York Stock Exchange ( NYSE ) under the symbol KYN. Our principal office is located at 811 Main Street, 14th Floor, Houston, Texas 77002, and our telephone number is (713) 493-2020.

We began investment activities in September 2004 following our initial public offering. As of September 30, 2013, we had net assets applicable to our common stock of approximately $3.4 billion and total assets of approximately $6.1 billion. As of September 30, 2013 we had $1,175 million in Senior Notes outstanding and $449 million in preferred stock outstanding.

### The Exchange Offer

On August 22, 2013, we completed a private offering of $175,000,000 aggregate principal amount of our Senior Notes due August 19, 2016, which bear interest at a floating rate per annum equal to 3-month LIBOR plus 1.25% and reset quarterly. As part of that offering, we entered into a registration rights agreement with the initial purchaser of the Old Notes in which we agreed, among other things, to deliver this prospectus to you and to complete an exchange offer for the Old Notes. Below is a summary of the exchange offer.

| | |
|---|---|
| Old Notes | Series HH Floating Rate Senior Notes which bear interest at a floating rate per annum equal to 3-month LIBOR plus 1.25% and reset quarterly, due August 19, 2016 originally issued on August 22, 2013. |
| New Notes | Notes of the same series, the issuance of which has been registered under the Securities Act. The terms of the New Notes are identical in all material respects to those of the Old Notes, except that the transfer restrictions and registration rights relating to the Old Notes do not apply to the New Notes. |
| Terms of the Offer | We are offering to exchange a like amount of New Notes for our Old Notes in denominations of $100,000 in principal amount and integral multiples of $100,000 in excess thereof. In order to be exchanged, an Old Note must be properly tendered and accepted. All Old Notes that are validly tendered and not withdrawn will be exchanged. As of the date of this prospectus, there are $175,000,000 aggregate principal amount of Old Notes outstanding. We will issue New Notes promptly after the expiration of the exchange offer. |
| Expiration Time | The exchange offer will expire at 12:00 midnight, New York City time, on January 10, 2014 (the 20th business day following the date of this prospectus), unless extended. |
| Procedures for Tendering | To tender Old Notes, you must complete and sign a letter of transmittal in accordance with the instructions contained in it and forward it by mail, facsimile or hand delivery, together with any other documents required by the letter of transmittal, to the exchange agent, either with the Old Notes to be tendered or in compliance with the specified procedures for guaranteed delivery of Old Notes. Certain brokers, dealers, commercial banks, trust companies and other nominees may also effect tenders by book-entry transfer. Holders of Old Notes registered in the name of a broker, dealer, commercial bank, trust company or other nominee are urged to contact such person promptly if they wish to tender Old Notes pursuant to the exchange offer. See The Exchange Offer Procedures for Tendering. |

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| | Letters of transmittal and certificates representing Old Notes should not be sent to us. Such documents should be sent only to the exchange agent. Questions regarding how to tender and requests for information should be directed to the exchange agent. See The Exchange Offer Exchange Agent. |
| Acceptance of Old Notes for Exchange; Issuance of New Notes | Subject to the conditions stated in The Exchange Offer Conditions to the Exchange Offer, we will accept for exchange any and all Old Notes that are properly tendered in the exchange offer before the expiration time. The New Notes will be delivered promptly after the expiration time. |
| Interest payments on the New Notes | The New Notes will bear interest from the most recent date through which interest has been paid on the Old Notes. If your Old Notes are accepted for exchange, then you will receive interest on the New Notes and not on the Old Notes. |
| Withdrawal Rights | You may withdraw your tender at any time before the expiration time. |
| Conditions to the Exchange Offer | The exchange offer is subject to customary conditions. We may assert or waive these conditions in our sole discretion. If we materially change the terms of the exchange offer, we will resolicit tenders of the Old Notes. See The Exchange Offer Conditions to the Exchange Offer for more information. |
| Resales of New Notes | Based on interpretations by the staff of the SEC, as detailed in a series of no-action letters issued by the SEC to third parties, we believe that the New Notes issued in the exchange offer may be offered for resale, resold or otherwise transferred by you without compliance with the registration and prospectus delivery requirements of the Securities Act as long as:<br><br>you are acquiring the New Notes in the ordinary course of your business;<br><br>you are not participating, do not intend to participate and have no arrangement or understanding with any person to participate in a distribution of the New Notes;<br><br>you are not an affiliate of ours; and<br><br>you are not a broker-dealer that acquired any of its Old Notes directly from us.<br><br>If you fail to satisfy any of the foregoing conditions, you will not be permitted to tender your Old Notes in the exchange offer and you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or other transfer of your Old Notes unless such sale is made pursuant to an exemption from such requirements.<br><br>Each broker or dealer that receives New Notes for its own account in exchange for Old Notes that were acquired as a result of market-making or other trading activities must acknowledge that it will comply with the registration and prospectus delivery requirements of the Securities Act in connection with any offer to resell, resale or other transfer of the New Notes issued in the exchange offer, including the delivery of a prospectus that contains information with respect to any selling holder required by the Securities Act in connection with any resale of the New Notes.<br><br>See The Exchange Offer Resales of New Notes. |

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|---|---|
| Consequences of Not Exchanging Old Notes | If you do not exchange your Old Notes in the exchange offer, you will continue to be subject to the restrictions on transfer described in the legend on your Old Notes. In general, you may offer or sell your Old Notes only:<br><br>if they are registered under the Securities Act and applicable state securities laws;<br><br>if they are offered or sold under an exemption from registration under the Securities Act and applicable state securities laws; or<br><br>if they are offered or sold in a transaction not subject to the Securities Act and applicable state securities laws.<br><br>Although your Old Notes will continue to accrue interest, they will generally retain no rights under the registration rights agreement. We currently do not intend to register the Old Notes under the Securities Act. Under some circumstances, holders of the Old Notes, including holders who are not permitted to participate in the exchange offer or who may not freely sell New Notes received in the exchange offer, may require us to file, and to cause to become effective, a shelf registration statement covering resales of the Old Notes by these holders. For more information regarding the consequences of not tendering your Old Notes and our obligations to file a shelf registration statement, see The Exchange Offer Consequences of Exchanging or Failing to Exchange the Old Notes and The Exchange Offer Registration Rights Agreement. |
| Exchange Agent | The Bank of New York Mellon Trust Company, N.A. is serving as the exchange agent in connection with the exchange offer. The address and telephone and facsimile numbers of the exchange agent are listed under the heading Exchange Offer Exchange Agent. |

**The New Notes**

The terms of the New Notes are identical in all material respects to those of the Old Notes, except that the transfer restrictions and registration rights applicable to the Old Notes do not apply to the New Notes. The New Notes will evidence the same debt as the Old Notes and will be governed by the same indenture. Where we refer to Notes in this prospectus, we are referring to both the Old Notes and the New Notes. The Description of the New Notes section of this prospectus contains a more detailed description of the terms and conditions of the New Notes.

| | |
|---|---|
| Issuer | Kayne Anderson MLP Investment Company. |
| New Notes Offered | $175,000,000 aggregate principal amount of floating rate senior notes due August 19, 2016. |
| Offering Price | 100% plus accrued interest, if any from August 22, 2013. |
| Maturity | August 19, 2016. |
| Interest Formula | The New Notes will bear interest at a floating rate per annum equal to the Adjusted LIBOR Rate (which is equal to 3-month LIBOR plus 1.25%). Interest rates on the New Notes will be reset quarterly.<br><br>If any rating on the New Notes declines below A- by Fitch or less than its equivalent by any other NRSRO or the equivalent rating by another Rating Agency (as defined under the Rating Agency Guidelines attached to this offering memorandum as Annex A), the Adjusted LIBOR Rate shall increase by 1.00% per annum, for so long as the New Notes maintain any rating below the A- or equivalent rating. |

| | |
|---|---|
| Interest Payment Dates | The 19th day of each of March, June, September and December. |
| Interest Reset Dates | Quarterly, on the 19th day of each of March, June, September and December. |
| Interest Determination Dates | Second London Business Day immediately preceding the first day of the relevant interest period. |
| Interest Payments on the New Notes | The New Notes will bear interest from the most recent date through which interest has been paid on the Old Notes for which they were exchanged. Accordingly, registered holders of New Notes on the relevant record date for the first interest payment date following the completion of the exchange offer will receive interest accruing from the most recent date through which interest has been paid. Old Notes accepted for exchange will cease to accrue interest from and after the date of completion of the exchange offer. Holders of Old Notes whose Old Notes are accepted for exchange will not receive any payment for accrued interest on the Old Notes otherwise payable on any interest payment date the record date for which occurs on or after completion of the exchange offer and will be deemed to have waived their rights to receive the accrued interest on the Old Notes. |
| Ranking | The New 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. The New Notes will be senior to any preferred stock issued by us. As of September 30, 2013, we had total senior indebtedness outstanding of $1,197 million.<br><br>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 September 30, 2013, we did not have any secured debt outstanding. |
| Optional Prepayment of the New Notes | We may, at our option, prepay at any time all or any part of the New 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 2% of the principal amount so repaid. |
| Prepayment of the New 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 New 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 New 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.<br><br>In the event that we make a prepayment during such extended 10-day period, the principal amount of the New Notes and other senior securities representing indebtedness to be prepaid shall be allocated among all of the New 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 New Notes and the other senior securities representing indebtedness 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 New Notes will be issued under the Indenture containing covenants requiring us to:<br>have asset coverage ratios at or above minimums required by the 1940 Act; and<br>maintain a current rating by an NRSRO; maintain a rating of no less than BBB- by any NRSRO rating the New Notes.<br>Such indenture will also contain covenants limiting our ability to:<br>engage in transactions with affiliates;<br>consolidate, merge or transfer all or substantially all of our assets;<br>declare or pay dividends on, redeem or repurchase our capital stock, under certain circumstances;<br>create or designate subsidiaries; and<br>create certain liens or incur additional debt secured by liens.<br>These covenants are subject to a number of important limitations and exceptions. See Description of the New Notes Selected Indenture Covenants. |
| No Prior Market | The New Notes are a new issue of securities for which there is currently no established trading market. We cannot assure you that a liquid market for the New Notes will develop or be maintained. We do not intend to apply for a listing of the New Notes on any securities exchange or an automated dealer quotation system. |
| Form and Denominations | The New Notes when issued and sold pursuant to the terms of the Indenture, will be issued without coupons and in minimum denominations of $100,000 and in integral multiples of $100,000 in excess thereof, unless provided in the indenture. |
| Book Entry; Delivery and Form | The New Notes will be represented by one or more permanent global notes in fully registered book-entry form deposited with the Trustee (as defined below) as custodian for, and registered in the name of, a nominee of The Depository Trust Company, or DTC, as Depository. See Description of the New Notes Book-Entry; Delivery and Form. |
| Governing Law | New York. |
| Trustee, Registrar, Paying Agent and Calculation Agent | The Bank of New York Mellon Trust Company, N.A. |

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## RISK FACTORS

Before tendering the Old Notes, prospective participants in the exchange offer should carefully consider the discussions of cautionary factors describing risks related to the New Notes and risks relating to our business and an investment in our securities. The risks and uncertainties described below are not the only risks and uncertainties that we face. For additional information about the risks associated with investing in our securities, see Our Investments in our SAI. We cannot predict future risks or estimate the extent to which they may affect our financial performance.

### Risks Related to the New Notes

**An active trading market for the New Notes may not develop.**

There is no existing trading market for the New Notes. We do not intend to apply for listing of the New Notes on any securities exchange or for quotation through any automated dealer quotation system. Even if a trading market for the New Notes develops, the liquidity of any market for such New Notes will depend upon the number of holders of the New Notes, our performance, the market for similar securities, the interest of securities dealers in making a market in the New Notes and other factors. Accordingly, no assurance can be given as to the liquidity of, or adequate trading markets for, the New Notes.

**Our credit ratings may not reflect all risks of an investment in the New Notes.**

The credit ratings of the New Notes may not reflect the potential impact of all risks related to structure and other factors on any trading market for, or trading value of, the New Notes, In addition, real or anticipated changes in our credit ratings will generally affect any trading market for, or trading value of, the New Notes. 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.

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

The New 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 New Notes when due or to repay the New Notes at their stated maturity. Our failure to pay interest on the New Notes when due or to repay the New 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 New Notes, and at their stated maturity, the entire outstanding principal amount of the New Notes will become due and payable. See Description of the New Notes Selected Indenture Covenants Sinking Fund.

**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 the New Notes May Be Subordinated to Other Debt**

The indenture governing the New Notes permits us, in certain circumstances, to incur up to 5% of total assets in secured indebtedness. The New 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 New Notes, payment on the New 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 New Notes, who will only have an unsecured claim against our remaining assets, if any.

### Risks Related to the Exchange Offer

**You may have difficulty selling the Old Notes you do not exchange.**

If you do not exchange your Old Notes for New Notes in the exchange offer, you will continue to be subject to the restrictions on transfer of your Old Notes as described in the legend on the global note representing the Old Notes. There are restrictions on transfer of your Old Notes because we issued the Old Notes under an exemption from, or in a transaction not

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subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, you may offer or sell the Old Notes only if they are registered under the Securities Act and applicable state securities laws or offered and sold under an exemption from, or in a transaction not subject to, these requirements. If a holder of Old Notes was eligible to participate in the exchange offer and did not do so, we do not intend to register any Old Notes held by such holder and, upon consummation of the exchange offer, you will not be entitled to any rights to have your untendered Old Notes registered under the Securities Act. In addition, the trading market, if any, for the remaining Old Notes will be adversely affected depending on the extent to which Old Notes are tendered and accepted in the exchange offer.

**Broker-dealers may need to comply with the registration and prospectus delivery requirements of the Securities Act.**

Any broker-dealer that (1) exchanges its Old Notes in the exchange offer for the purpose of participating in a distribution of the New Notes or (2) resells New Notes that were received by it for its own account in the exchange offer may be deemed to have received restricted securities and will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction by that broker-dealer. Any profit on the resale of the New Notes and any commission or concessions received by a broker-dealer may be deemed to be underwriting compensation under the Securities Act.

**You may not receive New Notes in the exchange offer if the exchange offer procedure is not followed.**

We will issue the New Notes in exchange for your Old Notes only if you tender the Old Notes and deliver a properly completed and duly executed letter of transmittal and other required documents before expiration of the exchange offer. You should allow sufficient time to ensure timely delivery of the necessary documents. Neither the exchange agent nor we are under any duty to give notification of defects or irregularities with respect to the tenders of Old Notes for exchange. If you are the beneficial holder of Old Notes that are registered in the name of your broker, dealer, commercial bank, trust company or other nominee, and you wish to tender in the exchange offer, you should promptly contact the person in whose name your Old Notes are registered and instruct that person to tender on your behalf.

## Risks Related to Our Business and Investments in Our Securities

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.

### 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, some of which will 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. Investors in MLPs, unlike investors in the securities of a corporation, have limited control and voting rights on matters affecting the partnership. In addition, there are certain tax risks associated with an investment in MLP units and conflicts of interest exist between common unitholders and the general partner, including those arising from incentive distribution payments.

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*Energy Sector Risks*

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 the energy sector of the economy, 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. At times, the performance of companies in the energy sector may lag the performance of other sectors or the broader market as a whole. In addition, there are several specific risks associated with investments in the energy sector, including the following:

*Supply and Demand Risk.* MLPs and other Midstream Energy Companies operating in the energy sector could be adversely affected by reductions in the supply of or demand for energy commodities. 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; catastrophic events; labor relations; increased environmental or other governmental regulation; equipment malfunctions and maintenance difficulties; import volumes; international politics, policies of OPEC; and increased competition from alternative energy sources. Alternatively, 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 which own the underlying energy commodity or receive payments for services that are based on commodity prices. Such impact may be a result of changes in the price for such commodity or a result of changes in the price of one energy commodity relative to the price of another energy commodity (*i.e.,* the price of natural gas relative to the price of natural gas liquids). Commodity prices fluctuate for several reasons, including changes in market and economic conditions, the impact of weather on demand, levels of domestic production and imported commodities, energy conservation, domestic and foreign governmental regulation and taxation and the availability of local, intrastate and interstate transportation systems. Volatility of commodity prices, which may lead to a reduction in production or supply, may also negatively impact the performance of MLPs and other Midstream Energy Companies which are solely involved in the transportation, processing, storing, distribution or marketing of commodities. Volatility of commodity prices may also make it more difficult for MLPs and other Midstream Energy Companies to raise capital to the extent the market perceives that their performance may be directly or indirectly tied to commodity prices. In addition to the volatility of commodity prices, extremely high commodity prices may drive further energy conservation efforts which may adversely affect the performance of MLPs and other Midstream Energy Companies.

*Depletion Risk.* Most MLPs and other Midstream Energy Companies are engaged in the transporting, storing, distributing and processing of natural gas, natural gas liquids, crude oil, refined petroleum products or coal on behalf of shippers. In addition, some MLPs and Midstream Energy Companies are engaged in the production of such commodities. Energy reserves naturally deplete as they are produced over time, and to maintain or grow their revenues, these companies 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 MLPs and other Midstream Energy Companies may be adversely affected if they, or the companies to whom they provide the service, are unable to cost-effectively acquire additional reserves sufficient to replace the natural decline. If an energy company fails to add reserves by acquiring or developing them, its reserves and production will decline over time as they are produced. If an energy company is not able to raise capital on favorable terms, it may not be able to add to or maintain its reserves.

*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, and violators are subject to administrative, civil and criminal penalties, including civil fines, injunctions or both. Stricter laws, regulations or enforcement policies could be enacted in the future which would likely increase compliance costs and may adversely affect the financial performance of MLPs and other Energy Companies.

