

Kayne Anderson MLP Investment CO  
Form 497  
May 09, 2014  
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Filed pursuant to Rule 497(c)  
under the Securities Act of 1933,  
as amended, File No. 333-195175

PROSPECTUS

**\$75,000,000**

**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 February 7, 2014.

**The exchange offer and withdrawal rights will expire at 12:00 midnight, New York City time,  
on June 6, 2014 (the 20th business day from the date of this prospectus), unless extended.**

Kayne Anderson MLP Investment Company (the Company, we, us or our) is offering to exchange \$75,000,000 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 February 7, 2014, 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 February 7, 2014 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 8 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We will exchange New Notes for all Old Notes that are validly tendered and not withdrawn before expiration of the exchange offer.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.

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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.**

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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 May 9, 2014 (the "SAI"), containing additional information about us, has been filed with the SEC and is incorporated by reference in its entirety into this prospectus.

**You may request a free copy of our SAI, the table of contents of which is on page 104 of this prospectus and our annual, semi-annual and quarterly reports to stockholders (when available), and 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 or by visiting our website at <http://www.kaynefunds.com>. The information contained in, or accessed through our 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 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 year ended November 30, 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, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Additional information about the operation of the public reference room facilities may be obtained by calling the SEC at (202) 551-5850.

This prospectus does not contain all of the information in our registration statement, including amendments, exhibits and schedules. Statements in this prospectus about the contents of any contract or other document are not necessarily complete and in each instance reference is made to the copy of the contract or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by this reference. Additional information about us can be found in our registration statement (including amendments, exhibits, and schedules) on Form N-14 filed with the SEC. The SEC maintains a web site (<http://www.sec.gov>) that contains our registration statement, other documents incorporated by reference, and other information we have filed electronically with the SEC, including proxy statements and reports filed under the Exchange Act.

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### **SUMMARY**

*This summary highlights selected information from this prospectus and is therefore qualified in its entirety 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 February 28, 2014, we had net assets applicable to our common stock of approximately \$3.8 billion and total assets of approximately \$6.6 billion. As of February 28, 2014 we had \$1.2 billion in Senior Notes outstanding and \$449 million in preferred stock outstanding.

#### **Recent Developments**

On August 22, 2013, we completed a private offering of \$175 million aggregate principal amount of our 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 (the Initial HH Notes ). As part of that offering, we entered into a registration rights agreement with an initial purchaser of the notes in which we agreed, among other things, to commence and complete an offer to exchange the Initial HH Notes which have been registered under the Securities Act (the Initial New Notes ), for any and all of our outstanding unregistered Initial HH Notes (the Initial Old Notes ). The terms of the Initial New Notes were identical in all material respects to those of the Initial Old Notes, except that the transfer restrictions and registration rights applicable to the Initial Old Notes did not apply to the Initial New Notes. That exchange offer commenced on December 12, 2013 and ended on January 10, 2014.

On February 18, 2014, we entered into a new \$150 million unsecured term loan credit facility with Sumitomo Mitsui Banking Corporation. Borrowings under the facility will bear interest at a rate of LIBOR plus 1.30% and may be prepaid at any time. We may make multiple borrowings under the facility at any time during the first year of this facility's term. On February 18, 2015, the unused portion of the commitment will terminate, and any borrowings outstanding at that time will remain outstanding until the facility matures on February 18, 2019, unless prepaid. As of February 28, 2014, there were no borrowings outstanding under the facility.

On February 25, 2014, we completed a public offering of 8,000,000 shares of common stock at a price of \$37.05 per share. The net proceeds of \$284.9 million were used to make additional portfolio investments that are consistent with our investment objective and policies and for general corporate purposes.

On March 28, 2014, we entered into a Controlled Equity Offering<sup>SM</sup> Sales Agreement with Cantor Fitzgerald & Co. pursuant to which we could offer and sell our shares of common stock in transactions deemed to be at-the-market having an aggregate sales price of up to \$50 million.

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**The Exchange Offer**

On February 7, 2014, we issued an additional \$75 million aggregate principal amount of our Series HH Floating Rate Senior Notes which bear interest at a rate of three-month LIBOR plus 1.25% (the Follow-on Notes and together with the Initial HH Notes, the Series HH Notes) and priced to yield an effective interest rate of LIBOR plus 1.15% and reset quarterly (the Follow-on Offering). A portion of the proceeds from the Follow-on Offering (\$50 million) was used to redeem our Series N Senior Notes. The Follow-on Notes are an additional issuance of the Initial HH Notes, are issued pursuant to the same indenture and are part of the same series. As part of the Follow-on Offering, we entered into a registration rights agreement with an 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 February 7, 2014.
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 \$75,000,000 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 June 6, 2014 (the 20th business day from 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.  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.

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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	<p>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:</p> <ul style="list-style-type: none"><li>you are acquiring the New Notes in the ordinary course of your business;</li><li>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;</li><li>you are not an affiliate of ours; and</li><li>you are not a broker-dealer that acquired any of its Old Notes directly from us.</li></ul> <p>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.</p> <p>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.</p> <p>See The Exchange Offer Resales of New Notes.</p>

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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:

if they are registered under the Securities Act and applicable state securities laws;

if they are offered or sold under an exemption from registration under the Securities Act and applicable state securities laws; or

if they are offered or sold in a transaction not subject to the Securities Act and applicable state securities laws.

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 which also will be the indenture for the Series HH Notes. 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	\$75,000,000 aggregate principal amount of floating rate senior notes due August 19, 2016.
Offering Price	100.232% plus accrued interest, if any from March 19, 2014.
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.



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	<p>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 herein under Description of the New Notes Certain Definitions Rating Agency ), 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.</p>
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	<p>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 common or preferred stock issued by us. As of February 28, 2014, we had total senior unsecured indebtedness outstanding of \$1.2 billion.</p> <p>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 February 28, 2014, we did not have any secured debt outstanding.</p>
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.

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Special Optional Prepayment During Extended 10-Day Period	<p>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.</p> <p>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.</p>
Certain Covenants	<p>The New Notes will be issued under the Indenture containing covenants requiring us to:</p> <ul style="list-style-type: none"><li>have asset coverage ratios at or above minimums required by the 1940 Act; and</li><li>maintain a current rating by an NRSRO; maintain a rating of no less than BBB- by any NRSRO rating the New Notes.</li></ul> <p>Such Indenture will also contain covenants limiting our ability to:</p> <ul style="list-style-type: none"><li>engage in transactions with affiliates;</li><li>consolidate, merge or transfer all or substantially all of our assets;</li><li>declare or pay dividends on, redeem or repurchase our capital stock, under certain circumstances;</li><li>create or designate subsidiaries; and</li><li>create certain liens or incur additional debt secured by liens.</li></ul> <p>These covenants are subject to a number of important limitations and exceptions. See Description of the New Notes Selected Indenture Covenants.</p>
No Prior Market	<p>There is currently no established trading market for the New Notes. 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.</p>

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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. The New Notes shall have the same CUSIP number as the Initial New Notes. 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

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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 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.

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### **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.

#### *Energy Sector Risk*

Our concentration in the energy sector may present more risk than if we were broadly diversified over multiple sectors of the economy. A downturn in one or more industries within the energy sector, 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 Energy Companies 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; volumes of imports or exports; 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 that own the underlying energy commodity or receive payments for services that are based on commodity prices. Such impact may be a result of changes in the price for such commodity or a result of changes in the price of one energy commodity relative to the price of another energy commodity (for example, the price of natural gas relative to the price of natural gas liquids). Commodity prices fluctuate for several reasons, including changes in market and economic conditions, the impact of weather on demand, levels of domestic 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 Energy Companies which are solely involved in the transportation, processing, storing,

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distribution or marketing of commodities. Volatility of commodity prices may also make it more difficult for MLPs and other Energy Companies to raise capital to the extent the market perceives that their performance may be directly or indirectly tied to commodity prices. In addition to the volatility of commodity prices, extremely high commodity prices may drive further energy conservation efforts which may adversely affect the performance of MLPs and other Energy Companies.

*Regulatory Risk.* MLPs and other Energy Companies are subject to significant federal, state and local government regulation in virtually every aspect of their operations, including (i) how facilities are constructed, maintained and operated, (ii) how services are provided, (iii) environmental and safety controls, and, in some cases (iv) the prices they may charge for the products and services they provide. Such regulation can change rapidly or over time in both scope and intensity. Various governmental authorities have the power to enforce compliance with these regulations and the permits issued under them, 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, onshore oil pipeline spills or spills attributable to railroad accidents may adversely affect the financial performance of MLPs and other Energy Companies. Additionally, changes to laws and increased regulation or restrictions to the use of hydraulic fracturing or the disposal of wastewater associated with hydraulic fracturing and production from unconventional reserves 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 other Energy Companies.

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

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. Increased regulatory scrutiny of disposal of wastewater, which is a byproduct of hydraulic fracturing and production of unconventional reserves and must be disposed, could result in additional laws or regulations governing such disposal activities. 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 or wastewater disposal could result in a reduction in production of oil, natural gas and natural gas liquids. The use of hydraulic fracturing is critical to the recovery of economic amounts of oil, natural gas and natural gas liquids from unconventional reserves, and the associated wastewater must be disposed. MLPs and Midstream Energy Companies have increasingly focused on the construction of midstream assets to facilitate the development of unconventional reserves. As a result, restrictions on hydraulic fracturing or wastewater disposal could have an adverse impact on the financial performance of MLPs and 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

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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.

*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 other 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.

*Reserve Risks.* Energy Companies engaged in the production of natural gas, natural gas liquids, crude oil and other energy commodities are subject to overstatement of the quantities of their reserves based upon any reserve estimates that prove to be inaccurate, that no commercially productive amounts of such energy commodities will be discovered as a result of drilling or other exploration activities, the curtailment, delay or cancellation of exploration activities are as a result of 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 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.

*Marine Transportation.* MLPs and other Midstream Energy Companies with marine transportation assets are exposed to many of the same risks as other MLPs and Midstream Energy Companies. In addition, the highly cyclical nature of the marine transportation industry may lead to volatile changes in charter rates and vessel values, which may adversely affect the revenues, profitability and cash flows of such companies in our portfolio. Fluctuations in charter rates result from changes in the supply and demand for vessel capacity and changes in the supply and demand for certain energy commodities. Changes in demand for transportation of commodities over longer distances and supply of vessels to carry those commodities may materially affect



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revenues, profitability and cash flows. The value of marine transportation vessels may fluctuate and could adversely affect the value of marine transportation company securities in our portfolio. Declining marine transportation values could affect the ability of marine transportation companies to raise cash by limiting their ability to refinance their vessels, thereby adversely impacting such company's liquidity. Marine transportation company vessels are at risk of damage or loss because of events such as mechanical failure, collision, human error, war, terrorism, piracy, cargo loss and bad weather. In addition, changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes, boycotts and government requisitioning of vessels. These sorts of events could interfere with marine transportation lanes and result in market disruptions and a significant reduction in cash flow for the marine transportation 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.

*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, the U.S. royalty trusts in which we invest have a finite amount of assets and cannot develop additional resources. Consequently, production and cash flow for these companies will decline over time.

*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.