In particular, changes to laws and increased regulations or enforcement policies as a result of oil spills, such as the Macondo oil spill in the Gulf of Mexico or onshore oil pipeline spills may adversely affect the financial performance of

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MLPs and other Energy Companies. Additionally, changes to laws and increased regulation or restrictions to the use of hydraulic fracturing may adversely impact the ability of Energy Companies to economically develop oil and natural gas resources and, in turn, reduce production for such commodities and adversely impact the financial performance of MLPs and Midstream Energy Companies.

The operation of energy assets, including wells, gathering systems, pipelines, 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.

The EPA and federal, state and local governmental agencies may enact laws 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, prohibit the action. While we are not able to predict the likelihood of such an event or its impact, it is possible that additional restrictions on hydraulic fracturing 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 MLPs and Midstream Energy Companies have increasingly focused on the construction of midstream assets to facilitate the development of unconventional resources. As a result, restrictions on hydraulic fracturing could have an adverse impact on the financial performance of MLPs and Midstream Energy Companies.

There is an inherent risk that MLPs 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. Similarly, the implementation of more stringent environmental requirements could significantly increase the cost of any remediation that may become necessary. MLPs may not be able to recover these costs from insurance or recover these costs in the rates it charges customers.

*Acquisition Risk.* The abilities of MLPs and other Midstream 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 Midstream 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. Furthermore, even if MLPs and other Midstream 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 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.

*Interest Rate Risk.* Rising interest rates could adversely impact the financial performance of MLPs and other Midstream Energy Companies by increasing their costs of capital. This may reduce their ability to execute acquisitions or expansion projects in a cost-effective manner. MLP and other Midstream Energy Company valuations are based on numerous factors, including sector and business fundamentals, management expertise, and expectations of future operating results. However, MLP yields are also susceptible in the short-term to fluctuations in interest rates and the prices of MLP securities may decline when interest rates rise. Because we will principally invest in MLP equity securities, our investment in such securities means that the net asset value and market price of our securities may decline if interest rates rise.

*Weather Risks.* Weather conditions and the seasonality of weather patterns play a role in the cash flows of certain MLPs. 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 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 recent years, demonstrate that no amount of preparation can protect an MLP 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 Midstream 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.

*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, 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 2010) and terrorist acts. Since the September 11th terrorist attacks, the U.S. government has issued warnings that energy assets, specifically U.S. pipeline infrastructure, 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 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.

*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 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 a 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.

*Industry Specific Risks*

MLPs and other Energy Companies operating in the energy sector are also subject to risks that are specific to the industry they serve.

*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 that operate gathering and processing assets are subject to natural declines in the production of the oil and gas fields they serve. In addition, some gathering and processing contracts subject the owner of such assets to direct commodity price risk.

*Shipping.* 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 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 shipping company securities in our portfolio. Declining marine transportation values could affect the ability of shipping companies to raise cash by limiting their ability to refinance their vessels, thereby adversely impacting such company s liquidity. Shipping 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 shipping lanes and result in market disruptions and a significant reduction in cash flow for the shipping companies in our portfolio.

*Coal.* MLPs with coal assets are subject to supply and demand fluctuations in the markets they serve, which will be impacted by a wide range of domestic and foreign factors including fluctuating commodity prices, the level of their customers coal stockpiles, weather, increased conservation or use of alternative fuel sources, increased governmental or environmental regulation, depletion, declines in production, mining accidents or catastrophic events, health claims and economic conditions, among others. In light of increased state and federal regulation, it has been increasingly difficult to obtain and maintain the permits necessary to mine coal. Further, such permits, if obtained, have increasingly contained more stringent, and more difficult and costly to comply with, provisions relating to environmental protection.

*Propane.* MLPs with propane assets are subject to earnings variability based upon weather conditions in the markets they serve, fluctuating commodity prices, customer conservation and increased use of alternative fuels, increased governmental or environmental regulation, and accidents or catastrophic events, among others.

*Exploration and production.* MLPs and other Energy Companies that own oil and gas reserves are particularly vulnerable to declines in the demand for and prices of crude oil and natural gas. The accuracy of any reserve estimate is a function of the quality of available data, the accuracy of assumptions regarding future commodity prices and future exploration and development costs and engineering and geological interpretations and judgments. Any significant variance from the assumptions used could result in the actual quantity of reserves and future net cash flow being materially different from those estimated in reserve reports. Substantial downward adjustments in reserve estimates could have a material adverse effect on the value of such reserves and the financial condition of such company. In addition, due to natural declines in reserves and production, energy companies must economically find or acquire and develop additional reserves in order to maintain and grow their production levels and cash flow. Further, certain companies that own oil and gas reserves and U.S. royalty trusts have a finite amount of assets and cannot develop additional resources. Consequently, production and cash flow for these companies will decline over time.

*Refining.* MLPs and other Energy Companies that operate refining assets are subject to many of the same risks as other MLPs and other Energy Companies that operate midstream assets. In addition, the fluctuations in commodity prices and the price relationship between certain commodities (for instance, the price of crude oil and the price of gasoline) will impact the financial results of MLPs and other Energy Companies that operate refining assets.

*Other.* MLPs and other Energy Companies that operate other energy related assets (such as retail gasoline distribution, propane dehydrogenation (processing propane into propylene), production of sand used as a proppant in the production of crude oil and natural gas and the production of coke used as a raw material in the steelmaking process) are subject to many of the same risks as other MLPs and Energy Companies that operate midstream assets, coal assets and refining assets.

*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). As a result, treatment of an MLP as a corporation for federal income tax purposes would likely result in a reduction in the after-tax return to us, likely causing a reduction in the value of our common stock.

Recent legislative efforts to change tax laws to simplify the tax code and increase corporate tax receipts could result in proposals to eliminate pass through entities for tax purposes. We cannot predict the likelihood of any such changes. Such legislation, if approved by Congress, could result in MLPs no longer being treated as partnerships for tax purposes and instead being taxed as corporations, which could reduce the amount of cash flow we have to pay interest expense and dividends on our senior securities. Additionally, treatment of an MLP as a corporation for federal income tax purposes would likely result in a reduction in the unit prices for MLPs, likely causing a decline in the value of our assets and reduction in the asset coverage ratios for our senior securities.

*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 September 30, 2013, we held investments in approximately 68 issuers.

As of September 30, 2013, substantially all of our total assets were invested in publicly traded securities of MLPs and other Midstream Energy Companies. As of September 30, 2013, there were 106 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.

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.

*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.

*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 loss of any such customers or suppliers could materially adversely affect such MLPs and other Midstream Companies results of operation and cash flow, and their ability to make distributions to stockholders could therefore be materially adversely affected.

*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, which would tend to further reduce returns to our common stockholders. 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 the our portfolio.

*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 pay its debt and 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. 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

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costs and borrowing costs. 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.

*Capital Markets Risk*

Global financial markets and economic conditions have been, and continue to be, volatile due to a variety of factors. As a result, the cost of raising capital in the debt and equity capital markets has increased. The cost of raising capital from the credit markets generally has increased as many lenders and institutional investors have increased interest rates, enacted tighter lending standards, refused to refinance debt on existing terms or at all and reduced, or in some cases ceased to provide, funding to borrowers. In addition, lending counterparties under existing revolving credit facilities and other debt instruments may be unwilling or unable to meet their funding obligations. Further, some shipping companies in which we invest may be more exposed to European banks abilities to fulfill their lending obligations and, as a result, could be disproportionately impacted by the European sovereign debt crisis. Due to these factors, MLPs and other Midstream Energy Companies may be unable to obtain new debt or equity financing on acceptable terms or at all. If funding is not available when needed, or is available only on unfavorable terms, MLPs and other Midstream Energy Companies may not be able to meet their obligations as they come due. Moreover, without adequate funding, MLPs and other Midstream Energy Companies may be unable to execute their growth strategies, complete future acquisitions, take advantage of other business opportunities or respond to competitive pressures, any of which could have a material adverse effect on their revenues and results of operations.

*Equity Securities Risk*

A substantial percentage of our assets will be invested in equity securities of MLPs and other Midstream Energy Companies. Such securities may be subject to general movements in the stock market and a significant drop in the stock market may depress the price of securities to which we have exposure. 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, the general condition of the relevant stock market, or when political or economic events affecting the issuers occur. In addition, the prices of MLP units and other Midstream Energy Company equity securities may be sensitive to rising interest rates given their yield-based nature. 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 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 indexes. 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 of a security by rating agencies may further decrease its value. Additionally, a portfolio company may issue to us a debt security that has payment-in-kind interest, which represents contractual interest added to the principal balance and due at the maturity date of the debt security in which we invest. It is possible that by effectively increasing the principal balance payable to us or deferring cash payment of such interest until maturity, the use of payment-in-kind features will increase the risk that such amounts will become uncollectible when due and payable.

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*Below Investment Grade and Unrated Debt Securities Risk.* Below investment grade debt securities (commonly referred to as junk bonds or high yield bonds ) in which we may invest are rated from B3 to Ba1 by Moody s, from B-to BB+ 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.

*Risks Associated with an Investment in Initial Public Offerings ( IPOs )*

Securities purchased in IPOs are often subject to the general risks associated with investments in companies with small market capitalizations, and, at times 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, 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, our

Adviser may not have timely or accurate information about the business, financial condition and results of operations of the privately held companies in which 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 25%, but the rate may vary greatly from year to year. Portfolio turnover rate is not considered a limiting factor in our Adviser s execution of investment decisions. A higher portfolio turnover rate results in correspondingly greater brokerage commissions and other transactional expenses that are borne by us. See Investment Objective and Policies Investment Practices Portfolio Turnover.

*Derivatives Risk*

We may purchase and sell derivative investments such as exchange-listed and over-the-counter put and call options on securities, equity, fixed income, interest rate and currency indices, and other financial instruments, 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, 2012, we purchased put options and 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 2012. In prior years, we have sold 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 2012. We will not allow the fair value of our derivative instruments to exceed 25% of total assets.

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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 a swap, which in turn would depend on the general state of short-term interest rates at that point in time, a default by a counterparty could negatively impact the performance of our common 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 September 30, 2013, 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, including proceeds from such Leverage Instruments (which equates to approximately 56% of our net asset value as of September 30, 2013). However, based on market conditions at the time, we may use Leverage Instruments in amounts that represent greater than 30% leverage to the extent permitted by the 1940 Act. As of September 30, 2013, our Leverage Instruments represented approximately 27% of our total assets. Leverage Instruments have seniority in liquidation and distribution rights over our common stock.

As of September 30, 2013, we had $1,175 million of Senior Notes outstanding, and had $22 million borrowed under our revolving credit facility. As of September 30, 2013, we had outstanding 4,160,000 shares of Series A Mandatory Redeemable Preferred ( MRP ) Shares ($104 million aggregate liquidation preference), 320,000 shares of Series B MRP Shares ($8 million aggregate liquidation preference), 1,680,000 shares of Series C MRP Shares ($42 million aggregate liquidation preference), 4,800,000 shares of Series E MRP Shares ($120 million aggregate liquidation preference), 5,000,000 shares of Series F MRP Shares ($125 million aggregate liquidation preference) and 2,000,000 Series G MRP Shares ($50 million aggregate liquidation preference). Our revolving credit facility has a term of three years and matures on March 4, 2016. Our Senior Notes and MRP Shares have maturity dates and mandatory redemption dates ranging from 2014 to 2025. If we are unable to renew or refinance our credit facility prior to maturity or if we are unable to refinance our Senior Notes or MRP Shares as they mature, we may be forced to sell securities in our portfolio to repay debt as it matures. If we are required to sell portfolio securities to repay outstanding debt, such sales may be at prices lower than what we would otherwise realize if were not required to sell such securities at such time. Additionally, we may be unable to refinance our debt or sell a sufficient amount of portfolio securities to repay debt as it matures, which could cause an event of default on our debt securities.

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.

Certain types of leverage, including the Senior Notes, subject us to certain affirmative covenants relating to asset coverage and our portfolio composition and may impose special restrictions on our use of various investment techniques or strategies or in our ability to pay distributions on common 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.

Our Series N, P and U Notes pay interest expense based on short-term interest rates and our interest expense on borrowings under our credit facility is based on short-term interest rates. If short-term interest rates rise, interest rates on our debt securities, collectively referred to as senior securities, may rise so that the amount of interest payable to holders of our senior securities would exceed the amount of income from our portfolio securities. This might require us to sell portfolio securities at a time when we otherwise would not do so, which may affect adversely our future earnings ability. While we may manage this risk through interest rate transactions, there is no guarantee that we will implement these strategies or that we will be successful in reducing or eliminating interest rate risk. In addition, rising market interest rates could impact negatively the value of our investment portfolio, reducing the amount of assets serving as asset coverage for our senior securities.

*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 our Adviser s ability to predict correctly changes in the relationships of such hedging instruments to our leverage risk, and there can be no assurance that our Adviser 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, 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.

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 capital 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.

*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.

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*Mandatory Redeemable Preferred Shares Accounting Designation Risk*

We believe that because our mandatory redeemable preferred shares have a fixed term, under generally accepted accounting principles, we are required to classify those outstanding preferred shares as debt securities on our financial statements.

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

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

We depend upon 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 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 two private investment funds, KA First Reserve, LLC and KA First Reserve XII, LLC, and two accounts owned by insurance companies which together had approximately $2.4 billion in combined total assets as of September 30, 2013, and KACALP manages several private investment funds (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.

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.

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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 our Adviser is based on the value of our assets, as periodically determined. A significant percentage of our assets may be illiquid securities acquired in private transactions for which market quotations will not be readily available. Although we 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 our Adviser, 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.

As of September 30, 2013, we believe that MarkWest Energy Partners, L.P. and PVR Partners, L.P. met the criteria described above and are therefore considered our affiliates.

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As of September 30, 2013, we consider Emerge Energy Services LP ( Emerge ) to be an affiliate. This affiliation is a result of (i) the ownership of Emerge units by other affiliated Kayne Anderson funds and (ii) the participation of Kevin S. McCarthy, our Chairman of the Board, President and Chief Executive Officer, as a member of the board of directors of Emerge Energy Services GP LLC ( Emerge GP ), the general partner of Emerge.

As of September 30, 2013, we also considered Plains All American Pipeline, L.P. ( PAA ) and Plains All American GP LLC ( Plains GP LLC ), the general partner of PAA, to be affiliates. This affiliation is a result of (i) the ownership of interests in Plains GP LLC by other affiliated Kayne Anderson funds and (ii) the participation of Robert V. Sinnott, the Chief Executive Officer of Kayne Anderson, as a member of the board of directors of PAA.

We must abide by the 1940 Act restrictions on transactions with affiliates and, as a result, our ability to purchase securities of MarkWest Energy Partners, L.P., PVR Partners, L.P., PAA GP and PAA 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 prescribed 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 our Adviser than that required for securities for which there is an active trading market. Due to the difficulty in valuing these securities and the absence of an active trading market for these investments, we may not be able to realize these securities true value or may have to delay their sale in order to do so.

*Anti-Takeover Provisions*

Our 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.

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## 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.

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## USE OF PROCEEDS

We will not receive proceeds from the issuance of the New Notes offered hereby. In consideration for issuing the New Notes in exchange for Old Notes as described in this prospectus, we will receive Old Notes of like principal amount. The Old Notes surrendered in exchange for the New Notes will be retired and canceled and cannot be reissued. Accordingly, the issuance of the New Notes will not result in any increase of our outstanding debt. We will pay all expenses incident to the exchange offer.

## THE EXCHANGE OFFER

**Purpose and Effect of the Exchange Offer**

In connection with the sale of the Old Notes, we entered into a registration rights agreement with the initial purchaser of the Old Notes, pursuant to which we agreed to file a registration statement with the SEC relating to the exchange offer within 120 days of the settlement date of the Old Notes. We also agreed to use our reasonable best efforts to cause the registration statement to become effective with the SEC within 180 days of the settlement date of the Old Notes and to commence and use our reasonable best efforts to consummate this exchange offer within 30 days after the registration statement is declared effective. We are making the exchange offer to fulfill our contractual obligations under that agreement. A copy of the registration rights agreement has been filed as an exhibit to the registration statement of which this prospectus is a part.

The exchange offer is not being made to holders of Old Notes in any jurisdiction where the exchange would not comply with the securities or blue sky laws of such jurisdiction.

Pursuant to the exchange offer, we will issue the New Notes in exchange for Old Notes. The terms of the New Notes are identical in all material respects to those of the Old Notes, except that the New Notes (1) have been registered under the Securities Act and therefore will not be subject to certain restrictions on transfer applicable to the Old Notes and (2) will not have registration rights or provide for any increase in the interest rate related to the obligation to register. See Description of the New Notes and Description of the Old Notes for more information on the terms of the respective notes and the differences between them.

We are not making the exchange offer to, and will not accept tenders for exchange from, holders of Old Notes in any jurisdiction in which an exchange offer or the acceptance thereof would not be in compliance with the securities or blue sky laws of such jurisdiction. Unless the context requires otherwise, the term holder means any person in whose name the Old Notes are registered on our books or any other person who has obtained a properly completed bond power from the registered holder, or any person whose Old Notes are held of record by The Depository Trust Company, or DTC, who desires to deliver such Old Notes by book-entry transfer at DTC.

We make no recommendation to the holders of Old Notes as to whether to tender or refrain from tendering all or any portion of their Old Notes pursuant to the exchange offer. In addition, no one has been authorized to make any such recommendation. Holders of Old Notes must make their own decision whether to tender pursuant to the exchange offer and, if so, the aggregate amount of Old Notes to tender after reading this prospectus and the letter of transmittal and consulting with their advisers, if any, based on their own financial position and requirements.