*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 are subject to many of the same risks as other MLPs and Energy Companies that operate midstream assets, coal assets and refining assets. Examples of such types of other energy-related assets include: (i) retail gasoline distribution, (ii) production of sand used as a proppant in the production of crude oil and natural gas ( frac sand ), (iii) production of coke, which is used as a raw material in the steelmaking process, (iv) propane dehydrogenation, a process whereby propane is turned into propylene, (v) the mining of soda ash, which is a raw material used to make glass, detergents and other chemicals, (vi) the manufacturing of methanol, which is used as a fuel additive as well as in various chemical applications and (vii) the manufacturing of ammonia, which is a raw material used to make fertilizer.

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

*Tax Risk of MLPs.* Our ability to meet our investment objective will depend, in part, on the level of taxable income and distributions and dividends we receive from the MLP securities in which we invest, a factor over which we have no control. The benefit we derive from our investment in MLPs is largely dependent on the MLPs being treated as partnerships and not as corporations for federal income tax purposes. As a partnership, an MLP has no tax liability at the entity level. If, as a result of a change in current law or a change in an MLP's business, an MLP were treated as a corporation for federal income tax purposes, such MLP would be obligated to pay federal income tax on its income at the corporate tax rate. If an MLP were classified as a corporation for federal income tax purposes, the amount of cash available for distribution by the MLP would likely be reduced and distributions received by us would be taxed under federal income tax laws applicable to corporate distributions (as dividend income, return of capital, or capital gain), which would reduce the amount of cash flow we have to pay interest expense and dividends on our senior securities. Additionally, 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 decline in the value of our assets and a reduction in the asset coverage ratios for our senior securities.

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.

### *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 February 28, 2014, we held investments in approximately 66 issuers.

As of February 28, 2014, substantially all of our total assets were invested in publicly traded securities of MLPs and other Midstream Energy Companies. As of February 28, 2014, there were 114 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.

*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 the 2010 Macondo oil spill) 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

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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.

*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 volumes, revenues and costs, including synergies; the assumption of unknown liabilities; limitations on rights to indemnity from the seller; the diversion of management's attention from other business concerns; unforeseen difficulties operating in new product or geographic areas; and customer or key employee losses at the acquired businesses.

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

### *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 Energy Companies' results of operation and cash flow, and their ability to make distributions to stockholders could therefore be materially adversely affected.

*Political Instability Risk.* MLPs and other Midstream Energy Companies in which we may invest are subject to disruption as a result of terrorist activities, such as the terrorist attacks on the World Trade Center on September 11, 2001; war, such as the wars in Afghanistan and Iraq and their aftermaths; and other geopolitical events, including the upheaval in the Middle East or other energy producing regions. The U.S. government has issued warnings that energy assets, specifically those related to pipeline and other energy infrastructure, production facilities and transmission and distribution facilities, may be targeted in future terrorist attacks. Internal unrest, acts of violence or strained relations between a government and energy companies or other governments may affect the operations and profitability of MLPs and other Midstream Energy Companies, particularly marine transportation companies, in which we invest. Political instability in other parts of the world may also cause volatility and disruptions in the market for the securities of MLPs and other Midstream Energy Companies, even those that operate solely in North America.

*Weather Risks.* Weather conditions and the seasonality of weather patterns play a role in the cash flows of certain MLPs and other Midstream Energy Companies. MLPs in the propane industry, for example, rely on the winter heating season to generate almost all of their cash flow. In an unusually warm winter season, propane MLPs experience decreased demand for their product. Although most MLPs and other Midstream Energy Companies can reasonably predict seasonal weather demand based on normal weather patterns, extreme weather conditions, such as the hurricanes that severely damaged cities along the U.S. Gulf Coast in the last decade, demonstrate that no amount of preparation can protect an MLP or Midstream Energy Company from the unpredictability of the weather. The damage done by extreme weather also may serve to increase insurance

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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.

### *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 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.

### *Concentration Risk*

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

### *Interest Rate Risk*

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

### *Inflation / Deflation Risk*

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

### *Capital Markets Risk*

Global financial markets and economic conditions have been, and continue to be, volatile. As a result of this, MLPs and other Midstream Energy Companies may be unable to obtain new debt or equity financing on

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acceptable terms or at all when market conditions are most volatile. 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.

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

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

### *Equity Securities Risk*

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, we may purchase a debt security that has payment-in-kind interest, which represents contractual interest added to the principal balance and due at the maturity date

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of the debt security in which we invest. It is possible that by effectively increasing the principal balance payable or deferring cash payment of such interest until maturity, the use of payment-in-kind features will increase the risk that such amounts will become uncollectible when due and payable.

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

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

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

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

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

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

Securities purchased in IPOs are often subject to the general risks associated with investments in companies with small market capitalizations and, at times, are magnified. Securities issued in IPOs have no trading history, and information about the companies may be available for very limited periods. In addition, the prices of securities sold in an IPO may be highly volatile. At any particular time, or from time to time, we may not be able to invest in IPOs, or to invest to the extent desired, because, for example, only a small portion (if any) of the securities being offered in an IPO may be available to us. In addition, under certain market conditions, a

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relatively small number of companies may issue securities in IPOs. Our investment performance during periods when we are unable to invest significantly or at all in IPOs may be lower than during periods when we are able to do so. IPO securities may be volatile, and we cannot predict whether investments in IPOs will be successful. As we grow in size, the positive effect of IPO investments on the Company may decrease.

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

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

### *Privately Held Company Risk*

Investing in privately held companies involves risk. For example, privately held companies are not subject to SEC reporting requirements, are not required to maintain their accounting records in accordance with generally accepted accounting principles, and are not required to maintain effective internal controls over financial reporting. As a result, 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.

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### *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 and Tax Matters.

### *Derivatives Risk*

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

During the fiscal year ended November 30, 2013, 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 2013. In prior years, we have written covered call options and entered into interest rate swaps. We expect to continue to utilize derivative instruments in a manner similar to our activity during fiscal 2013. We will not allow the fair value of our derivative instruments to exceed 25% of total assets.

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

Depending on whether we would be entitled to receive net payments from the counterparty on 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



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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 February 28, 2014, 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 56.7% of our net asset value as of February 28, 2014). 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

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February 28, 2014, our Leverage Instruments represented approximately 24.8% of our total assets. Leverage Instruments have seniority in liquidation and distribution rights over our common stock.

As of February 28, 2014, we had \$1,200 million of Senior Notes outstanding, and had no borrowings under our revolving credit facility. As of February 28, 2014, 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 we 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 P, U and HH 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.

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### *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. See *Tax Matters*.

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

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### *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 \$1.4 billion in combined total assets as of February 28, 2014, and KACALP manages several private investment funds and separately managed accounts (collectively, Affiliated Funds). Some of the Affiliated Funds have investment objectives that are similar to or overlap with ours. In particular, certain Affiliated Funds invest in MLPs and other Midstream Energy Companies. Further, Kayne Anderson may at some time in the future, manage other investment funds with the same investment objective as ours.

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Investment decisions for us are made independently from those of Kayne Anderson's other clients; however, from time to time, the same investment decision may be made for more than one fund or account. When two or more clients advised by Kayne Anderson or its affiliates seek to purchase or sell the same publicly traded securities, the securities actually purchased or sold are allocated among the clients on a good faith equitable basis by Kayne Anderson in its discretion in accordance with the clients' various investment objectives and procedures adopted by Kayne Anderson and approved by our Board of Directors. In some cases, this system may adversely affect the price or size of the position we may obtain. In other cases, however, our ability to participate in volume transactions may produce better execution for us.

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

The investment management fee paid to 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 will adopt 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.

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

As of February 28, 2014, we believe that MarkWest Energy Partners, L.P. meets the criteria described above and is therefore considered our affiliate.

As of February 28, 2014, we also considered Plains GP Holdings, L.P. ( Plains GP ), Plains All American GP LLC ( PAA GP ), and Plains All American Pipeline, L.P. ( PAA ) to be affiliates. 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) Plains GP and (ii) PAA GP, which controls the general partner of 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). The Company believes that it is an affiliate of Plains GP, PAA 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.

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

### *Certain Affiliations*

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

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### *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 Securities.

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

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

Our common stock has traded both at a premium and at a discount to our net asset value. The last reported sale price, as of February 28, 2014 was \$36.55 per share. Our net asset value per share and percentage premium to net asset value per share of our common stock as of February 28, 2014 were \$34.69 and 5.4%, respectively. There is no assurance that this premium will continue after the date of this prospectus or that our common stock will not again trade at a discount. Shares of closed-end investment companies frequently trade at a discount to their net asset value. This characteristic is a risk separate and distinct from the risk that our net asset value could decrease as a result of our investment activities and may be greater for investors expecting to sell their shares in a relatively short period following completion of this offering. Although the value of our net assets is generally considered by market participants in determining whether to purchase or sell shares, whether investors will realize gains or losses upon the sale of our common stock depends upon whether the market price of our common stock at the time of sale is above or below the investor's purchase price for our common stock. Because the market price of our common stock is affected by factors such as net asset value, distribution levels (which are dependent, in part, on expenses), supply of and demand for our common stock, stability of distributions, trading volume, general market and economic conditions, and other factors beyond our control, we cannot predict whether our common stock will trade at, below or above net asset value or at, below or above the offering price.

### *Leverage Risk to Common Stockholders*

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

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

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

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

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

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

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

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

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



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*Ratings and Asset Coverage Risk.* Rating agencies have in the past, and may in the future, downgrade the ratings assigned to our senior securities, which may make your securities less liquid in the secondary market. Fitch has assigned a rating of AAA to all of our outstanding series of Senior Notes. Fitch has also assigned a rating of AA to all of our outstanding MRP Shares.

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

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

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

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

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

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

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

Our Senior Notes are unsecured obligations and, upon our liquidation, dissolution or winding up, will rank: (1) senior to all of our outstanding common stock and any outstanding preferred stock; (2) on a parity with any of our unsecured creditors and any unsecured senior securities representing indebtedness; and (3) junior to any of our secured creditors. Secured creditors of ours may include, without limitation, parties entering into interest rate swap, floor or cap transactions, or other similar transactions with us that create liens, pledges, charges, security interests, security agreements or other encumbrances on our assets.

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

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

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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

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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 any proceeds from the exchange offer. In consideration for issuing the New Notes, we will receive in exchange Old Notes of like principal amount. The Old Notes surrendered in exchange for the New Notes will be retired and canceled. We will pay all expenses incident to the exchange offer.

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**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, \$75,000,000 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.

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**Expiration, Extension and Amendment**

The expiration time of the exchange offer is 12:00 midnight, New York City time, on June 6, 2014 (the 20th business day from 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.

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.

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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.

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



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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;

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



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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.

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

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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.

### **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

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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,



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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;

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:

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

*By Facsimile for Eligible institutions:*

(732) 667-9408

Attention: Adam DeCapio

*Confirm by Telephone:*

(315) 414-3360

*By Mail/Overnight Courier/Hand:*

c/o The Bank of New York Mellon

Trust Company, N.A.

c/o The Bank of New York Mellon Corporation

Corporate Trust Operations Reorganization Unit

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.**

**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 \$60,000 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



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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.

On February 7, 2014, 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

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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 in connection with resales of Notes in accordance with and during the periods specified in the registration rights 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 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) February 7, 2015.

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.