**Terms of the Exchange**

Upon the terms and conditions described in this prospectus and in the accompanying letter of transmittal, which together constitute the exchange offer, we will accept for exchange Old Notes that are properly tendered at or before the expiration time and not withdrawn as permitted below. As of the date of this prospectus, $175,000,000 aggregate principal amount of Old Notes which bear interest at a floating rate per annum equal to 3-month LIBOR plus 1.25% and reset quarterly are outstanding. This prospectus, together with the letter of transmittal, is first being sent on or about the date on the cover page of the prospectus to all holders of Old Notes known to us. Old Notes tendered in the exchange offer must be in denominations of principal amount of $100,000 and any integral multiple of $100,000 in excess thereof.

Our acceptance of the tender of Old Notes by a tendering holder will form a binding agreement between the tendering holder and us upon the terms and subject to the conditions provided in this prospectus and in the accompanying letter of transmittal.

**Expiration, Extension and Amendment**

The expiration time of the exchange offer is 12:00 midnight, New York City time, on January 10, 2014 (the 20th business day following the date of this prospectus). However, we may, in our sole discretion, extend the period of time for which the exchange offer is open and set a later expiration time. The term expiration time as used herein means the latest time and date to which we extend the exchange offer. If we decide to extend the exchange offer period, we will then delay acceptance of any Old Notes by giving oral or written notice of an extension to the holders of Old Notes as described below. During any extension period, all Old Notes previously tendered will remain subject to the exchange offer and may be accepted for exchange by us. Any Old Notes not accepted for exchange will be returned to the tendering holder after the expiration or termination of the exchange offer.

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Our obligation to accept Old Notes for exchange in the exchange offer is subject to the conditions described below under Conditions to the Exchange Offer. We may decide to waive any of the conditions in our discretion. Furthermore, we reserve the right to amend or terminate the exchange offer, and not to accept for exchange any Old Notes not previously accepted for exchange, upon the occurrence of any of the conditions of the exchange offer specified below under the same heading. We will give oral or written notice of any extension, amendment, non-acceptance or termination to the holders of the Old Notes as promptly as practicable. If we materially change the terms of the exchange offer, we will resolicit tenders of the Old Notes, file a post-effective amendment to the prospectus and provide notice to you. If the change is made less than five business days before the expiration of the exchange offer, we will extend the offer so that the holders have at least five business days to tender or withdraw. We will notify you of any extension by means of a press release or other public announcement no later than 9:00 A.M., New York City time, on the first business day after the previously scheduled expiration time.

**Procedures for Tendering**

*Valid Tender*

Except as described below, a tendering holder must, prior to the expiration time, transmit to The Bank of New York Mellon Trust Company, N.A., the exchange agent, at the address listed under the heading Exchange Agent :

- a properly completed and duly executed letter of transmittal, including all other documents required by the letter of transmittal; or
- if Old Notes are tendered in accordance with the book-entry procedures listed below, an agent s message.

In addition, a tendering holder must:

- deliver certificates, if any, for the Old Notes to the exchange agent at or before the expiration time; or
- deliver a timely confirmation of book-entry transfer of the Old Notes into the exchange agent s account at DTC, the book-entry transfer facility, along with the letter of transmittal or an agent s message; or
- comply with the guaranteed delivery procedures described below.

The term agent s message means a message, transmitted by DTC to and received by the exchange agent and forming a part of a book-entry confirmation that states that DTC has received an express acknowledgment that the tendering holder agrees to be bound by the letter of transmittal and that we may enforce the letter of transmittal against this holder.

If the letter of transmittal is signed by a person other than the registered holder of Old Notes, the letter of transmittal must be accompanied by a written instrument of transfer or exchange in satisfactory form duly executed by the registered holder with the signature guaranteed by an eligible institution. The Old Notes must be endorsed or accompanied by appropriate powers of attorney. In either case, the Old Notes must be signed exactly as the name of any registered holder appears on the Old Notes.

If the letter of transmittal or any Old Notes or powers of attorney are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, these persons should so indicate when signing. Unless waived by us, proper evidence satisfactory to us of their authority to so act must be submitted.

By tendering, each holder will represent to us that, among other things, the New Notes are being acquired in the ordinary course of business of the person receiving the New Notes, whether or not that person is the holder, and neither the holder nor the other person has any arrangement or understanding with any person to participate in the distribution of the New Notes. In the case of a holder that is not a broker-dealer, that holder, by tendering, will also represent to us that the holder is not engaged in and does not intend to engage in a distribution of the New Notes.

The method of delivery of Old Notes, letters of transmittal and all other required documents is at your election and risk. If the delivery is by mail, we recommend that you use registered mail, properly insured, with return receipt requested. In all cases, you should allow sufficient time to assure timely delivery. You should not send letters of transmittal or Old Notes to us.

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If you are a beneficial owner whose Old Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, and wish to tender, you should promptly instruct the registered holder to tender on your behalf. Any registered holder that is a participant in DTC s book-entry transfer facility system may make book-entry delivery of the Old Notes by causing DTC to transfer the Old Notes into the exchange agent s account, including by means of DTC s Automated Tender Offer Program.

*Signature Guarantees*

Signatures on a letter of transmittal or a notice of withdrawal must be guaranteed, unless the Old Notes surrendered for exchange are tendered:

- by a registered holder of the Old Notes who has not completed the box entitled Special Issuance Instructions or Special Delivery Instructions on the letter of transmittal, or

- for the account of an eligible institution.

If signatures on a letter of transmittal or a notice of withdrawal are required to be guaranteed, the guarantees must be by an eligible institution. An eligible institution is an eligible guarantor institution meeting the requirements of the registrar for the notes, which requirements include membership or participation in the Security Transfer Agent Medallion Program, or STAMP, or such other signature guarantee program as may be determined by the registrar for the Notes in addition to, or in substitution for, STAMP, all in accordance with the Exchange Act.

*Book-Entry Transfer*

The exchange agent will make a request to establish an account for the Old Notes at DTC for purposes of the exchange offer within two business days after the date of this prospectus. Any financial institution that is a participant in DTC s systems must make book-entry delivery of Old Notes by causing DTC to transfer those Old Notes into the exchange agent s account at DTC in accordance with DTC s procedure for transfer. The participant should transmit its acceptance to DTC at or prior to the expiration time or comply with the guaranteed delivery procedures described below. DTC will verify this acceptance, execute a book-entry transfer of the tendered Old Notes into the exchange agent s account at DTC and then send to the exchange agent confirmation of this book-entry transfer. The confirmation of this book-entry transfer will include an agent s message confirming that DTC has received an express acknowledgment from this participant that this participant has received and agrees to be bound by the letter of transmittal and that we may enforce the letter of transmittal against this participant.

Delivery of New Notes issued in the exchange offer may be effected through book-entry transfer at DTC. However, the letter of transmittal or facsimile of it or an agent s message, with any required signature guarantees and any other required documents, must:

- be transmitted to and received by the exchange agent at the address listed under Exchange Agent at or prior to the expiration time; or

- comply with the guaranteed delivery procedures described below.

Delivery of documents to DTC in accordance with DTC s procedures does not constitute delivery to the exchange agent.

*Guaranteed Delivery*

If a registered holder of Old Notes desires to tender the Old Notes, and the Old Notes are not immediately available, or time will not permit the holder s Old Notes or other required documents to reach the exchange agent before the expiration time, or the procedure for book-entry transfer described above cannot be completed on a timely basis, a tender may nonetheless be made if:

- the tender is made through an eligible institution;

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prior to the expiration time, the exchange agent received from an eligible institution a properly completed and duly executed notice of guaranteed delivery, substantially in the form provided by us, by facsimile transmission, mail or hand delivery;

1. stating the name and address of the holder of Old Notes and the amount of Old Notes tendered,

2. stating that the tender is being made, and

3. guaranteeing that within three NYSE trading days after the expiration time, the certificates for all physically tendered Old Notes, in proper form for transfer, or a book-entry confirmation, as the case may be, and a properly completed and duly executed letter of transmittal, or an agent s message, and any other documents required by the letter of transmittal will be deposited by the eligible institution with the exchange agent; and

the certificates for all physically tendered Old Notes, in proper form for transfer, or a book-entry confirmation, as the case may be, and a properly completed and duly executed letter of transmittal, or an agent s message, and all other documents required by the letter of transmittal, are received by the exchange agent within three NYSE trading days after the expiration time.

*Determination of Validity*

We will determine in our sole discretion all questions as to the validity, form and eligibility of Old Notes tendered for exchange. This discretion extends to the determination of all questions concerning the timing of receipts and acceptance of tenders. These determinations will be final and binding. We reserve the right to reject any particular Old Note not properly tendered or of which our acceptance might, in our judgment or our counsel s judgment, be unlawful. We also reserve the right to waive any defects or irregularities or conditions of the exchange offer as to any particular Old Note either before or after the expiration time, including the right to waive the ineligibility of any tendering holder. Our interpretation of the terms and conditions of the exchange offer as to any particular Old Note either before or after the expiration time, including the letter of transmittal and the instructions to the letter of transmittal, shall be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Old Notes must be cured within the time we determine.

Neither we nor the exchange agent (or any other person) will be under any duty to give notification of any defect or irregularity in any tender of Old Notes. Moreover, neither we nor the exchange agent (or any other person) will incur any liability for failing to give notification of any defect or irregularity.

*Other Rights*

While we have no present plan to acquire any Old Notes that are not tendered or not eligible for tender in the exchange offer or to file a registration statement to permit resales of any Old Notes that are not tendered in the exchange offer or not eligible for tender in the exchange offer, we reserve the right in our sole discretion to purchase or make offers for any Old Notes that remain outstanding after the expiration time. We also reserve the right to terminate the exchange offer, as described below under Conditions of the Exchange Offer, and, to the extent permitted by applicable law, purchase Old Notes in the open market, in privately negotiated transactions or otherwise. The terms of any of those purchases or offers could differ from the terms of the exchange offer.

**Acceptance of Old Notes for Exchange; Issuance of New Notes**

Upon the terms and subject to the conditions of the exchange offer, we will accept, promptly after the expiration time, all Old Notes properly tendered. We will issue the New Notes promptly after acceptance of the Old Notes. For purposes of the exchange offer, we will be deemed to have accepted properly tendered Old Notes for exchange when, as and if we have given oral or written notice to the exchange agent, with prompt written confirmation of any oral notice.

In all cases, issuance of New Notes for Old Notes will be made only after timely receipt by the exchange agent of:

certificates for the Old Notes, or a timely book-entry confirmation of the Old Notes, into the exchange agent s account at the book-entry transfer facility;

a properly completed and duly executed letter of transmittal or an agent s message; and

all other required documents.

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Unaccepted or non-exchanged Old Notes will be returned without expense to the tendering holder of the Old Notes. In the case of Old Notes tendered by book-entry transfer in accordance with the book-entry procedures described above, the non-exchanged Old Notes will be credited to an account maintained with DTC as promptly as practicable after the expiration or termination of the exchange offer. For each Old Note accepted for exchange, the holder of the Old Note will receive a New Note having a principal amount equal to that of the surrendered Old Note.

**Interest Payments on the New Notes**

The New Notes will bear interest from the most recent date through which interest has been paid on the Old Notes for which they were exchanged. Accordingly, registered holders of New Notes on the relevant record date for the first interest payment date following the completion of the exchange offer will receive interest accruing from the most recent date through which interest has been paid. Old Notes accepted for exchange will cease to accrue interest from and after the date of completion of the exchange offer. Holders of Old Notes whose Old Notes are accepted for exchange will not receive any payment for accrued interest on the Old Notes otherwise payable on any interest payment date the record date for which occurs on or after completion of the exchange offer and will be deemed to have waived their rights to receive the accrued interest on the Old Notes.

**Appraisal Rights**

Holders of Old Notes will not have dissenter s rights or appraisal rights in connection with the exchange offer.

**Withdrawal Rights**

Tenders of Old Notes may be withdrawn at any time before the expiration time.

For a withdrawal to be effective, the exchange agent must receive a written notice of withdrawal at the address or, in the case of eligible institutions, at the facsimile number, indicated under Exchange Agent before the expiration time. Any notice of withdrawal must:

- specify the name of the person, referred to as the depositor, having tendered the Old Notes to be withdrawn;
- identify the Old Notes to be withdrawn, including the certificate number or numbers and principal amount of the Old Notes;
- contain a statement that the holder is withdrawing its election to have the Old Notes exchanged;
- be signed by the holder in the same manner as the original signature on the letter of transmittal by which the Old Notes were tendered, including any required signature guarantees, or be accompanied by documents of transfer to have the trustee with respect to the Old Notes register the transfer of the Old Notes in the name of the person withdrawing the tender; and
- specify the name in which the Old Notes are registered, if different from that of the depositor.

If certificates for Old Notes have been delivered or otherwise identified to the exchange agent, then, prior to the release of these certificates the withdrawing holder must also submit the serial numbers of the particular certificates to be withdrawn and signed notice of withdrawal with signatures guaranteed by an eligible institution, unless this holder is an eligible institution. If Old Notes have been tendered in accordance with the procedure for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at the book-entry transfer facility to be credited with the withdrawn Old Notes.

Any Old Notes properly withdrawn will be deemed not to have been validly tendered for exchange. New Notes will not be issued in exchange unless the Old Notes so withdrawn are validly re-tendered. Properly withdrawn Old Notes may be re-tendered by following the procedures described under Procedures for Tendering above at any time at or before the expiration time.

We will determine all questions as to the validity, form and eligibility, including time of receipt of notices of withdrawal.

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**Conditions to the Exchange Offer**

Notwithstanding any other provisions of the exchange offer, or any extension of the exchange offer, we will not be required to accept for exchange, or to exchange, any Old Notes for any New Notes, and, as described below, may terminate the exchange offer, whether or not any Old Notes have been accepted for exchange, or may waive any conditions to or amend the exchange offer, if any of the following conditions has occurred or exists:

- there shall occur a change in the current interpretation by the staff of the SEC that permits the New Notes issued pursuant to the exchange offer in exchange for Old Notes to be offered for resale, resold and otherwise transferred by the holders (other than broker-dealers and any holder that is an affiliate) without compliance with the registration and prospectus delivery provisions of the Securities Act, *provided* that such New Notes are acquired in the ordinary course of such holders business and such holders have no arrangement or understanding with any person to participate in the distribution of the New Notes;

- any action or proceeding shall have been instituted or threatened in any court or by or before any governmental agency or body with respect to the exchange offer that, in our judgment, would reasonably be expected to impair our ability to proceed with the exchange offer;

- any law, statute, rule or regulation shall have been adopted or enacted that, in our judgment would reasonably be expected to impair our ability to proceed with the exchange offer;

- a banking moratorium shall have been declared by United States federal or New York State authorities that, in our judgment, would reasonably be expected to impair our ability to proceed with the exchange offer;

- trading on the NYSE or generally in the United States over-the-counter market shall have been suspended by order of the SEC or any other governmental authority that, in our judgment, would reasonably be expected to impair our ability to proceed with the exchange offer;

- an attack on the United States, an outbreak or escalation of hostilities or acts of terrorism involving the United States, or any declaration by the United States of a national emergency or war shall have occurred;

- a stop order shall have been issued by the SEC or any state securities authority suspending the effectiveness of the registration statement of which this prospectus is a part or proceedings shall have been initiated or, to our knowledge, threatened for that purpose or any governmental approval has not been obtained, which approval we shall, in our sole discretion, deem necessary for the consummation of the exchange offer; or

- any change, or any development involving a prospective change, in our business or financial affairs or any of our subsidiaries has occurred that is or may be adverse to us or we shall have become aware of facts that have or may have an adverse impact on the value of the Old Notes or New Notes, which in our sole judgment in any case makes it inadvisable to proceed with the exchange offer and/or with the acceptance for exchange or with the exchange.

The conditions listed above are for our sole benefit and may be asserted by us regardless of the circumstances giving rise to any of these conditions. If we determine in our sole discretion that any of the foregoing events or conditions has occurred or exists, we may, subject to applicable law, terminate the exchange offer, whether or not any Old Notes have been accepted for exchange, or may waive any such condition or otherwise amend the terms of the exchange offer in any respect. See Expiration, Extension and Amendment above.

**Resales of New Notes**

Based on interpretations by the staff of the SEC, as described in no-action letters issued to third parties, we believe that New Notes issued in the exchange offer in exchange for Old Notes may be offered for resale, resold or otherwise transferred by holders of the Old Notes without compliance with the registration and prospectus delivery provisions of the Securities Act, if:

- the New Notes are acquired in the ordinary course of the holders business;

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- the holders have no arrangement or understanding with any person to participate in the distribution of the New Notes; and
- the holders are not affiliates of ours within the meaning of Rule 405 under the Securities Act.

However, the SEC has not considered the exchange offer described in this prospectus in the context of a no-action letter. We cannot assure you that the staff of the SEC would make a similar determination with respect to the exchange offer as in the other circumstances. Each holder who wishes to exchange Old Notes for New Notes will be required to represent that it meets the above three requirements.

Any holder who is an affiliate of ours or who intends to participate in the exchange offer for the purpose of distributing New Notes or any broker-dealer who purchased Old Notes directly from us to resell pursuant to Rule 144A or any other available exemption under the Securities Act:

- may not rely on the applicable interpretations of the staff of the SEC mentioned above;
- will not be permitted or entitled to tender the Old Notes in the exchange offer; and
- must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

Each broker-dealer that receives New Notes for its own account in exchange for Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities must acknowledge that it will deliver a prospectus in connection with any resale of the New Notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. See Plan of Distribution.

In addition, to comply with state securities laws, the New Notes may not be offered or sold in any state unless they have been registered or qualified for sale in such state or an exemption from registration or qualification, with which there has been compliance, is available. The offer and sale of the New Notes to qualified institutional buyers, as defined under Rule 144A of the Securities Act, is generally exempt from registration or qualification under the state securities laws. We currently do not intend to register or qualify the sale of New Notes in any state where an exemption from registration or qualification is required and not available.

**Exchange Agent**

The Bank of New York Mellon Trust Company, N.A. has been appointed as the exchange agent for the exchange offer. All executed letters of transmittal and any other required documents should be directed to the exchange agent at the address or facsimile number set forth below. Questions and requests for assistance with respect to the procedures for tendering Old Notes, requests for additional copies of this prospectus or of the letter of transmittal, and requests for notices of guaranteed delivery should be directed to the exchange agent addressed as follows:

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. AS EXCHANGE AGENT**

| | |
|---|---|
| *By Facsimile for Eligible institutions:* | *By Mail/Overnight Courier/Hand:* |
| (732) 667-9408 | c/o The Bank of New York Mellon |
| Attention: Adam DeCapio | Trust Company, N.A. |
| | c/o The Bank of New York Mellon Corporation |
| *Confirm by Telephone:* | Corporate Trust Operations Reorganization Unit |

| | |
|---|---|
| (315) 414-3360 | 111 Sanders Creek Parkway |
| | East Syracuse, NY 13057 |
| | Attention: Adam DeCapio |

**Delivery of the letter of transmittal to an address other than as set forth above or transmission of such letter of transmittal via facsimile other than as set forth above does not constitute a valid delivery of the letter of transmittal.**

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**Fees and Expenses**

We have agreed to pay the exchange agent reasonable and customary fees for its services and will reimburse it for its reasonable out of pocket expenses in connection with the exchange offer. We will also pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out of pocket expenses incurred by them in forwarding copies of this prospectus and related documents to the beneficial owners of Old Notes, and in handling or tendering for their customers. We will not make any payment to brokers, dealers or others soliciting acceptances of the exchange offer. We anticipate that we will incur approximately $17,500 in fees and expenses in the exchange offer.

Holders who tender their Old Notes for exchange will not be obligated to pay any transfer taxes on the exchange. If, however, New Notes are to be delivered to, or are to be issued in the name of, any person other than the registered holder of the Old Notes tendered, or if a transfer tax is imposed for any reason other than the exchange of Old Notes in connection with the exchange offer, then the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with the letter of transmittal, the amount of such transfer taxes will be billed directly to such tendering holder.

**Accounting Treatment**

We will record the New Notes at the same carrying value as the Old Notes, as reflected in our accounting records on the date of the exchange. Accordingly, we will not recognize any gain or loss for accounting purposes.

**Consequences of Exchanging or Failing to Exchange the Old Notes**

Holders of Old Notes who do not exchange their Old Notes for New Notes under this exchange offer will remain subject to the restrictions on transfer of such Old Notes as set forth in the legend printed on the Old Notes as a consequence of the issuance of the Old Notes pursuant to exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, you may not offer or sell the Old Notes unless they are registered under the Securities Act, or if the offer or sale is exempt from registration under the Securities Act and applicable state securities laws. Except as required by the registration rights agreement, we do not intend to register resales of the original notes under the Securities Act.

Under existing interpretations of the Securities Act by the SEC s staff contained in several no-action letters to third parties, and subject to the immediately following sentence, we believe that the exchange notes would generally be freely transferable by holders after the exchange offer without further registration under the Securities Act, subject to certain representations required to be made by each holder of exchange notes, as set forth below. However, any purchaser of exchange notes who is one of our affiliates (as defined in Rule 405 under the Securities Act) or who intends to participate in the exchange offer for the purpose of distributing the exchange notes:

- will not be able to rely on the interpretation of the SEC s staff;
- will not be able to tender its Old Notes in the exchange offer; and
- must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer of the Notes unless such sale or transfer is made pursuant to an exemption from such requirements. See Plan of Distribution.

We do not intend to seek our own interpretation regarding the exchange offer and there can be no assurances that the SEC s staff would make a similar determination with respect to the New Notes as it has in other interpretations to other parties, although we have no reason to believe otherwise.

**Registration Rights Agreement**

The following description is a summary of the material provisions of the registration rights agreement. It does not restate that agreement in its entirety. We urge you to read the registration rights agreement in its entirety because it, and not this description, defines your registration rights as holders of the Old Notes. A copy of the registration rights agreement is being filed with the SEC as an exhibit to this Registration Statement on Form N-14 and is available upon request. See Where You Can Find More Information.

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On August 22, 2013, we and the initial purchaser of the Old Notes entered into a registration rights agreement. Pursuant to the registration rights agreement, we agreed to conduct a registered exchange offer (the Registered Exchange Offer ), whereby holders of the Old Notes could exchange their Old Notes for a like aggregate principal amount of substantially identical New Notes. We agreed to file with the SEC a registration statement (the Exchange Offer Registration Statement ), with respect to the New Notes. Upon the effectiveness of this Exchange Offer Registration Statement, we will offer to the holders of the Old Notes pursuant to the Registered Exchange Offer who are able to make certain representations the opportunity to exchange their Old Notes for New Notes.

If, with respect to the Registered Exchange Offer, either: (1) we are not permitted to file the Exchange Offer Registration Statement; (2) we determine, upon advice of our outside counsel, that it is not reasonably practical, to effect the Registered Exchange Offer, including scenarios that the Company could incur special interest; (3) for any other reason the Exchange Offer Registration Statement is not declared effective within 180 days from the final settlement date of the Old Notes or the Registered Exchange Offer is not consummated within 30 days from the date the Exchange Offer Registration Statement is declared effective; (4) the initial purchaser of the Old Notes determines upon advice of its counsel that a shelf registration statement must be filed in connection with any public offering or sale of Old Notes that are not eligible to be exchanged for New Notes in the Registered Exchange Offer and that are held by them following consummation of the Registered Exchange Offer; or (5) any holder of Old Notes (other than the initial purchaser) is not eligible to participate in the Registered Exchange Offer or does not receive freely tradeable New Notes in the Registered Exchange Offer other than by reason of such holder of Old Notes being an affiliate of the Company (it being understood that the requirement that a participating broker-dealer deliver the prospectus contained in the Exchange Offer Registration Statement in connection with sales of New Notes shall not result in such New Securities being not freely tradeable ), then we will file with the SEC a shelf registration statement (the Shelf Registration Statement ); provided, however, that we have the right to defer the filing of the Shelf Registration Statement (or suspend sales under the Shelf Registration Statement or defer the updating of the Shelf Registration Statement and suspend sales thereunder) for a period of not more than sixty (60) consecutive days (and, in the aggregate, not more than ninety (90) days) per any one year period, if we determine that it would be materially detrimental to the Company to file such Shelf Registration Statement or continue sales under such Shelf Registration Statement and conclude, as a result, that it is in the Company s best interests and the best interests of its stockholders to defer the filing of such registration statement or suspend such sales under such Shelf Registration Statement at such time.

We agreed to file an Exchange Offer Registration Statement with the SEC within 120 days of the settlement date of the Old Notes and use our reasonable best efforts to have the Exchange Offer Registration Statement declared effective by the SEC on or prior to 180 days after the settlement date of the Old Notes; provided, however, that we have the right to defer the filing of the Exchange Offer Registration Statement (or suspend sales under the Exchange Offer Registration Statement or defer the updating of the Exchange Offer Registration Statement and suspend sales thereunder) for a period of not more than sixty (60) consecutive days (and, in the aggregate, not more than ninety (90) days) per any one calendar year period, if we determine that it would be materially detrimental to the Company to file such Exchange Offer Registration Statement or continue sales under such Exchange Offer Registration Statement and we conclude, as a result, that it is in the Company s best interests and the best interests of its stockholders to defer the filing of such Exchange Offer Registration Statement or suspend such sales at such time. Unless the exchange offer would not be permitted by applicable law or SEC regulations or interpretations, we will commence and use our commercially reasonable best efforts to consummate the exchange offer within 30 days from the date the Exchange Offer Registration Statement is declared effective. If obligated to file the Shelf Registration Statement, we will file the Shelf Registration Statement with the SEC on or prior to 90 days after such filing obligation arises.

We will pay additional interest to each holder of the Notes if: (1) we fail to consummate the exchange offer within 240 days of the settlement date of the Old Notes; or (2) after the Exchange Offer Registration Statement or the Shelf Registration Statement has been declared effective, such registration statement thereafter ceases to be effective or usable or becomes effective but thereafter ceases to be effective or usable in connection with resales of Notes in accordance with and during the periods specified in such agreement(each such event referred to in clauses (1) and (2) above, a Registration Default ).

Under the Registration Rights Agreement, we have agreed that, for a period of 180 days from the date on which the Exchange Offer Registration Statement is declared effective by the SEC, we will make this Prospectus, as it may be supplemented from time to time, available to such broker-dealers in connection with resales of New Notes received in exchanged for Old Notes where such Old Notes were acquired as a result of market-making activities or other trading activities. See Plan of Distribution. We also have agreed under the Registration Rights Agreement to file a shelf

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registration statement within 90-days after a determination is made by the appropriate parties under the Registration Rights Agreement that a shelf registration statement must be filed in connection with the public resale offering and sales of Old Notes. In such case, our obligation shall be to (i) file and cause to be declared effective under the Securities Act a shelf registration statement covering the resale of the Old Notes and use our commercially reasonable efforts to keep such shelf registration statement effective until the earliest of (A) the date on which all such Old Notes are disposed of in accordance with the shelf registration statement, (B) the date on which such Old Notes become eligible for resale without restrictions pursuant to Rule 144, and (C) August 22, 2014.

With respect to the first 90-day period immediately following the occurrence of the first Registration Default, additional interest will be paid in an amount equal to 0.25% per annum of the principal amount of the applicable Notes. The amount of the additional interest will increase by an additional 0.25% per annum with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum amount of additional interest for all Registration Defaults of 0.50% per annum of the principal amount of the applicable Notes.

All accrued additional interest will be paid by us on the next scheduled interest payment date to DTC or its nominee by wire transfer of immediately available funds or by federal funds check and to holders of definitive original notes by wire transfer to the accounts specified by them or by mailing checks to their registered addresses if no such accounts have been specified. Following the cure of all Registration Defaults, the accrual of additional interest will cease.

Holders of the Old Notes will be required to make certain representations to us in order to participate in the exchange offer and will be required to deliver certain information to be used in connection with the Shelf Registration Statement in order to have their Old Notes included in the Shelf Registration Statement and benefit from the provisions regarding additional interest set forth above. By including the Notes in the Shelf Registration Statement, a holder will be deemed to have agreed to indemnify us against certain losses arising out of information furnished by such holder in writing for inclusion in any Shelf Registration Statement. Holders of Notes will also be required to suspend their use of the prospectus included in the Shelf Registration Statement under certain circumstances upon receipt of written notice to that effect from us.

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## DESCRIPTION OF THE NEW NOTES

The following is a description of the terms of the New Notes offered pursuant to the exchange offer. The following description is qualified in its entirety by reference to the provisions of the original indenture dated as of August 22, 2013, between us and The Bank of New York Mellon Trust Company, N.A. (the Trustee ), as Trustee thereunder, which we refer to as the Senior Indenture, and to the provisions of the (i) First Supplemental Indenture of Trust dated August 22, 2013 with respect to Old Notes issued on the final settlement date, August 22, 2013 (the Supplemental Indenture ), and (ii) the Supplemental Indenture and the officers certificate dated as of August 22, 2013 (the Officers Certificate, and together with the Supplemental Indenture and the Senior Indenture, the Indenture ) between us and the Trustee. The New Notes will be issued by us pursuant to the terms of the Indenture.

Capitalized terms not defined in this Description of New Notes have the meanings assigned to such terms in the Indenture. The New Notes and the Old Notes are collectively referred to in this Description of the New Notes as the Notes. Unless the context requires otherwise, the term interest includes additional interest, if any, due under the registration rights agreement.

### General

We will issue the New Notes as additional notes under the Indenture. Except as described below, the terms of the New 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 New 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 New Notes, issue an unlimited principal amount of additional notes having identical terms and conditions of the New 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 New Notes that we are currently offering, provided that such additional notes shall be fungible with the New Notes offered by this prospectus for U.S. federal income tax purposes.

We will issue the New Notes in minimum denominations of $100,000 and in integral multiples of $100,000 as described herein under Book Entry System. Each New Note will be represented by one or more global permanent global note in fully registered book-entry form deposited with the Trustee as custodian for, and registered in the name of, a nominee of the Depository Trust Company, or DTC. You will hold a beneficial interest in one or more of the New Notes through DTC, and DTC and its direct and indirect participants will record your beneficial interest in their books. Except under limited circumstances, we will not issue certificated New Notes. The paying agent, registrar and transfer agent for the New Notes will be the corporate trust department of the Trustee in New York, New York. Payment of principal will be made at maturity, together with any accrued interest thereon, in immediately payable funds against surrender to the trustee.

### Principal and Maturity

The Old Notes were originally offered in, and the New Notes will be limited initially to, the aggregate principal amount of $175,000,000. The New Notes will mature on August 19, 2016.

### Rankings

The New Notes rank senior to our common and preferred stock, and on a parity with any other series of senior notes, as to the payment of interest and distribution of assets upon liquidation. Pursuant to the indenture governing the New 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 New 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.

**Interest Payments on the New Notes**

The New Notes will bear interest from the most recent date through which interest has been paid on the Old Notes for which they were exchanged at a floating rate equal to the Adjusted LIBOR Rate from time to time, payable quarterly on the 19th day of each of March, June, September and December in each year and at maturity (each such date being referred to as a Floating Rate Interest Payment Date provided, that if any such date shall not be a Business Day, such Floating Rate 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), LIBOR Breakage Amount, if any, and premium, if any, and (to the extent legally enforceable) on any overdue installment of interest at the Default Rate until paid. Accordingly, registered holders of New Notes on the relevant record date for the first interest payment date following the completion of the exchange offer will receive interest accruing from the most recent date through which interest has been paid. Old Notes accepted for exchange will cease to accrue interest from and after the date of completion of the exchange offer. Holders of Old Notes whose Old Notes are accepted for exchange will not receive any payment for accrued interest on the Old Notes otherwise payable on any interest payment date the record date for which occurs on or after completion of the exchange offer and will be deemed to have waived their rights to receive the accrued interest on the Old Notes.

The Adjusted LIBOR Rate for the New Notes shall be determined by the Calculation Agent, and notice thereof shall be given by the Calculation Agent to the Company and the holders of such New Notes, together with such information as the Floating Rate Required Holders may reasonably request for verification on the second London Business Day preceding each Floating Rate Interest Period (which, in the case of the first Floating Rate Interest Period, shall be the third Business Day prior to the Closing). The Calculation Agent s determination of the Adjusted LIBOR Rate shall be conclusive, absent manifest error.

The amount of interest payable for any Floating Rate Interest Period will be computed on the basis of the actual number of days elapsed over a 360-day year. If any interest payment date would otherwise be a day that is not a Business Day, the interest payment date will be postponed to the next succeeding Business Day, and no additional interest shall accrue as a result of such delayed payment. We do not plan to establish any reserves for the payment of interest.

Notwithstanding any other provision of the New Notes, in addition to all other amounts due and payable under the New Notes, the interest rate applicable to each New Note (including any Default Rate applicable thereto) shall be increased by an amount of 1.00% per annum during any Adjustment Period.

The New 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 New Notes.

**Certain Definitions**

The following definitions apply to the New Notes.

*Adjusted LIBOR Rate* shall mean, for any Floating Rate Interest Period, LIBOR for such Floating Rate Interest Period plus 1.25% (125 basis points).

*Adjustment Period* means, with respect to any calculation of the applicable interest rate in respect of the New Notes, any period of time during which any such New Notes have a current rating of less than A- by Fitch or less than its equivalent by any other NRSRO.

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

*Basic Maintenance Test* as of any Valuation Date is the requirement to maintain Eligible Assets with an aggregate Agency Discounted Value equal to at least the basic maintenance amount required by each Rating Agency under its respective Rating Agency Guidelines, separately determined.

*Business Day* means a day, other than a Saturday, a Sunday or a day on which commercial banks in New York, New York or the city in which the designated office of the Trustee is located, at which at any particular time its corporate trust business shall be administered, which at the date hereof is Houston, Texas, are required or authorized to be closed.

*Calculation Agent* means The Bank of New York Mellon Trust Company, N.A., or its successor appointed by us, acting as calculation agent.

*Fitch* means Fitch Ratings, Inc. and its successors at law.

*Fitch Discount Factor* means the discount factors set forth in the Fitch Guidelines for use in calculating the Agency Discounted Value of the Company s assets in connection with Fitch s ratings then assigned on the Senior Securities.

*Fitch Eligible Asset* means assets of the Company set forth in the Fitch Guidelines as eligible for inclusion in calculating the Agency Discounted Value of the Company s assets in connection with Fitch s ratings then assigned on the Senior Securities.

*Fitch Guidelines* mean the guidelines provided by Fitch, as may be amended from time to time, in connection with Fitch s ratings then assigned on the Senior Securities.

*Floating Rate Interest Payment Date* means the 19th day of each March, June, September and December in each year (such period having commenced on September 19, 2013) and at maturity provided, that if any such date shall not be a Business Day, such Floating Rate Interest Payment Date shall be postponed to the next Business Day.

*Floating Rate Interest Period* shall mean each period commencing on the date of the Closing and, thereafter, commencing on a Floating Rate Interest Payment Date and continuing up to, but not including, the next Floating Rate Interest Payment Date.