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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 (the First Supplemental Indenture), (ii) Second Supplemental Indenture of Trust dated February 7, 2014 (the Second Supplemental Indenture), and (iii) the officers' certificate dated as of August 22, 2013 delivered by us to the Trustee in connection with the First Supplemental Indenture and the officers' certificate dated February 7, 2014 delivered by us to the Trustee in connection with the Second Supplemental Indenture (collectively, the Officers' Certificates, and together with the First Supplemental Indenture, the Second Supplemental Indenture and the Senior Indenture, the Indenture). 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 and the Initial HH Notes, provided that such additional notes shall be fungible with the New Notes offered by this prospectus and the Initial HH Notes 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 \$75,000,000. The New Notes will mature on August 19, 2016.

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### **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 with respect to each Floating Rate Interest Period (other than the first Floating Rate Interest Period) 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 or promptly after the second London Business Day preceding each Floating Rate Interest Period (other than the first Floating Rate Interest Period). The Calculation Agent's determination of the Adjusted LIBOR Rate shall be conclusive, absent manifest error. For the avoidance of doubt, the interest rate on the New Notes for the first Floating Rate Interest Period shall be the same as the interest rate on the Old Notes for the same period.

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.

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### **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 (commencing on March 19, 2014) 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 March 19, 2014 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.

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

*LIBOR* shall mean, for any Floating Rate Interest Period after the first 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. Reuters Screen LIBO Page means the display designated as the LIBO page on the Reuters Monetary Money Rates Service (or such other page as may replace the LIBO page on that service or such other service as may be nominated as the information vendor for the purpose of displaying the London interbank offered rates for U.S. Dollar deposits by ICE Benchmark Administration Limited ( IBA ) (or its successor) (or such other entity assuming the responsibility of IBA or its successor in calculating the London interbank offered rates in the event that IBA or its successor no longer does so)).

*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.

*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.



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*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).

*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 as in effect on the date of the First Supplemental Indenture 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 the First Supplemental Indenture 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 Senior HH 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 Coverage 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 outstanding Series HH 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.

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### **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 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 businesses 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, or cause to be maintained and kept, 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

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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;

*Most Favored Status.* In the event that we, at any time after the date of the First Supplemental Indenture 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.

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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 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;

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;



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*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, the First Supplemental Indenture or the Second 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.



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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;

(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;

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(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 on 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.

**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.

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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

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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 First Supplemental Indenture or the Second 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.

#### *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

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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

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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 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.



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**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

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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 net investment income, which includes, 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

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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.

*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 by a non-U.S. holder 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

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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.

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

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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 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 Old Notes and New 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;

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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.



**Table of Contents****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 February 28, 2014, we had (i) approximately 108.9 million shares of common stock outstanding, (ii) no borrowings on our credit facility, (iii) \$1,200 million in Senior Notes outstanding and (iv) \$449 million of MRP Shares outstanding. As of February 28, 2014, we had net assets applicable to our common stock of approximately \$3.8 billion and total assets of approximately \$6.6 billion.

The following table sets forth information about our outstanding securities as of February 28, 2014 (the information in the table is unaudited; and amounts are in 000s):

<b>Title of Class</b>	<b>Amount of Shares/ Aggregate Liquidation Preference/ Aggregate Principal Amount Authorized</b>	<b>Amount Held by Us or for Our Account</b>	<b>Actual Amount Outstanding</b>
Common Stock	182,040	0	108,907
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 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	250,000	0	250,000

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(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**

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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

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

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

MLPs that have two classes of limited partnership interests (common units and subordinated units) are structured such that common units and general partner interests have first priority to receive quarterly cash distributions up to an established minimum amount (minimum quarterly distributions or MQD). Common units also accrue arrearages in distributions to the extent the MQD is not paid. Once common units have been paid, subordinated units receive distributions of up to the MQD; however, subordinated units do not accrue arrearages. Distributable cash in excess of the MQD paid to both common and subordinated units is distributed to both common and subordinated units 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 incentive distribution rights (IDRs), usually the general partner, are eligible to receive incentive distributions if the general partner operates the business in a manner which results in distributions paid per unit surpassing specified target levels. As cash distributions to the limited partners increase, the IDRs receive an increasingly higher percentage of the incremental cash distributions. These IDRs encourage the general partner to streamline costs, make investments and acquire assets in order to increase the partnership's cash flow and raise the quarterly cash distribution in order to reach higher tiers. Such results benefit all security holders of such MLP. 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 IDRs in addition to a general partner interest in the MLP.

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.

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

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

Natural gas related midstream assets serve to collect natural gas from the wellhead in small diameter pipelines, known as gathering systems. After natural gas is gathered, it can be either delivered directly into a natural gas pipeline system or to gas processing and treating plants for removal of natural gas liquids and impurities. After being processed, resulting residue natural gas is transported by large diameter intrastate and

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interstate pipelines across the country to satisfy end-user demand. During the transportation process, natural gas may be placed in storage facilities, which consist of salt caverns, aquifers and depleted gas reservoirs, for withdrawal at a later date. Finally, after being transported by the intrastate and interstate pipelines, natural gas enters small diameter distribution lines pipelines, usually owned by local utilities, for delivery to consumers of such natural gas.

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

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

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

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

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

## **Our Portfolio**

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

## **Investment Practices**

*Covered Calls.* We 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.

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*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 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. See Tax Matters.

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**FINANCIAL HIGHLIGHTS**

The information in the following table is derived from our financial statements and financial highlights, the accompanying notes thereto, and the report of PricewaterhouseCoopers LLP thereon for the fiscal year ended November 30, 2013 (the "2013 Audited Financial Statements") which are incorporated by reference into our SAI. Copies of our SAI are available from us without charge upon request.