*Floating Rate Prepayment Amount* means with respect to any optional prepayment or in connection with any acceleration with respect to the New Notes, an amount equal to 2.00% of the principal amount so prepaid, and with respect to any prepayment during the Extended 10-Day Period, an amount equal to 1.00% of the principal amount so prepaid.

*Floating Rate Required Holders* means, at any time, the holders of more than 50% in principal amount of the New Notes at the time outstanding (exclusive of New Notes then owned by the Company or any of its Affiliates).

*LIBOR* shall mean, for any Floating Rate Interest Period, the rate per annum (rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) for deposits in U.S. Dollars for a three month period which appears on the Bloomberg Financial Markets Service Page BBAM-1 (or if such page is not available, the Reuters Screen LIBO Page) as of 11:00 a.m. (London, England time) on the date two (2) London Business Days before the commencement of such Floating Rate Interest Period (or three (3) London Business Days prior to the beginning of the first Floating Rate Interest Period). Reuters Screen LIBO Page means the display designated as the LIBO page on the Reuters Monitory Money Rates Service (or such other page as may replace the LIBO page on that service or such other service as may be nominated by the British Bankers Association as the information vendor for the purpose of displaying British Bankers Association Interest Settlement Rates for U.S. Dollar deposits).

*LIBOR Breakage Amount* means any loss, cost or expense actually incurred by any holder of a New Note as a result of any payment or prepayment of any New Note on a day other than a regularly scheduled Floating Rate Interest Payment Date or at the scheduled maturity (whether voluntary, mandatory, automatic, by reason of acceleration or otherwise), and any loss or expense arising from the liquidation or reemployment of funds obtained by it or from fees payable to terminate the deposits from which such funds were obtained. Promptly after the determination thereof, the issuer shall give the Trustee and the Paying Agent notice of the LIBOR Breakage Amount for such prepayment date and the Trustee and the Paying Agent shall be entitled to conclusively rely (without any requirement for independent investigation) on such notice as to the amount of such LIBOR Breakage Amount.

*London Business Day* means a day that is a Business Day and a day on which dealings in deposits in U.S. dollars are transacted, or with respect to any future date are expected to be transacted, in the London interbank market.

*Market Value* means the market value of an asset of the Company determined as follows: Readily marketable portfolio securities listed on any exchange other than the 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 asked 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. Fixed income securities with a remaining maturity of 60 days or more are valued by the Company using a pricing service. When price quotations are not available, fair market value will be based on prices of comparable securities. For securities that are privately issued or illiquid, as well as any other portfolio security held by the Company for which, in the judgment of the Company s investment adviser, reliable market quotations are not readily available, the pricing service does not provide a valuation, or provides a valuation that in the judgment of that investment adviser is stale or does not represent fair value, valuations will be determined in a manner that most fairly reflects fair value of the security on the valuation date under procedures adopted by the Board of Directors of the Company.

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*Other Rating Agency* means each NRSRO, if any, other than Fitch then providing a rating for the Senior Securities.

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

*Other Rating Agency Eligible Assets* means assets of the Company set forth in the Other Rating Agency Guidelines of each Other Rating Agency as eligible for inclusion in calculating the Agency Discounted Value of the Company s assets in connection with the Other Rating Agency s rating of Senior Securities.

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

*Rating Agency* means each of Fitch (if Fitch is then rating Senior Securities) and any Other Rating Agency (if any Other Rating Agency is then rating Senior Securities).

*Rating Agency Discount Factor* means the Fitch Discount Factor (if Fitch is then rating Senior Securities) or an Other Rating Agency Discount Factor (if any Other Rating Agency is then rating Senior Securities), whichever is applicable.

*Rating Agency Guidelines* mean Fitch Guidelines (if Fitch is then rating Senior Securities) and any Other Rating Agency Guidelines (if any Other Rating Agency is then rating Senior Securities).

*Reuters Page LIBOR01* means the display designated on page LIBOR01 by Reuters Group plc (or such other page as may replace the LIBOR01 page on that service (or any successor service) or such other service as may be nominated by the British Bankers Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits).

*Senior Securities* means indebtedness for borrowed money of the Company including, without limitation, the New Notes, bank borrowings and (without duplication) indebtedness of the Company within the meaning of Section 18 of the 1940 Act.

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

*1940 Act Asset Coverage* means asset coverage required by the 1940 Act Senior Notes Asset Coverage and by the 1940 Act Total Leverage Asset Coverage.

*1940 Act Senior Notes Asset Coverage* means asset coverage as defined by Section 18(h) of the 1940 Act of at least 300% with respect to Senior Securities, determined on the basis of values calculated as of a time within 48 hours next preceding the time of such determination.

*1940 Act Total Leverage Asset Coverage* means, asset coverage as defined by Section 18(h) of the 1940 Act as in effect on the date of this Agreement of at least 200% with respect to Senior Securities and Preferred Stock, determined on the basis of values calculated as of a time within 48 hours next preceding the time of such determination.

**Prepayments**

*Optional Prepayments of the New Notes*

The Company may, at its option, and only to the extent prepayment of the New Notes (specifically including the applicable Floating Rate Prepayment Amount, the LIBOR Breakage Amount and the accrued interest on the New 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 New Notes, in an amount not less than 5% of the aggregate principal amount of the New 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 Floating Rate Prepayment Amount, and the LIBOR Breakage Amount 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 New Note to be prepaid, and the interest to be paid on the prepayment date.

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*Prepayments of New 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 New Notes on or after the date which is 90 days prior to maturity of such New Notes at 100% of the principal amount of such New Notes, together with interest on such New Notes accrued to the date of prepayment. Such prepayment will not include any Floating Rate Prepayment Amount or LIBOR Breakage 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 New 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 New 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 Floating Rate Prepayment Amount and any LIBOR Breakage Amount 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 New Notes to be prepaid, the principal amount of New Notes held by such holder to be prepaid, and the interest, Floating Rate Prepayment Amount and any LIBOR Breakage Amount to be prepaid. In the event the Company makes any partial prepayment of New Notes and any other senior securities representing indebtedness to cure any default during such extended 10-day period, the principal amount of New Notes and any other senior securities representing indebtedness to be prepaid shall be allocated by the Company among all of the New 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 New 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 New Notes, the principal amount of the New Notes to be prepaid shall be allocated among all of the New 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 New Notes, the principal amount of each New 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 Floating Rate Prepayment Amount and any LIBOR Breakage Amount. 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 Floating Rate Prepayment Amount and any LIBOR Breakage Amount, interest on such principal amount shall cease to accrue. Any New Note paid or prepaid in full shall be surrendered to the Trustee and cancelled and shall not be reissued, and no New Note shall be issued in lieu of any prepaid principal amount of any New Note.

**Payments on the New Notes; Paying Agent and Registrar**

We will pay amounts of principal, premium and interest on any New Note in global form registered in the name of or held by The Depository Trust Company (the Depository ) or its nominee in immediately available funds to the Depository or its nominee, as the case may be, as the registered holder of such global note.

**Transfer and Exchange**

A holder of New Notes may transfer or exchange New Notes at the office of the registrar in accordance with the Indenture. The registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents. No service charge will be imposed by us, the Trustee or the registrar for any registration of transfer or

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exchange of New Notes, but we may require a Holder to pay a sum sufficient to cover any transfer tax or other similar governmental charge required by law. We are not required to transfer or exchange any New Note selected for redemption. Also, we are not required to transfer or exchange any New Note for a period of 15 days before a mailing of notice of redemption.

The registered Holder of a New Note will be treated as the owner of it for all purposes.

**Selected Indenture Covenants**

Under the Indenture, we have agreed to the following covenants so long as any of the New Notes are outstanding:

*Affirmative Covenants*

*Compliance with Law.* We will comply with all laws, ordinances or governmental rules or regulations to which we are subject, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of our properties or to the conduct of our business in each case to the extent necessary to ensure that non-compliance would not reasonably be expected, individually or in the aggregate, to have a material adverse effect. Without limiting the foregoing, we will remain in material compliance, at all times with the 1940 Act, including, but not limited to, all leverage provisions specified in the 1940 Act;

*Insurance*. We will maintain, with financially sound and reputable insurers, insurance with respect to our properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated;

*Maintenance of Properties.* We will maintain and keep our properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this will not prevent us from discontinuing the operation and the maintenance of any of our properties if such discontinuance is desirable in the conduct of our business and we have concluded that such discontinuance would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on us;

*Payment of Taxes.* We will file all income tax or similar tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies payable by us, to the extent the same have become due and payable and before becoming delinquent, provided that we need not pay any such tax, assessment, charge or levy if (i) we contest the amount, applicability or validity thereof on a timely basis in good faith and in appropriate proceedings, and we have established adequate reserves therefor in accordance with GAAP on our books or (ii) the nonpayment of all such taxes, assessments, charges and levies in the aggregate would not reasonably be expected to have a material adverse effect on us;

*Corporate Existence.* Subject to merger or consolidation as described under Merger, Consolidation, etc. below, we will at all times preserve and keep in full force and effect our corporate existence and at all times preserve and keep in full force and effect all of our rights and franchises, unless, in our good faith judgment, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise would not, individually or in the aggregate, have a material adverse effect on us;

*Books and Records.* We will maintain proper books of record and account in conformity with GAAP and all applicable requirements of any governmental authority having legal or regulatory jurisdiction over us, as the case may be;

*Asset Coverage.* We will maintain, as of the last day of each month, the 1940 Act Asset Coverage. We will maintain as of each Valuation Date, the Basic Maintenance Test;

*Current Rating on the New Notes.* We will at all times maintain a current rating given by a Rating Agency of at least investment grade with respect to the New Notes and shall not at any time have any rating given by a Rating Agency of less than investment grade with respect to the New Notes. Without limiting the provisions of preceding sentence, in addition to all other amounts due and payable hereunder and under the New Notes, the interest rate applicable to the New Notes (including any Default Rate applicable thereto) shall be increased by an amount equal to 1.00% per annum during any period of time during which the New Notes have a current rating of less than A- by Fitch or has a current rating less than that equivalent by any other Rating Agency;

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*Most Favored Status.* In the event that we, at any time after the date of the Supplemental Indenture with respect to the New Notes enter into, assume or otherwise become bound by or obligated under any agreement creating or evidencing indebtedness of us in excess of $10,000,000 in principal amount (other than the indebtedness permitted by the Negative Covenant relating to secured debt discussed below) containing one or more additional covenants, the terms of the Indenture will, without any further action on our part or any of the Holders, be deemed to be amended automatically to include each additional covenant contained in such agreement. We further covenant to promptly execute and deliver at our expense (including, without limitation, the fees and expenses of counsel for the Holders) an amendment to the Indenture in form and substance satisfactory to a majority of Holders of the New Notes evidencing the amendment of the Indenture to include such additional covenants, provided that the execution and delivery of such amendment shall not be a precondition to the effectiveness of such amendment as provided for here, but will merely be for the convenience of the parties thereto;

Notwithstanding the foregoing, (A) if any additional covenant that has been incorporated into the Indenture is subsequently amended or modified in such other agreement, such additional covenant, as amended or modified, shall be deemed incorporated by reference into the Indenture and replace such additional covenant as originally incorporated, mutatis mutandi, as if set forth fully in the Indenture, effective beginning on the date on which such amendment or modification is effective under such other agreement and (B) if any additional covenant that has been incorporated into the Indenture is subsequently removed or terminated from such other agreement or the Company is otherwise no longer required to comply therewith under such other agreement, the Company, beginning on the effective date such additional covenant is removed or terminated from such other agreement or the Company is otherwise no longer required to comply with such additional covenant, shall no longer be or remain obligated to comply with such additional covenant.

Notwithstanding anything herein to the contrary, no additional covenants or any amendment or modification thereof which affects the Trustee s own rights, duties or immunities under the Indenture may be incorporated into the Supplemental Indenture without its consent thereto.

*Ranking of Obligations.* Our payment obligations under the Indenture and the New Notes will at all times rank pari passu, without preference or priority, with all of our existing and future unsecured and unsubordinated indebtedness and senior to any mandatory redeemable preferred stock issued by us;

*Maintenance of Status*. We will remain at all times a non-diversified, closed-end management investment company for the purposes of the 1940 Act and continue to engage in business of the same general type as we now conduct.

Negative Covenants

*Transactions with Affiliates.* We will comply with the 1940 Act provisions, rules and regulations relating to transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any affiliate, and such transactions will be pursuant to the reasonable requirements of our business and upon terms fair and reasonable to us;

*Merger, Consolidation, etc.* We will not consolidate with or merge with any other person or entity or convey, transfer or lease all or substantially all of our assets in a single transaction or series of transactions as an entirety to any person, unless:

(a) the entity formed by the consolidation or merger, or the person or entity that acquires the assets, will be a solvent corporation or limited liability company organized and existing under the laws of the United States, any state thereof, or the District of Columbia, and, if we are not such corporation or limited liability company, such corporation or limited liability company will have executed and delivered to the Trustee a supplemental indenture in form satisfactory to the Trustee in which it shall assume the due and punctual performance and observance of each covenant and condition of the Indenture and the New Notes;

(b) immediately before and after giving effect to that type of transaction, no default or event of default with respect to the New Notes will have happened and be continuing;

(c) we have delivered to the Trustee an officers certificate and an opinion of counsel;

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No such conveyance, transfer or lease of substantially all of our assets will have the effect of releasing us or any successor corporation or limited liability company from its liability under the Indenture or the New Notes;

*Terrorism Sanction Regulations.* We will not and will not permit any subsidiary or controlled affiliate to (a) become a person described or designated in the OFAC Special Designated Nationals and Blocked Persons List or a sanctions target pursuant to the Trading with the Enemy Act, as amended, or any regulations administered or enforced by OFAC or any enabling legislation or executive order thereto (a Blocked Person ), or (b) engage in any dealings or transactions with any Blocked Person;

*Certain Other Restrictions.* We will not engage in proscribed transactions set forth in the Rating Agency Guidelines under Certain other Restrictions, unless we have received written confirmation from each such Rating Agency that proscribes the applicable transaction in its Rating Agency Guidelines that any such action would not impair the rating then assigned by such Rating Agency to a senior security;

*Restricted Payments*. We will not declare, pay or set apart for payment any dividend or other distribution (other than a dividend or distribution paid in shares of, or options, warrants or rights to subscribe for or purchase, common shares or other shares of our capital stock) upon any class of shares of our capital stock, unless, in every such case, immediately after such transaction, the 1940 Act Senior Notes Asset Coverage would be achieved after deducting the amount of such dividend, distribution, or purchase price, as the case may be; provided, however, that dividends may be declared upon any preferred shares of our capital stock if the New Notes and any other senior securities and preferred stock have an asset coverage of at least 200% at the time of declaration thereof, after deducting the amount of such dividend. A declaration of a dividend or other distribution on or purchase or redemption of any of our common or preferred shares is prohibited (i) at any time that an event of default has occurred and is continuing or (ii) if after giving effect to such declaration, we would not satisfy the Basic Maintenance Test;

*No Subsidiaries.* We will not at any time have any subsidiaries other than such entities from time to time that may represent portfolio investments consistent with our investment objective and strategies;

*Secured Debt.* We will not at any time permit the aggregate unpaid principal amount of all of our indebtedness secured by liens on any of our assets to be more than 60 days at a time without payment and will not permit such indebtedness to exceed 5% of our total assets, provided, for purposes of this section, short sales, futures transactions, repurchase agreements, reverse repurchase agreements and swap transactions effected in accordance with the 1940 Act and applicable interpretive guidance issued by the SEC will not be prohibited or restricted by this covenant.

**Modification of the Indenture**

Amendments of the Indenture may be made by us and the Trustee with the consent of the holders of a majority in principal amount of the outstanding securities of all series affected by such supplemental indenture, considered together as one class for this purpose (plus, if and as the terms applicable to any such affected series so provide, the consent of the holders of a majority in principal amount of the outstanding securities of such affected series or of any other persons acting on behalf of such holders), and we may enter into a supplemental indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Base Indenture or of modifying in any manner the rights of the holders of securities of such series under the Base Indenture; provided, however, that no such amendment may, without the consent of each holder of the outstanding securities affected thereby:

(1) change the stated maturity of the principal of, or any installment of principal of or interest on, the New Notes, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or reduce the amount of the principal of any other security which would be due and payable upon a declaration of acceleration of the maturity in response to an event of default, or permit us to redeem any security if, absent such supplemental indenture, we would not be permitted to do so, or change any place of payment where, or the coin or currency in which, any security or any premium or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date); or

(2) if any security provides that the holder may require us to repurchase such security, impair such holder s right to require repurchase of such security on the terms provided therein; or

(3) reduce the percentage in principal amount of the outstanding securities of any one or more series (considered separately or together as one class, as applicable), if the supplemental indenture requires the consent of existing holders, or requires the consent of such holders for any waiver (of compliance with certain provisions of the Indenture or certain defaults hereunder and their consequences) provided for in the Base Indenture; or

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(4) modify the requirements of the Indenture upon which we must seek consent of the Holders of the New Notes, including for waiver of past defaults or of certain covenants, except to increase any such percentage required under such provisions, or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each outstanding security affected.

A supplemental indenture which changes or eliminates any covenant or other provision of the Indenture which has expressly been included solely for the benefit of one or more particular series of securities, or which modifies the rights of the holders of securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under the Indenture of the holders of securities of any other series.

Without the consent of any Holders, we may enter into one or more indentures supplemental to the Indenture, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another entity to us and the assumption by any such successor of the our covenants in the Indenture and in the New Notes; or

(2) to add to our covenants for the benefit of the Holders of all or any series of securities (and if such covenants are to be for the benefit of less than all series of securities, stating that such covenants are expressly being included solely for the benefit of such series) or to surrender any right or power herein conferred upon the trust; or

(3) to add any additional events of default for the benefit of the holders of all or any series of securities (and if such additional events of default are to be for the benefit of less than all series of securities, stating that such additional events of default are expressly being included solely for the benefit of such series); or

(4) to add to or change any of the provisions of the Indenture or the Supplemental Indenture to such extent as shall be necessary to permit or facilitate the issuance of New Notes in bearer form, registrable or not registrable as to principal, and with or without interest coupons, or to permit or facilitate the issuance of New Notes in uncertificated form; or

(5) to add to, change or eliminate any of the provisions of the Indenture in respect of one or more series of securities, provided that any such addition, change or elimination (A) shall neither (i) apply to any security of any series created prior to the execution of such supplemental indenture and entitled to the benefit of such provision nor (ii) modify the rights of the holder of any such security with respect to such provision or (B) shall become effective only when there is no such security outstanding; or

(6) to establish the form or terms of securities of any series and to increase the aggregate principal amount of any outstanding series of securities, as permitted by the Base Indenture; or

(7) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the securities of one or more series and to add to or change any of the provisions of the Indenture as shall be necessary to provide for or facilitate the administration of the trusts thereunder by more than one Trustee; or

(8) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under the Indenture, provided that such action pursuant to this Clause (8) shall not adversely affect the interests of the holders of securities of any series in any material respect.

It is not necessary for the consent of the Holders under the Indenture to approve the particular form of any proposed amendment or waiver. It is sufficient if such consent approves the substance of the proposed amendment or waiver.

Upon the execution of any supplemental indenture, the Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of the Indenture for all purposes; and every holder of securities theretofore or thereafter authenticated and delivered will be bound thereby. Every supplemental indenture shall conform to the requirements of the Trust Indenture Act.

**Events of Default**

Unless stated otherwise, any one of the following events will constitute an event of default under the Indenture:

(a) default in the payment of any principal of, or premium on, any New Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise;

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(b) default in the payment of any interest upon the New Notes when it becomes due and payable and the continuance of such default for more than five Business Days;

(c) we fail to abide by the covenants under Selected Indenture Covenants Affirmative Covenants Asset Coverage , unless such default is remedied within 30 days, provided, that such 30-day period shall be extended by an additional 10-day period if the Company shall have given notice prior to the end of such initial 30-day period of an optional prepayment of such principal amount of New Notes as described in Prepayment Special Optional Prepayment during Extended 10-day Period and any other Senior Securities which, when consummated shall be sufficient to cure such default;

(d) we fail to perform or comply with any other term of the Indenture not previously listed above and such default is not remedied within 30 days after the earlier of (i) a responsible officer obtaining actual knowledge of such default and (ii) our receiving written notice of such default from any Holder of a New Note;

(e) any representation or warranty made in writing by or on our behalf or by any of our officers in the Indenture or in any writing furnished in connection with the transactions contemplated here proves to have been false or incorrect in any material respect on the date as of which made;

(f) we are in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness that is outstanding in an aggregate principal amount of at least $5,000,000 beyond any grace period provided with respect thereto, or (ii) we are in default in the performance of or compliance with any term of any evidence of any Indebtedness in an aggregate outstanding principal amount of at least $5,000,000 or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Indebtedness has become, or has been declared (or one or more persons are entitled to declare such Indebtedness to be) due and payable before its stated maturity or before its regularly scheduled dates of payment;

(g) we are generally not paying, or admit in writing our inability to pay, our debts as they become due;

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

(i) a final judgment or judgments for the payment of money aggregating in excess of $5,000,000 are rendered against us and the judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration any stay;

(j) KA Fund Advisors, LLC or one of its affiliates is no longer our investment adviser;

(k) if, on the last business day of each of twenty-four consecutive calendar months, the New Notes have a 1940 Act Senior Notes Asset Coverage of less than 100%; and

(l) certain events implicating ERISA or the Code which either individually or collectively could reasonably be expected to have a material adverse effect on us.

The Indenture provides for the following:

- upon an event of default relating to bankruptcy, insolvency or other similar laws, acceleration of the maturity date of the New Notes occurs automatically;

- upon the occurrence and continuance of an event of default, the holders of a majority in principal amount of outstanding New Notes or the Trustee may declare the principal amount of the New Notes immediately due and payable upon written notice to us and upon such declaration the principal amount will become immediately due and payable;

- upon (A) a default in payment of any principal or Floating Rate Prepayment Amount, if any, or LIBOR Breakage Amount, if any, on any New Note when the same becomes due and payable, or at maturity; or (B) upon the continuance of a default in payment of any interest an any New Note for more than five Business Days after the same becomes payable, any Holder affected by such default may, at its option, by notice to us and the Trustee, declare all New Notes held by it to be immediately due and payable; and

at any time after a declaration of acceleration with respect to the New 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 New Notes may rescind and annul the declaration of acceleration and its consequences if all events of default with respect to the New Notes, other than the non-payment of the principal of the New Notes which has become due solely by the declaration of acceleration, have been cured or waived and other conditions have been met.

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**Discharge, Defeasance and Covenant Defeasance**

We may discharge or defease our obligations under the Indenture as set forth below.

Under terms satisfactory to the Trustee, we may discharge certain obligations to Holders of the New Notes that have not already been delivered to the Trustee for cancellation. The New Notes must also:

- have become due and payable;
- be due and payable by their terms within one year; or
- be scheduled for redemption by their terms within one year.

We may discharge the Indenture by irrevocably depositing an amount certified to be sufficient to pay at maturity, or upon redemption, the principal, premium, if any, additional amounts, if any, and interest on the New Notes. We may make the deposit in cash or U.S. Government Obligations, as defined in the Indenture.

We may terminate all our obligations under the New Notes and the Indenture at any time, except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer or exchange of the New Notes, to replace mutilated, destroyed, lost or stolen New Notes and to maintain a registrar and paying agent in respect of the New Notes. This is referred to as Defeasance.

Under terms satisfactory to the Trustee, we may be released with respect to any outstanding New Notes from the obligations imposed by the sections of the Indenture that contain covenants relating to the delivery to the Trustee of officers certificates and an opinion of counsel related to any merger or consolidation, the appointment of a successor trustee, and the covenants described within the Supplemental Indenture. Also under terms satisfactory to the Trustee, we may no longer be required to comply with these sections without the creation of an event of default. This is typically referred to as Covenant Defeasance. We may exercise our Defeasance option notwithstanding our prior exercise of our Covenant Defeasance option.

Defeasance or Covenant Defeasance may be effected by us only if, among other things we irrevocably deposit with the Trustee cash or U.S. Government Obligations as trust funds in an amount certified to be sufficient to pay at maturity or upon redemption the principal of, premium, if any, additional amounts, if any, and interest on all outstanding New Notes;

**Concerning the Trustee**

The Trustee is one of a number of banks with which we maintain ordinary banking relationships. We will appoint the Trustee as registrar and Paying Agent under the Indenture.

**Governing Law**

The Indenture and the New Notes will be governed by, and construed in accordance with, the laws of the State of New York.

**Book-Entry System**

*General*

The New Notes will initially be represented by one or more global notes in registered form without interest coupons.

The global notes will be deposited upon issuance with the Trustee as custodian for the Depository and registered in the name of the Depository or its nominee, in each case, for credit to an account of a direct or indirect participant of the Depository as described below.

Except as set forth below, the global notes may be transferred, in whole and not in part, only to another nominee of the Depository or to a successor of the Depository or its nominee. Beneficial interests in the global notes may not be exchanged for notes in certificated form except in the limited circumstances described below. See Depository Procedures Exchange of Book-Entry Notes for Certificated Notes.

Transfers of beneficial interests in the global notes are subject to the applicable rules and procedures of the Depository and its direct or indirect participants, which may change from time to time.

The New Notes may be presented for registration of transfer and exchange at the offices of the registrar.

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*Depository Procedures*

The following description of the operations and procedures of the Depository are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urges investors to contact the system or their participants directly to discuss these matters.

The Depository has advised us that it is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the Participants ) and to facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the Initial Purchaser), banks, trust companies, clearing corporations and certain other organizations. Access to the Depository s system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the Indirect Participants ). Persons who are not Participants may beneficially own securities held by or on behalf of the Depository only through the Participants or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of the Depository are recorded on the records of the Participants and Indirect Participants.

The Depository has also advised us that, pursuant to procedures established by it:

(1) upon deposit of the global notes, the Depository will credit the accounts of Participants designated by the Initial Purchaser with portions of the principal amount of the global notes; and

(2) ownership of these interests in the global notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by the Depository (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interests in the global notes).

Investors in the global notes who are Participants in the Depository s system may hold their interests therein directly through the Depository. Investors in the global notes who are not Participants may hold their interests therein indirectly through organizations which are Participants in such system. All interests in a global note may be subject to the procedures and requirements of the Depository.

The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a global note to such persons will be limited to that extent. Because the Depository can act only on behalf of Participants, which in turn act on behalf of Indirect Participants, the ability of a Person having beneficial interests in a global note to pledge such interests to persons that do not participate in the Depository s system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Except as described below, owners of an interest in the global notes will not have New Notes registered in their names, will not receive physical delivery of New Notes in certificated form and will not be considered the registered owners or Holders thereof under the Indenture for any purpose.

Payments in respect of the principal of, and interest and premium, if any, on, a global note registered in the name of the nominee of the Depository will be payable to the nominee in its capacity as the registered Holder under the Indenture. Under the terms of the Indenture, we, and the Trustee will treat the persons in whose names the New Notes, including the global notes, are registered as the owners thereof for the purpose of receiving such payments and for all other purposes. Consequently, neither we, the Trustee, nor any agent of ours or the Trustee has or will have any responsibility or liability for:

(1) any aspect of the Depository s records or any Participant s or Indirect Participant s records relating to or payments made on account of beneficial ownership interest in the global notes or for maintaining, supervising or reviewing any of the Depository s records or any Participant s or Indirect Participant s records relating to the beneficial ownership interests in the global notes; or

(2) any other matter relating to the actions and practices of the Depository or any of its Participants or Indirect Participants.

The Depository has advised us that its current practice, upon receipt of any payment in respect of securities such as the New Notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date unless the Depository has reason to believe that it will not receive payment on such payment date. Each relevant Participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of the Depository. Payments by the Participants and the Indirect Participants to the beneficial owners of the New Notes will be governed by standing instructions and customary practices and will be the

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responsibility of the Participants or the Indirect Participants and will not be the responsibility of the Depository, the Trustee or us. Neither we nor the Trustee will be liable for any delay by the Depository or any of the Participants or the Indirect Participants in identifying the beneficial owners of the New Notes, and we and the Trustee may conclusively rely on and will be protected in relying on instructions from the Depository or its nominee for all purposes.

Subject to the transfer restrictions set forth under Notice to Investors, transfers between Participants in the Depository will be effected in accordance with the Depository s procedures, and will be settled in same-day funds.

The Depository has advised us that it will take any action permitted to be taken by a Holder of the New Notes only at the direction of one or more Participants to whose account the Depository has credited the interests in the global notes and only in respect of such portion of the aggregate principal amount of the New Notes as to which such Participant or Participants has or have given such direction. However, if there is an event of default under the Indenture, the Depository reserves the right to exchange the global notes for New Notes in certificated form, which may be legended if required by the Indenture, and to distribute such New Notes to its Participants.

Although the Depository has agreed to the preceding procedures to facilitate transfers of interests in the global notes among participants in the Depository, it is under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. Neither we, the Trustee nor any of our respective agents will have any responsibility for the performance by the Depository or respective participants or indirect participants of their respective obligations under the rules and procedures governing its operations.

*Exchange of Book-Entry Notes for Certificated Notes*

A global Note is exchangeable for definitive New Notes in certificated form if (1) the Depository (A) notifies us that it is unwilling or unable to continue as depository for the global note or (B) has ceased to be a clearing agency registered under the Exchange Act, and, in either case, we fail to appoint a successor depository within 90 days, or (2) there has occurred and is continuing an Event of Default and the Depository notifies the Trustee of its decision to exchange global notes for notes in certificated form. In addition, beneficial interests in a global note may be exchanged for certificated notes upon request but only upon at least 20 days prior written notice given to the Trustee by or on behalf of the Depository in accordance with customary procedures. In all cases, certificated notes delivered in exchange for any global note or beneficial interest therein will be registered in names, and issued in minimum denominations of $100,000 and integral multiples of $100,000 in excess thereof, requested by or on behalf of the Depository (in accordance with its customary procedures) and will bear the restrictive legend referred to in Notice to Investors unless we determine otherwise in compliance with applicable law.

Neither we nor the Trustee will be liable for any delay by a global note holder or the Depository in identifying the beneficial owners of the New Notes and we and the Trustee may conclusively rely on, and will be protected in relying on, instructions from the global note holder or the Depository for all purposes.

*Same Day Settlement and Payment*

Payments in respect of the New Notes represented by a global note (including principal, premium, if any, and interest) will be made by wire transfer of immediately available funds to the accounts specified by the global note holder. With respect to certificated New Notes, we will make all payments of principal, premium, if any, additional amounts, if any, and interest in the manner described above under Payments on the New Notes; Paying Agent and Registrar.

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**DESCRIPTION OF THE OLD NOTES**

The terms of the Old Notes are identical in all material respects to those of the New Notes, except that: (1) the Old Notes have not been registered under the Securities Act, are subject to certain restrictions on transfer and are entitled to certain rights under the registration rights agreement (which rights will terminate upon consummation of the exchange offer, except under limited circumstances); and (2) the New Notes will not provide for any additional interest following this exchange offer.

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**CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS**

The following is a general summary of the material U.S. federal income tax consequences of the exchange of Old Notes for New Notes. This discussion is based upon the U.S. Internal Revenue Code of 1986, as amended (the Code ), the U.S. Treasury Regulations promulgated thereunder, administrative pronouncements and judicial decisions, all as of the date hereof and all of which are subject to change, possibly with retroactive effect. The following relates only to New Notes that are acquired in this offering in exchange for Old Notes originally acquired at their initial offering for an amount of cash equal to their issue price. Unless otherwise indicated, this summary addresses only the U.S. federal income tax consequences relevant to investors who hold the Old Notes and the New Notes as capital assets within the meaning of Section 1221 of the Code. Paul Hastings LLP, counsel to the Company, has delivered to the Company a tax opinion relating to matters discussed under this heading.

This summary does not address all of the U.S. federal income tax considerations that may be relevant to a particular holder in light of the holder s individual circumstances or to holders subject to special rules under U.S. federal income tax laws, such as banks and other financial institutions, insurance companies, real estate investment trusts, regulated investment companies, tax-exempt organizations, entities and arrangements classified as partnerships for U.S. federal income tax purposes and other pass-through entities, dealers in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting, persons liable for U.S. federal alternative minimum tax, U.S. holders whose functional currency is not the U.S. dollar, U.S. expatriates, and persons holding Notes as part of a straddle, hedge, conversion transaction, or other integrated investment. This discussion is limited to holders of the Old Notes who exchange such Old Notes for New Notes pursuant to the exchange offer and who hold the New Notes as capital assets. The discussion does not address any foreign, state, local or non-income tax consequences of the exchange of Old Notes for New Notes.

**We cannot assure you that the IRS will not challenge any of the tax aspects of the exchange or the tax consequences described in this Prospectus or that such a challenge will not be successful. We have not obtained, and do not intend to obtain, a ruling from the IRS with respect to the U.S. federal tax considerations resulting from acquiring, holding or disposing of the New Notes. This discussion is for general purposes only. Holders are urged to consult their own tax advisors regarding the application of the U.S. federal income tax laws to their particular situations and the consequences under federal estate or gift tax laws, as well as foreign, state, or local laws and tax treaties, and the possible effects of changes in tax laws.**

For purposes of this discussion, the term U.S. holder means a beneficial owner of a Note that, for U.S. federal income tax purposes, is:

(A) an individual who is a citizen or resident of the United States;

(B) a corporation, which is created or organized under the laws of the United States, any state therein or the District of Columbia;

(C) an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or

(D) a trust, if a court within the U.S. is able to exercise primary supervision over such trust s administration and one or more U.S. persons have the authority to control all substantial decisions of such trust, or if the trust has made a valid election to be treated as a U.S. person.

As used herein, the term non-U.S. holder means a beneficial owner of a Note that, for U.S. federal income tax purposes, is an individual, corporation, estate or trust that is not a U.S. holder.

If an entity or arrangement taxable as a partnership holds the New Notes, the tax treatment of a partner will generally depend on the status of the partner and on the activities of the partnership. If you are a partner in a partnership considering an investment in the New Notes, you should consult your own tax advisors.

**THIS DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT INTENDED AS TAX ADVICE. YOU SHOULD CONSULT YOUR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSIDERATIONS TO YOU OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NEW NOTES, INCLUDING THE EFFECT AND APPLICABILITY OF STATE, LOCAL, FOREIGN OR OTHER FEDERAL TAX LAWS OR ANY TAX TREATY**.

**U.S. Federal Income Tax Consequences of the Exchange Offer to Holders of Old Notes**

The exchange of Old Notes for New Notes pursuant to the exchange offer will not be a taxable transaction for U.S. federal income tax purposes. Holders of Old Notes will not recognize any taxable gain or loss as a result of such exchange and will have the same adjusted issue price, tax basis, and holding period in the New Notes as they had in the Old Notes immediately before the exchange. The U.S. federal income tax consequences of holding and disposing of the New Notes will be the same as those applicable to the Old Notes.