**Table of Contents****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 <sup>(1)</sup> through November 30, 2004
	2013	2012	2011	2010	2009	2008	2007	2006	2005	
<b>Per Share of Common Stock<sup>(2)</sup></b>										
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 <sup>(3)</sup>
Net investment income (loss) <sup>(4)</sup>	(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 <sup>(4)(5)</sup>					(0.01)	(0.10)	(0.10)	(0.10)	(0.05)	
Common dividends <sup>(5)</sup>	(1.54)	(1.54)	(1.26)	(0.84)			(0.09)		(0.13)	
Common distributions - return of capital <sup>(5)</sup>	(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

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Total investment  
return based on  
common stock market  
value<sup>(6)</sup>

28.2%

19.3%

5.6%

26.0%

103.0%

(48.8)%

(4.4)%

37.9%

3.7%

(0.4)%<sup>(7)</sup>

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

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

	For the Fiscal Year Ended November 30,										For Per Septem 200 thro Novem 20
	2013	2012	2011	2010	2009	2008	2007	2006	2005		
<b>Financial Data and</b>											
Applicable to shareholders, 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	
Expenses to invest in assets											
Fees (net of incentives)	2.4%	2.4%	2.4%	2.1%	2.1%	2.2%	2.3%	3.2%	1.2%		
Operating expenses	0.1	0.2	0.2	0.2	0.4	0.3	0.2	0.2	0.3		
Interest expense and non mandatory preferred	2.5	2.6	2.6	2.3	2.5	2.5	2.5	3.4	1.5		
Operating expense	2.1	2.4	2.3	1.9	2.5	3.4	2.3	1.7	0.8		
Operating expenses	14.4	7.2	4.8	20.5	25.4	(9)	3.5	13.8	6.4		
Operating expenses	19.0%	12.2%	9.7%	24.7%	30.4%	5.9%	8.3%	18.9%	8.7%		
Investment return to average net asset	(2.3)%	(2.5)%	(2.5)%	(1.8)%	(2.0)%	(2.8)%	(2.3)%	(2.4)%	(0.7)%		
(Decrease) in operating income resulting from average net asset	24.3%	11.6%	7.7%	34.6%	43.2%	(51.2)%	7.3%	21.7%	10.0%		
Turnover rate	21.2%	20.4%	22.3%	18.7%	28.9%	6.7%	10.6%	10.0%	25.6%		
Operating 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	
Operating notes at end of period, by outstanding, total	1,175,000	890,000	775,000	620,000	370,000	304,000	505,000	320,000	260,000		
Operating preferred period redeemable stock, end of period	69,000	19,000					97,000	17,000			
Operating preferred period redeemable stock, end of period					75,000	75,000	75,000	75,000	75,000		
Operating assets of common equity	449,000	374,000	260,000	160,000							
Operating assets of total equity	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	
Operating assets of total equity	412.9%	418.5%	395.4%	420.3%	400.9%	338.9%	328.4%	449.7%	487.3%		
Operating assets of total equity and preferred	303.4%	296.5%	296.1%	334.1%	333.3%	271.8%	292.0%	367.8%	378.2%		

ount of  
er share of  
ck during the

\$	11.70	\$	10.80	\$	10.09	\$	7.70	\$	6.79	\$	11.52	\$	12.14	\$	8.53	\$	5.57
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**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**FINANCIAL HIGHLIGHTS**

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

**Notes to the Financial Highlights**

- (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

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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.

**Table of Contents****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		Sales Price	Quarter-End Closing Net Asset	Premium/ (Discount) of Sales Price to Net Asset Value (2)
	High	Low		Value Per	
				Share of Common Stock (1)	
<b>Fiscal Year 2014</b>					
First Quarter	\$ 39.85	\$ 36.04	\$ 36.55	\$ 34.69	5.4%
<b>Fiscal Year 2013</b>					
Fourth Quarter	\$ 37.43	\$ 34.55	\$ 37.23	\$ 34.30	8.5%
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
<b>Fiscal Year 2012</b>					
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
<b>Fiscal Year 2011</b>					
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.

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

On February 28, 2014, the last reported sales price of our common stock on the NYSE was \$36.55, which represented a premium of approximately 5.4% to the NAV per share reported by us on that date.

As of February 28, 2014, we had approximately 108.9 million shares of common stock outstanding and we had net assets applicable to common stockholders of approximately \$3.8 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**

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

KAFA's management of our portfolio is led by two of its Senior Managing Directors, Kevin S. McCarthy and J.C. Frey, who have each served as our portfolio managers since our inception in 2004. 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, Ron M. Logan and Jody C. Meraz.

**Portfolio Management**

*Kevin S. McCarthy* is our Chief Executive Officer and he has served as the Chief Executive Officer and co-portfolio manager of Kayne Anderson Energy Total Return Fund, Inc. since March 2005, of Kayne Anderson Energy Development Company since September 2006, and Kayne Anderson Midstream/Energy Fund, Inc. since November 2010. Mr. McCarthy currently serves as a Co-Managing Partner of KACALP and KAFA, and has served as a Senior Managing Director of 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's 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 Co-Managing Partner 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 the Company, Kayne Anderson Energy Total Return Fund, Inc., Kayne Anderson Energy Development Company and Kayne Anderson Midstream/Energy Fund, Inc. Mr. Frey began investing in MLPs on behalf of Kayne Anderson in 1998 and has served as portfolio manager of Kayne Anderson's MLP funds since their inception in 2000. Prior to joining Kayne Anderson in 1997, Mr. Frey was a CPA and audit manager in KPMG Peat Marwick's financial services group, specializing in banking and finance clients, and loan securitizations. Mr. Frey graduated from Loyola Marymount University with a BS degree in Accounting in 1990. In 1991, he received a Master's degree in Taxation from the University of Southern California.

**Table of Contents****Firm Management**

*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.

*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 PAA GP Holdings, L.P. 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.