**Effects of Certain Contingencies**

We may be obligated to pay holders amounts in excess of the stated interest and principal payable on the New Notes, as described under Description of New Notes-Prepayments the obligation to make such contingent payments may implicate the provisions of Treasury Regulations governing contingent payment debt instruments. If the New Notes were treated as contingent payment debt instruments, holders subject to U.S. federal income taxation generally would be required to treat any gain recognized on the sale or other disposition of a Note as interest income rather than as capital gain, and the timing and amount of income inclusions on the Note may also be affected.

Under applicable Treasury Regulations, one or more contingencies will not cause a debt instrument to be treated as a contingent payment debt instrument if, based on all the facts and circumstances as of the issue date, such contingency or contingencies, in the aggregate, are remote or incidental. We intend to take the position, and assume in this discussion, that the likelihood that contingent payments will be made on the New Notes is remote and/or that such payments are incidental, and, therefore, that the New Notes are not contingent payment debt instruments within the meaning of applicable Treasury Regulations. Under such position, any amounts received as a prepayment (less an amount equal to any accrued interest not previously included in income, which will be treated as interest income for U.S. federal income and withholding tax purposes) should be included in the holder s amount realized upon the disposition of the New Notes. In addition, if we become obligated to make additional interest payments, a holder should be required to include in income the amount of any such payments at the time such payments are received or accrued in accordance with such holder s method of accounting. Our position is binding on a holder subject to U.S. federal income taxation unless such holder discloses a contrary position in the manner that is required by applicable Treasury Regulations. Holders should consult their own tax advisors regarding the possible application of the contingent payment debt instrument rules to the New Notes.

**U.S. Holders**

*Stated interest*

Stated interest on the New Notes generally will be taxable to a U.S. holder as ordinary interest income at the time it is paid or accrued in accordance with such holder s regular method of accounting for U.S. federal income tax purposes.

*Sale or other taxable disposition of the New Notes*

Upon the disposition of a Note by sale, exchange, redemption or other taxable disposition, a U.S. holder generally will recognize gain or loss in an amount equal to the difference, if any, between: (i) the amount realized on the sale, exchange, redemption or other taxable disposition (other than amounts attributable to accrued but unpaid stated interest which, if not previously included in income, will be treated as interest paid on the New Notes) and (ii) a U.S. holder s adjusted U.S. federal income tax basis in the note. A U.S. holder s adjusted U.S. federal income tax basis in a note generally will equal the amount paid for the note, reduced by the amount of any payments other than qualified stated interest received by the U.S. holder.

Any gain or loss recognized will be capital gain or loss and will be long-term capital gain or loss if, on the date of the sale, exchange, redemption or other taxable disposition, the U.S. holder has held the note for more than one year. Long-term capital gain realized by a non-corporate U.S. holder generally will be subject to a maximum federal tax rate of 20 percent. Corporate U.S. holders generally are taxed on their net capital gains at regular corporate income tax rates. The deductibility of capital losses is subject to certain limitations.

*Exchange pursuant to the exchange offer*

The exchange of the Old Notes for the New Notes in the exchange offer will not be treated as an exchange for U.S. federal income tax purposes, because the New Notes will not be considered to differ materially in kind or extent from the Old Notes. Accordingly, the exchange of Old Notes for New Notes will not be a taxable event to holders for U.S. federal income tax purposes. Moreover, the New Notes will have the same tax attributes as the Old Notes exchanged therefor and the same tax consequences as the Old Notes have to holders, including without limitation, the same issue price, adjusted tax basis and holding period.

*Medicare contribution tax on unearned income*

Certain U.S. holders who are individuals, estates or certain trusts will generally be subject to an additional 3.8% federal tax on, among other things, interest on the New Notes and capital gain from the sale or other taxable disposition of the New Notes, unless certain exceptions apply. U.S. holders should consult their tax advisors regarding the effect, if any, of the Medicare contribution tax on their ownership and disposition of the New Notes.

**Non-U.S. Holders**

*Interest*

Generally, interest income of a non-U.S. holder that is not effectively connected with a U.S. trade or business will be subject to withholding at a rate of 30% or, if applicable, a lower rate specified by a treaty, although special rules apply to non-U.S. holders that are pass-through entities rather than corporations or individuals. However, the 30% U.S. federal tax withholding will not apply to any payment to a non-U.S. holder of interest on the New Notes under the portfolio interest exemption provided that such interest is not effectively connected with a U.S. trade or business and provided that the non-U.S. holder:

(A) does not actually (or constructively) own 10% or more of the total combined voting power of all classes of our voting stock;

(B) is not a controlled foreign corporation that is related to the issuer within the meaning of section 864(d)(4) of the Code; (C) is not a bank whose receipt of interest on the New Notes is pursuant to a loan agreement entered into in the ordinary course of business; and

(D) has fulfilled the certification requirements set forth in section 871(h) or section 881(c) of the Code, as discussed below.

The certification requirements referred to above will be fulfilled if the non-U.S. holder certifies on IRS Form W-8BEN or other successor form, under penalties of perjury, that it is not a U.S. person for U.S. federal income tax purposes and provides its name and address, and (i) the non-U.S. holder files IRS Form W-8BEN or other successor form with the withholding agent or (ii) in the case of a note held on the non-U.S. holder s behalf by a securities clearing organization, bank or other financial institution holding customers securities in the ordinary course of its trade or business, the financial institution files with the withholding agent a statement that it has received the IRS Form W-8BEN or other successor form from the holder and furnishes the withholding agent with a copy thereof; provided that a foreign financial institution will fulfill the certification requirement by filing IRS Form W-8IMY or other successor form if it has entered into an agreement with the IRS to be treated as a qualified intermediary. A non-U.S. holder should consult its own tax advisor regarding possible additional reporting requirements.

If a non-U.S. holder cannot satisfy the requirements described above, payments of interest made to it will be subject to the 30% U.S. federal withholding tax, unless the non-U.S. holder provides us with a properly executed (i) IRS Form W-8BEN (or successor form) claiming an exemption from (or a reduction of) withholding under the benefit of a tax treaty and stating its taxpayer identification number or (ii) IRS Form W-8ECI (or successor form) stating that payments on the New Notes are not subject to such withholding because such payments are effectively connected with its conduct of a trade or business in the United States, as discussed below.

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*Sale or other taxable disposition of the New Notes*

Any gain realized on the sale, exchange, redemption or other taxable disposition of the New Notes generally will not be subject to U.S. federal income tax unless:

- that gain is effectively connected with the conduct of a trade or business in the United States by the non-U.S. holder, (and, if a tax treaty applies, such gain is attributable to a permanent establishment in the United States); or
- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met.

To the extent that the amount realized on any sale, exchange, redemption or other taxable disposition of the New Notes is attributable to accrued but unpaid interest, such amount would be treated as interest.

*Income effectively connected with a trade or business within the United States*

If a non-U.S. holder is engaged in a trade or business in the United States and interest on the New Notes or gain from a sale, redemption or other disposition of the New Notes is effectively connected with the conduct of that trade or business (and, if an applicable tax treaty so provides, is attributable to a permanent establishment in the United States) the non-U.S. holder will be subject to U.S. federal income tax on the interest or gain on a net income basis in generally the same manner as if it were a U.S. holder. See U.S. Holders, above. In that case, the non-U.S. holder would not be subject to the 30% U.S. federal tax withholding and would be required to provide to the withholding agent a properly executed IRS Form W-8ECI or other successor form. In addition, a non-U.S. holder that is a corporation for U.S. federal income tax purposes may be subject to a branch profits tax with respect to such holder s effectively connected earnings and profits (subject to adjustments) at a rate of 30% (or at a reduced rate under an applicable income tax treaty).

**Information reporting and backup withholding**

*U.S. holders*

Generally, a U.S. holder may be subject, under certain circumstances, to information reporting and/or backup withholding with respect to certain interest payments made on or with respect to the New Notes and proceeds from a sale, retirement or other disposition of the New Notes. This withholding applies only if a U.S. holder (i) fails to furnish the U.S. holder s taxpayer identification number ( TIN ) (which for an individual is a social security number) within a reasonable time after a request therefor, (ii) furnishes an incorrect TIN, (iii) is notified by the IRS that the U.S. holder is subject to backup withholding due to a prior failure to report interest or dividends properly, or (iv) fails, under certain circumstances, to provide a certified statement, signed under penalty of perjury, that the TIN provided is correct and that the U.S. holder has not been notified by the IRS that the U.S. holder is subject to backup withholding. To prevent backup withholding, the U.S. holder or other payee is required to properly complete IRS Form W-9. These requirements generally do not apply with respect to certain holders, including tax-exempt organizations and certain financial institutions.

The backup withholding rate is currently 28%. Backup withholding is not an additional federal income tax. Any amount withheld from a payment under the backup withholding rules is allowable as a credit against your U.S. federal income tax liability (and may entitle you to a refund), provided that the required information is timely furnished to the IRS. A U.S. holder should consult the U.S. holder s own tax advisor as to the U.S. holder s qualification for exemption from backup withholding and the procedure for obtaining such exemption.

*Non-U.S. holders*

If a non-U.S. holder provides the applicable IRS Form W-8BEN, IRS Form W-8IMY or other applicable form, together with all appropriate attachments, signed under penalties of perjury, identifying the non-U.S. holder and stating that the non-U.S. holder is not a U.S. person, the non-U.S. holder will not be subject to IRS reporting requirements and U.S. backup withholding with respect to interest payments on the New Notes.

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Under current Treasury Regulations, payments on the sale, exchange, redemption or other taxable disposition of a note made to or through a U.S. office of a broker generally will be subject to information reporting and backup withholding unless the holder either certifies its status as a non-U.S. holder under penalties of perjury on the applicable IRS Form W-8BEN, IRS Form W-8IMY or other applicable form (as described above) or otherwise establishes an exemption. The payment of the proceeds of the disposition of a note by a non-U.S. holder to or through a non-U.S. office of a non-U.S. broker will not be subject to backup withholding or information reporting unless the non-U.S. broker is a U.S. Related Person (as defined below). The payment of proceeds of the disposition of a note by a non-U.S. holder to or through a non-U.S. office of a U.S. broker or a U.S. Related Person generally will not be subject to backup withholding but will be subject to information reporting unless the holder certifies its status as a non-U.S. holder under penalties of perjury or the broker has certain documentary evidence in its files as to the non-U.S. holder s foreign status and has no actual knowledge or reason to know that such holder is a U.S. person.

For this purpose, a U.S. Related Person is: (i) a controlled foreign corporation for U.S. federal income tax purposes, (ii) a foreign person 50% or more of whose gross income from all sources for a specified three-year period is derived from activities that are effectively connected with the conduct of a U.S. trade or business or (iii) a foreign partnership with certain connections to the United States.

Backup withholding is not an additional tax and may be refunded (or credited against the holder s U.S. federal income tax liability, if any), provided that certain required information is timely furnished to the IRS. The information reporting requirements may apply regardless of whether withholding is required. Copies of the information returns reporting such interest or gain and any withholding also may be made available to the tax authorities in the country in which a non-U.S. holder is a resident under the provisions of an applicable income tax treaty or agreement.

**Legislation affecting taxation of New Notes held by or through foreign entities**

Sections 1471-1474 of the Code (known as FATCA) imposes certain due diligence and information reporting requirements, particularly with respect to accounts held through foreign financial institutions (known as FATCA). Effective for payments made after June 30, 2014, a 30% U.S. federal withholding tax will apply to interest income from debt obligations of U.S. issuers and effective for payments made after December 31, 2016, a 30% U.S. withholding tax will apply on the gross proceeds from a disposition of such obligations paid to a foreign financial institution (including in certain instances where such institution is acting as an intermediary), unless such institution enters into an agreement with the U.S. Treasury Department to collect and provide to the Treasury Department substantial information regarding U.S. account holders, including certain account holders that are foreign entities with U.S. owners, with such institution. The 30% U.S. federal withholding tax will also apply to interest income from such obligations and on the gross proceeds from the disposition of such obligations paid to a non-financial foreign entity (including in certain instances where such entity is acting as an intermediary) unless such entity provides the withholding agent with a certification that it does not have any substantial U.S. owners or a certification identifying the direct and indirect substantial U.S. owners of the entity. We will not pay any additional amounts to non-U.S. holders in respect of any amounts withheld under FATCA. Under certain circumstances, a holder may be eligible for refunds or credits of such taxes. Obligations outstanding on June 30, 2014 are generally exempt from the reporting and withholding requirements described in this paragraph. Absent any modification that causes the New Notes to be treated as having been reissued after June 30, 2014, the New Notes are not expected to be subject to the above mentioned reporting and withholding requirements.

Application of this withholding tax does not depend on whether the payment otherwise would be exempt from U.S. federal withholding tax under an exemption described under Non-U.S. Holders above. In the event that this withholding tax shall be imposed on any payment of interest on, or gross proceeds from the disposition or redemption of, a note, we have no obligation to pay additional amounts as a consequence thereof or to redeem the New Notes before their stated maturity. Investors are urged to consult with their own tax advisors regarding the possible implications of this recently enacted legislation on their investment in the New Notes.

**TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, THE ISSUER HEREBY NOTIFIES YOU THAT: (A) ANY DISCUSSION OF U.S. FEDERAL INCOME TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY YOU FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED**

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**ON HOLDERS UNDER THE U.S. INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING WITHIN THE MEANING OF CIRCULAR 230 OF THE TRANSACTIONS OR MATTERS ADDRESSED IN THIS PROSPECTUS; AND (C) YOU SHOULD SEEK ADVICE BASED ON YOUR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

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## PLAN OF DISTRIBUTION

Each broker-dealer that receives New Notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. This prospectus, as it may be amended or supplemented from time to time, may be used by such broker-dealers in connection with resales of New Notes received in exchange for Old Notes where such Old Notes were acquired as a result of market-making activities or other trading activities. We have agreed that, for a period of 180 days from the date on which the Exchange Offer Registration Statement is declared effective (the Exchange Offer Registration Period ), we will make this Prospectus, as it may be amended or supplemented from time to time, available to such broker-dealers for use in connection with any such resales of New Notes, or, if earlier, when all New Notes subject to the exchange offer have been disposed of by such broker-dealers.

We will not receive any proceeds from any sale of New Notes by brokers-dealers. New Notes received by broker-dealers for their own account pursuant to the exchange offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the New Notes or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer and/or the purchasers of any such New Notes. Any broker-dealer that resells New Notes that were received by it for its own account pursuant to the exchange offer and any broker or dealer that participates in a distribution of such New Notes may be deemed to be an underwriter within the meaning of the Securities Act and any profit of any such resale of New Notes and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act.

After the exchange offer expires and during the Exchange Offer Registration Period (taking into account the deferral and suspension periods described above in The Exchange Offer Registration Rights Agreement ), the Company will promptly send additional copies of this prospectus and any amendment or supplement to this prospectus to any broker-dealer that requests such documents in the letter of transmittal. We have agreed to pay all expenses incident to the exchange offer (including the expenses of one counsel for the eligible holders of the Notes) other than commissions or concessions of any brokers or dealers and will indemnify the holders of the Notes (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

Notwithstanding the foregoing, we may suspend the use of this prospectus by broker-dealers under specified circumstances. For example, we may suspend the use of this prospectus if:

- the financial statements provided in the registration statement become stale;
- the SEC or any state securities authority request an amendment or supplement to this prospectus or the related registration statement or requests additional information;
- the SEC or any state securities authority issues any stop order suspending the effectiveness of the registration statement or initiates proceedings for that purpose;
- we receive notification of the suspension of the qualification of the New Notes for sale in any jurisdiction or the initiation or threatening of any proceeding for that purpose;
- the suspension is required by law;
- we determine that the continued effectiveness of the registration statement of which this prospectus forms a part and use of this prospectus would require disclosure of confidential information related to a material acquisition or divestiture of assets or a material corporate transaction, event or development; or

an event occurs or we discover any fact which makes any statement made in the registration statement of which this prospectus forms a part untrue in any material respect or which requires the making of any changes in such registration statement in order to make the statements therein not misleading.

We will not receive any proceeds from the issuance of New Notes in the exchange offer.

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## VALIDITY OF THE NEW NOTES

The validity of the New Notes offered hereby will be passed upon for us by Venable LLP, Baltimore, Maryland; and the enforceability of the New Notes offered hereby will be passed upon for us by Paul Hastings LLP, Costa Mesa, California.

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**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 September 30, 2013, we had (i) approximately 99.8 million shares of common stock outstanding, (ii) $22 million borrowed on our credit facility, (iii) $1,175 million in Senior Notes outstanding and (iv) $449 million of MRP Shares outstanding. As of September 30, 2013, we had net assets applicable to our common stock of approximately $3.4 billion and total assets of approximately $6.1 billion.

The following table sets forth information about our outstanding securities as of September 30, 2013 (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 | 182,040 | 0 | 99,814 |
| Series A Mandatory Redeemable Preferred Shares(1) | $ 104,000 | $ 0 | $ 104,000 |
| 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 E Mandatory Redeemable Preferred Shares(1) | 120,000 | 0 | 120,000 |
| Series F Mandatory Redeemable Preferred Shares(1) | 125,000 | 0 | 125,000 |
| Series G Mandatory Redeemable Preferred Shares(1) | 50,000 | 0 | 50,000 |
| Senior Notes, Series M | 60,000 | 0 | 60,000 |
| Senior Notes, Series N | 50,000 | 0 | 50,000 |
| Senior Notes, Series O | 65,000 | 0 | 65,000 |
| Senior Notes, Series P | 45,000 | 0 | 45,000 |
| Senior Notes, Series Q | 15,000 | 0 | 15,000 |
| Senior Notes, Series R | 25,000 | 0 | 25,000 |
| Senior Notes, Series S | 60,000 | 0 | 60,000 |
| Senior Notes, Series T | 40,000 | 0 | 40,000 |
| Senior Notes, Series U | 60,000 | 0 | 60,000 |
| Senior Notes, Series V | 70,000 | 0 | 70,000 |
| Senior Notes, Series W | 100,000 | 0 | 100,000 |
| Senior Notes, Series X | 14,000 | 0 | 14,000 |
| Senior Notes, Series Y | 20,000 | 0 | 20,000 |
| Senior Notes, Series Z | 15,000 | 0 | 15,000 |
| Senior Notes, Series AA | 15,000 | 0 | 15,000 |
| Senior Notes, Series BB | 35,000 | 0 | 35,000 |
| Senior Notes, Series CC | 76,000 | 0 | 76,000 |
| Senior Notes, Series DD | 75,000 | 0 | 75,000 |
| Senior Notes, Series EE | 50,000 | 0 | 50,000 |
| Senior Notes, Series FF | 65,000 | 0 | 65,000 |
| Senior Notes, Series GG | 45,000 | 0 | 45,000 |
| Senior Notes, Series HH | 175,000 | 0 | 175,000 |

(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.

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## 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 (commonly referred to as junk bonds or high yield bonds ) 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.

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.

We may, but are not required to, use derivative investments and engage in short sales to hedge against interest rate and market risks.

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.

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Master limited partnerships organized as limited partnerships typically have two classes of limited partner interests common units and subordinated units. The general partner interest may be held by either a private or publicly traded corporation or other entity. In many cases, the general partner owns common units, subordinated units and incentive distribution rights ( IDRs ) in addition to its general partner interest in the master limited partnership.

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 generally 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 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. A common arrangement provides that the IDRs can reach a tier where the holder receives 48% of every incremental dollar paid to partners. 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 higher tiers. Such results benefit all security holders of the master limited partnership.

In addition to the common unit and subordinated unit structure for MLPs, certain recently formed 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 and, as a result, more variability in such MLP s distributable cash flow.

The MLPs in which we invest are currently classified by us as midstream MLPs, propane MLPs, coal MLPs, upstream MLPs and other MLPs. As described below, we further sub-categorized into the following groups:

Midstream MLPs own and operate the logistical assets used in the energy sector and are engaged in (a) the treating, gathering, compression, processing, transmission and storage of natural gas and the transportation, fractionation and storage of natural gas liquids (primarily propane, ethane, butane and natural gasoline); (b) the gathering, transportation and storage of crude oil; and (c) the transportation and storage of refined petroleum products (primarily gasoline, diesel fuel and jet fuel) and other hydrocarbon by-products. MLPs may also operate ancillary businesses including the marketing of commodities and logistical services.

Propane MLPs are engaged in the distribution of propane to homeowners for space and water heating and to commercial, industrial and agricultural customers. Propane serves approximately 6% of the household energy needs in the United States, largely for homes beyond the geographic reach of natural gas distribution pipelines. Volumes are weather dependent and a majority of annual cash flow is earned during the winter heating season (October through March).

Coal MLPs are engaged in the owning, leasing, managing and production and sale of various grades of steam and metallurgical grades of coal. The primary use of steam coal is for electric generation (steam coal is used as a fuel for steam-powered generators by electrical utilities). The primary use of metallurgical coal is in the production of steel (metallurgical coal is used to make coke, which, in turn, is used as a raw material in the steel manufacturing process).

Shipping MLPs provide transportation and distribution services for energy-related products through the ownership and operation of several types of vessels, such as crude oil tankers, refined petroleum product tankers, liquefied natural gas tankers, tank barges and tugboats. Shipping plays an important role in domestic and international trade of crude oil, refined petroleum products, natural gas liquids and liquefied natural gas and is expected to benefit from future global economic growth and development.

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Upstream MLPs are businesses engaged in the acquisition, exploitation, development and production of natural gas, natural gas liquids and crude oil. An Upstream MLP s cash flow and distributions are driven by the amount of oil, natural gas, natural gas liquids and oil produced and the demand for and price of such commodities. As the underlying reserves of an Upstream MLP are produced, its reserve base is depleted. Most Upstream MLPs seek to maintain or expand their reserves and production through the acquisition of reserves from other companies, and the exploration and development of existing resources. Certain Upstream MLPs are structured more like royalty trusts with a defined quantity of reserves and prospective acreage at formation, which will deplete over time as the MLP s reserves are produced.

Other MLPs are engaged in owning energy assets or providing energy-related services which do not fit in the five categories listed above. Examples of business activities conducted by other MLPs include refining, retail gasoline distribution, propane dehydrogenation (processing propane into propylene), production of sand used as a proppant in the production of crude oil and natural gas and production of coke used as a raw material in the steel making process. Each of these MLPs generates qualified income and qualifies for federal tax treatment as a partnership.

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.

**Description of Other Midstream Energy Companies**

Other Midstream Energy Companies are companies, other than midstream MLPs, that own and operate assets used in transporting, storing, gathering, processing, distributing or marketing of natural gas, natural gas liquids, crude oil or refined products. 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 private companies and (iv) debt securities. 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 currently expect to 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 currently expect to utilize hedging techniques such as interest rate swaps to mitigate potential interest rate risk on a portion of our Leverage Instruments. Such interest rate swaps would principally be used to protect us against higher costs on our Leverage Instruments resulting from increases in 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

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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 25%, but the rate may vary greatly from year to year. Portfolio turnover rate is not considered a limiting factor in the Adviser 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.

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## FINANCIAL HIGHLIGHTS

The Financial Highlights for the period September 28, 2004 (commencement of operations) through November 30, 2004 and the fiscal years ended November 30, 2005, 2006, 2007, 2008, 2009, 2010, 2011 and 2012, including accompanying notes thereto and the report of PricewaterhouseCoopers LLP thereon, contained in our Annual Report to Stockholders for the fiscal year ended November 30, 2012 contained in our Form N-CSR filed with the SEC on January 29, 2013 and the Financial Highlights and other financial information for the six months ended May 31, 2013 contained in our Semi-Annual Report to stockholders on Form N-CSR for the six-month period ended May 31, 2013 filed with the SEC on July 26, 2013 are hereby incorporated by reference into, and are made part of, this prospectus. A copy of such Annual Report to Stockholders and such Semi-Annual Report to Stockholders must accompany the delivery of this prospectus.

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## 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 after the offering 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 generally determined on the last business day of each calendar month. 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) |
| **Fiscal Year 2013** | | | | | |
| Third Quarter | $ 38.92 | $ 34.82 | $ 35.57 | $ 33.01 | 7.8% |
| Second Quarter | 38.54 | 33.33 | 37.21 | 32.91 | 13.1 |
| First Quarter | 35.38 | 29.13 | 35.38 | 30.92 | 14.4 |
| **Fiscal Year 2012** | | | | | |
| Fourth Quarter | $ 31.65 | $ 28.68 | $ 31.13 | $ 28.51 | 9.2% |
| Third Quarter | 31.52 | 28.56 | 30.50 | 28.66 | 6.4 |
| Second Quarter | 31.47 | 27.80 | 28.99 | 26.38 | 9.9 |
| First Quarter | 32.89 | 28.34 | 31.40 | 30.08 | 4.4 |
| **Fiscal Year 2011** | | | | | |
| Fourth Quarter | $ 29.18 | $ 25.53 | $ 28.03 | $ 27.01 | 3.8% |
| Third Quarter | 30.37 | 24.35 | 28.40 | 26.01 | 9.2 |
| Second Quarter | 32.71 | 28.44 | 29.43 | 27.53 | 6.9 |
| First Quarter | 31.51 | 27.93 | 30.91 | 28.73 | 7.6 |

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 in Net Asset Value.

(2) Calculated as of the quarter-end closing sales price divided by the quarter-end NAV.

On September 30, 2013, the last reported sales price of our common stock on the NYSE was $35.85, which represented a premium of approximately 5.8% to the NAV per share reported by us on that date.

As of September 30, 2013, we had approximately 99.8 million shares of common stock outstanding and we had net assets applicable to common stockholders of approximately $3.4 billion.

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## 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 our Adviser. 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

KA Fund Advisors, LLC ( KAFA or our Advisor ) 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 Kayne Anderson Capital Advisors, L.P. ( KACALP and, together with KAFA, Kayne Anderson ), 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. Our portfolio managers draw on the research and analytical support of David L. LaBonte, a Senior Managing Director of Kayne Anderson, as well as the experience and expertise of other professionals at Kayne Anderson, including its Chairman, Richard Kayne, and its President and Chief Executive Officer, Robert V. Sinnott, as well as James C. Baker and Jody C. Meraz.

*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 May 2005, of Kayne Anderson Energy Development Company since September 2006 and of Kayne Anderson Midstream/Energy Fund, Inc. since August 2010. Mr. McCarthy has served as a Senior Managing Director at KACALP since June 2004 and of KAFA since 2006. Prior to that, Mr. McCarthy was global head of energy at UBS Securities LLC. In this role, Mr. McCarthy had senior responsibility for all of UBS energy investment banking activities. Mr. McCarthy was with UBS Securities 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 Senior Managing Director of Kayne Anderson. 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 Kayne Anderson MLP Investment 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.

*Richard A. Kayne* is 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.

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*Robert V. Sinnott* is President and Chief Executive Officer of Kayne Anderson. Mr. Sinnott is a member of the Board of Directors of Plains All American Pipeline, LP and Kayne Anderson Energy Development Company. 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 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.

*David L. LaBonte* is a Senior Managing Director of Kayne Anderson, responsible for coordinating and providing research and analytical support in the MLP industry. 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, 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.

*James C. Baker* is a Senior Managing Director of Kayne Anderson, providing analytical support for investments in the MLP area. He also serves as our Executive Vice President and as Executive Vice President of Kayne Anderson Energy Total Return Fund Inc., Kayne Anderson Energy Development Company and Kayne Anderson Midstream/Energy Fund, Inc. 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 Managing Director of Kayne Anderson. He also serves as our Senior Vice President and as Senior Vice President of Kayne Anderson Energy Total Return Fund, Inc., Kayne Anderson Energy Development Company and Kayne Anderson Midstream/Energy Fund, Inc. 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 Senior Vice President for Kayne Anderson. He also serves as our Vice President and as Vice President of Kayne Anderson Energy Total Return Fund, Kayne Anderson Energy Development Company and Kayne Anderson Midstream/Energy Fund. He is responsible for providing analytical support for investments in MLPs, Midstream Energy Companies and other energy companies. 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 Vice President for Kayne Anderson. He is responsible for providing analytical support for investments in MLPs, Midstream Energy Companies and other Energy Companies. 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 in Economics from Princeton University in 2001 and a JD from The University of Texas School of Law in 2005.

*Justin Campeau* is a research analyst for Kayne Anderson. He is responsible for providing research coverage of energy-related master limited partnerships and of the coal sector. Mr. Campeau earned a Bachelor of Commerce from McGill University in 2006.

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*Michael E. Schimmel* is a research analyst for Kayne Anderson. He is responsible for co-managing the high yield bond and bank loan allocations within several Kayne Anderson funds. 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 research analyst for Kayne Anderson. He is responsible for providing high-yield security analysis. 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.

*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, 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 Bear Stearns. Mr. Terry earned his B.B.A. in Accounting and Information Systems from the University of Oklahoma in 1999, and an MBA degree from the University 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 our Adviser is located at 811 Main Street, 14th Floor, Houston, Texas 77002. KACALP s principal office is located at 1800 Avenue of the Stars, Third Floor, Los Angeles, California 90067. For additional information concerning our Adviser, including a description of the services to be provided by our Adviser, see Investment Management Agreement below.

**Investment Management Agreement**

Pursuant to an investment management agreement between us and our Adviser, 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. During the fiscal year ended November 30, 2012, our management fee was 2.4% of our average net assets. On September 18, 2013, we renewed our investment management agreement with our Adviser for a period of one year, which expires on December 11, 2014. In conjunction with the renewal, we renewed the agreement with our Adviser, for an additional one-year term expiring December 11, 2014, to waive 0.125% of its 1.375% management fee on total assets in excess of $4.5 billion (thereby reducing the management fee to 1.25% on total assets in excess of $4.5 billion).

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). 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 our Adviser 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.

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The Investment Management Agreement will continue in effect from year to year after its current one-year term commencing on December 11, 2013, 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 our Adviser s fee is based upon a percentage of our total assets, our Adviser 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 27% of our total assets as of September 30, 2013.

A discussion regarding the basis for approval by the Board of Directors of our Investment Management Agreement with our Adviser is available in our November 30, 2012 Annual Report to Stockholders.

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## CAPITALIZATION

The following table sets forth our capitalization: (i) as of August 31, 2013 and (ii) as adjusted to reflect the issuance of 2,000,000 Series G MRP Shares offered on September 16, 2013.

| | As of August 31, 2013 (Unaudited) Actual | As Adjusted |
|---|---|---|
| | ($ in 000s, except per share data) | |
| Repurchase Agreements, Cash and Cash Equivalents | $ 2,407 | $ 38,145 |
| Short-Term Debt: | | |
| Credit Facility | 13,000 | |
| Long-Term Debt: | | |
| Senior Notes Series DD (1) | 75,000 | 75,000 |
| Senior Notes Series EE (1) | 50,000 | 50,000 |
| Senior Notes Series FF (1) | 65,000 | 65,000 |
| Senior Notes Series GG (1) | 45,000 | 45,000 |
| Senior Notes Series HH (1) | 175,000 | 175,000 |
| Other Senior Notes (Series M-CC) (1) | 765,000 | 765,000 |
| Total Long-Term Debt: | $ 1,175,000 | $ 1,175,000 |
| Mandatory Redeemable Preferred Stock: | | |
| Series A MRP Shares, $0.001 par value per share, liquidation preference $25.00 per share (4,160,000 shares issued and outstanding, 4,160,000 shares authorized) (1) | $ 104,000 | $ 104,000 |
| 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) (1) | 8,000 | 8,000 |
| 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) (1) | 42,000 | 42,000 |
| Series E MRP Shares, $0.001 par value per share, liquidation preference $25.00 per share (4,800,000 shares issued and outstanding, 4,800,000 shares authorized) (1) | 120,000 | 120,000 |
| 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) (1) | 125,000 | 125,000 |
| Series G MRP Shares, $0.001 par value per share, liquidation preference $25.00 per share (no shares authorized and outstanding, actual and as adjusted; 2,000,000 shares issued and outstanding, 2,000,000 shares authorized) (1)(2) | | 50,000 |
| Common Stockholders Equity: | | |
| Common stock, $0.001 par value per share, 184,040,000 shares authorized 99,717,411 shares issued and outstanding, actual; 184,040,000 shares authorized, 99,717,411 shares issued and outstanding, as adjusted(1)(2) | 100 | 100 |
| Paid-in capital | 2,093,428 | 2,093,428 |
| Accumulated net investment loss, net of income taxes, less dividends | (728,908) | (728,908) |
| Accumulated realized gains on investments, options, and interest rate swap contracts, net of income taxes | 463,137 | 463,137 |
| Net assets applicable to common stockholders | $ 3,291,337 | $ 3,291,337 |

(1) We do not hold any of these outstanding securities for our account.
(2) The Articles Supplementary provide that 2,000,000 shares of authorized but unissued common stock shall be classified and designated as 2,000,000 shares of Series G MRP Shares, $0.001 par value per share. As adjusted, there will be 182,040,000 shares of common stock authorized.

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## DESCRIPTION OF CAPITAL STOCK

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 September 30, 2013, our authorized capital consists of 182,040,000 shares of common stock, $0.001 par value per share; 4,160,000 shares of Series A MRP Shares ($104 million aggregate liquidation preference); 320,000 shares of Series B MRP Shares ($8 million aggregate liquidation preference); 1,680,000 shares of Series C MRP Shares ($42 million aggregate liquidation preference); 4,800,000 shares of Series E MRP Shares ($120 million aggregate liquidation preference); 5,000,000 shares of Series F MRP Shares ($125 million aggregate liquidation preference); and 2,000,000 shares of Series G MRP Shares ($50 million aggregate liquidation preference). As of September 30, 2013, 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 September 30, 2013, we had approximately 99.8 million shares of common stock outstanding. Shares of our common stock are listed on the NYSE under the symbol KYN.

All of our outstanding shares of common stock have been duly authorized and are fully paid and nonassessable. All of our outstanding shares of common stock are of the same class and 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;

the timing of the investment of offering proceeds and leveraged proceeds in portfolio securities; and

our net assets and operating expenses.

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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 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.

So long as senior securities representing indebtedness, including the Senior 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 Senior 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 preferred stock. The rights of common stockholders upon liquidation, dissolution or winding up are subordinated to the rights of holders of outstanding Senior 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 common stock entitled to cast a majority of 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 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.

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**Preferred Stock**

*General.* As of September 30, 2013, there were 4,160,000 issued and outstanding shares of Series A MRP Shares, 320,000 issued and outstanding shares of Series B MRP Shares, 1,680,000 issued and outstanding shares of Series C MRP Shares, and 4,800,000 issued and outstanding shares of Series E MRP Shares, 5,000,000 issued and outstanding shares of Series F MRP Shares and 2,000,000 issued and outstanding shares of Series G MRPS, each with a liquidation preference of $25.00 per share.

*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 Senior Notes), and senior to all common stock. Under the 1940 Act, we may only issue one class of senior equity securities, which in the aggregate may represent no more than 50% of our total assets. 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 A MRP Shares, the Series B MRP Shares and the Series C 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.

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

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

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

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

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

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

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

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

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

Upon failure to pay dividends for t