**Investment Professionals**

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

*Ron M. Logan, Jr.* is a Senior Managing Director of Kayne Anderson, providing analytical support for investments in master limited partnerships and other energy sub-sectors. He also serves as our Senior Vice President and as Senior Vice President of Kayne Anderson Energy Total Return Fund, Inc., Kayne Anderson Midstream/Energy Fund, Inc. and Kayne Anderson Energy Development Company. Prior to joining Kayne Anderson in 2006, Mr. Logan was an independent consultant to several leading energy firms. From 2003 to 2005, he served as Senior Vice President of Ferrellgas Inc. with responsibility for the firm's supply, wholesale, transportation, storage, and risk management activities. Before joining Ferrellgas, Mr. Logan was employed for six years by Dynegy Midstream Services where he was Vice President of the Louisiana Gulf Coast Region and also headed the company's business development activities. Mr. Logan began his career with Chevron Corporation in 1984, where he held positions of increasing responsibility in marketing, trading and commercial development through 1997. Mr. Logan earned a BS degree in Chemical Engineering from Texas A&M University in 1983 and an MBA degree from the University of Chicago in 1994.

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

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

*Dennis Biray* is an associate for Kayne Anderson. He is responsible for providing analytical support in the area of master limited partnerships. Prior to joining Kayne Anderson in 2013, Mr. Biray was an analyst in the Global Energy Investment Banking Division at Bank of America Merrill Lynch. Mr. Biray earned his B.B.A. in Business Honors and Corporate Finance from The University of Texas at Austin in 2009.

*Harrison Little* is an analyst for Kayne Anderson. He is responsible for providing analytical support in the area of master limited partnerships. Prior to joining Kayne Anderson in 2012, Mr. Little was an analyst in the Energy Investment Banking Group at Jefferies. Mr. Little earned his B.A. in Plan II and his B.B.A. in Business Honors from The University of Texas at Austin in 2011.

*Matthew Ostendorf* is an analyst for Kayne Anderson. He is responsible for providing analytical support in the area of master limited partnerships. Prior to joining Kayne Anderson in 2013, Mr. Ostendorf was an analyst in the Global Energy Investment Banking Division at Citigroup. Mr. Ostendorf earned his B.B.A. in Business Honors and Corporate Finance from The University of Texas at Austin in 2011.

## **Research Analysts**

*David L. LaBonte* is a Senior Managing Director of Kayne Anderson, responsible for coordinating and providing research and analytical support in master limited partnerships and other Midstream Energy Companies. Mr. LaBonte joined Kayne Anderson from Citigroup's Smith Barney unit, where he was a Managing Director in the U.S. Equity Research Division responsible for providing research coverage of MLPs and other Midstream Energy Companies. Mr. LaBonte worked at Smith Barney from 1998 until March 2005. Prior thereto, Mr. LaBonte was a Vice President in the Investment Management Group of Wells Fargo Bank, 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.

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

*Lou Lazzara* is a research analyst for Kayne Anderson. He is responsible for providing research coverage of energy-related master limited partnerships and other Midstream Energy Companies. Prior to joining Kayne Anderson in March 2014, Mr. Lazzara worked as a research analyst for Citigroup Global Markets where he provided research of the Midstream Energy Sector with a focus on master limited partnerships. From 2003 to 2009, he worked for Fitch Ratings in their Structured Credit Group and as a director of their Fund and Asset Manager Rating Group. Prior thereto, Mr. Lazzara was a CPA and senior associate in PricewaterhouseCoopers' Financial Services Group focusing on audits of mutual and hedge funds. Mr. Lazzara earned a BS degree in Accountancy from Villanova University in 2000 and an MBA from Columbia Business School in 2008.

*David Dunning* is a research analyst for Kayne Anderson. He is responsible for providing research coverage of Canadian energy infrastructure companies, master limited partnerships and other Energy Companies.

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Prior to joining Kayne Anderson in 2008, Mr. Dunning held internships with John S. Herold, Quintana Energy Partners, Quintana Maritime and Neuberger Berman. Mr. Dunning earned a BA degree in History from the University of Pennsylvania in 2008.

*Jonathan Greenberg* is a research analyst for Kayne Anderson. He is responsible for providing research coverage of marine transportation companies, master limited partnerships and other Energy Companies. Prior to joining Kayne Anderson in 2010, Mr. Greenberg was an analyst in the energy investment banking group of Deutsche Bank. Mr. Greenberg earned a B.A. in Economics and Managerial Studies from Rice University in 2008.

*Eri Nosaka* is a research analyst for Kayne Anderson. She is responsible for high yield debt analysis. Prior to joining Kayne Anderson in 2012, Ms. Nosaka worked as an analyst in the Leveraged Finance group at Morgan Stanley. From 2008 to 2010 Ms. Nosaka worked in the Securities department at Cravath, Swaine & Moore LLP. Ms. Nosaka earned a B.A. in International Studies and English Literature from Middlebury College in 2008.

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

*David O. Schumacher* is a research analyst and portfolio manager for Kayne Anderson. He is responsible for co-managing the high yield bond and bank loan allocations within several Kayne Anderson funds as well as serving as a research analyst for Upstream Energy Companies. Prior to joining Kayne Anderson in 2007, Mr. Schumacher was a high-yield analyst at Trust Company of the West following the chemical, refining, paper/packaging, industrial and service industries. From 2003 to 2005, he worked as a high-yield analyst at Caywood-Scholl Capital Management, a San Diego based high-yield bond manager. Mr. Schumacher earned a BA degree in Public Policy Analysis and Chemistry at Pomona College in 1994 and an MBA degree from the UCLA Anderson School of Management in 2003.

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

*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 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.

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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 less a fee waiver of 0.125% on assets in excess of \$4.5 billion (as described below). During the fiscal year ended November 30, 2013, 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 this renewal, we renewed the agreement with our Adviser to waive 0.125% of its 1.375% management fee on total assets in excess of \$4.5 billion (the fee waiver). The fee waiver reduces our management fee to 1.25% on total assets in excess of \$4.5 billion and is effective for a one-year period expiring on December 11, 2014.

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.

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 24.8% of our total assets as of February 28, 2014.

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, 2013 Annual Report to Stockholders.

**Table of Contents****CAPITALIZATION**

The following table sets forth our capitalization: (i) as of November 30, 2013; (ii) as adjusted to reflect the issuance of additional Series HH Senior Notes (\$75 million) on February 7, 2014; (iii) the redemption of the Series N Senior Notes (\$50 million) on February 18, 2014; and (iv) the issuance of 8,000,000 shares of common stock completed on February 20, 2014. We will not receive any proceeds from the exchange offer. In consideration for issuing the New Notes, we will receive in exchange Old Notes of like principal amount.

	As of November 30, 2013 (Unaudited)	
	Actual (\$ in 000s, except per share data)	As Adjusted
Repurchase Agreements, Cash and Cash Equivalents	\$ 257	\$ 240,904
Short-Term Debt:		
Credit Facility	69,000	
Long-Term Debt:		
Senior Notes Series M (1)	60,000	60,000
Senior Notes Series N (1)(2)	50,000	
Senior Notes Series O (1)	65,000	65,000
Senior Notes Series P (1)	45,000	45,000
Senior Notes Series Q (1)	15,000	15,000
Senior Notes Series R (1)	25,000	25,000
Senior Notes Series S (1)	60,000	60,000
Senior Notes Series T (1)	40,000	40,000
Senior Notes Series U (1)	60,000	60,000
Senior Notes Series V (1)	70,000	70,000
Senior Notes Series W (1)	100,000	100,000
Senior Notes Series X (1)	14,000	14,000
Senior Notes Series Y (1)	20,000	20,000
Senior Notes Series Z (1)	15,000	15,000
Senior Notes Series AA (1)	15,000	15,000
Senior Notes Series BB (1)	35,000	35,000
Senior Notes Series CC (1)	76,000	76,000
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)(2)	175,000	250,000
Total Long-Term Debt: (2)	\$ 1,175,000	\$ 1,200,000
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

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	As of November 30, 2013 (Unaudited)	
	Actual (\$ in 000s, except per share data)	As Adjusted
Series F MRP Shares, \$0.001 par value per share, liquidation preference \$25.00 per share (no shares authorized and outstanding, actual; 5,000,000 shares issued and outstanding, 5,000,000 shares authorized, as adjusted) (1)	125,000	125,000
Series G MRP Shares, \$0.001 par value per share, liquidation preference \$25.00 per share (2,000,000 shares issued and outstanding, 2,000,000 authorized) (1)	50,000	50,000
<b>Common Stockholders Equity:</b>		
Common stock, \$0.001 par value per share, 182,040,000 shares authorized 100,418,659 shares issued and outstanding, actual; 182,040,000 shares authorized, 108,418,659 shares issued and outstanding as adjusted; (1)(3)(4)	\$ 100	\$ 108
Paid-in capital (3)(4)	2,047,560	2,332,232
Accumulated net investment loss, net of income taxes, less dividends	(736,238)	(736,238)
Accumulated realized gains on investments, options, and interest rate swap contracts, net of income taxes	493,123	493,123
Net unrealized gains on investments and options, net of income taxes	1,639,371	1,639,371
<b>Net assets applicable to common stockholders</b>	<b>\$ 3,443,916</b>	<b>\$ 3,728,596</b>

- (1) We do not hold any of these outstanding securities for our account.
- (2) As adjusted, long-term debt reflects the February 7, 2014 Series HH Senior Notes offering of \$75,000 (net proceeds of \$74,967 including accrued interest and after fees and estimated offering costs) and the redemption of \$50,000 of Series N Senior Notes on February 18, 2014.
- (3) On January 10, 2014, we issued 191,901 shares of common stock pursuant to our dividend reinvestment plan and from November 30, 2013 to the date of this offering we issued 296,180 shares of common stock pursuant to our at-the-market offering program which are not reflected in the as adjusted shares issued and outstanding.
- (4) On February 20, 2013, we completed a public offering of 8,000,000 shares of common stock. As adjusted, paid-in capital reflects the proceeds from that issuance of (\$296,400), less \$0.001 par value per share of common stock (\$8), less the sales commission (\$11,520) and less the estimated offering costs borne by us (\$200).

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**DESCRIPTION OF SECURITIES**

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

**Capital Stock**

As of February 28, 2014, 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 February 28, 2014, 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 February 28, 2014, we had approximately 108.9 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;



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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.

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.

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

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

### **Preferred Stock**

*General.* As of February 28, 2014, 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

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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.

*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 February 28, 2014, 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

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default period with respect to a Dividend Default or a Redemption Default shall end on the business day on which by 12 noon, New York City time, all unpaid dividends and any unpaid and any unpaid redemption price shall have directly paid (or shall have been deposited irrevocably in trust in same-day funds with the paying agent for the Series E MRP Shares, the Series F MRP Shares and the Series G MRP Shares).

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

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

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

### *Redemption*

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

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

In addition to the rights to optionally redeem the Series A MRP Shares, the Series B MRP Shares and the Series C MRP Shares as described above, if the asset coverage with respect to outstanding debt securities and preferred stock is greater than 225%, but less than or equal to 235%, for any five business days within a ten business day period determined in accordance with the terms of the articles supplementary for such series of MRP Shares, we, upon notice (as provided below) of not less than 20 days in the case of Series A MRP Shares, or 12 days in the case of Series B MRP Shares or Series C MRP Shares, nor more than 40 days notice in any

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case, may redeem such series of MRP Shares at the Liquidation Preference Amount plus accumulated but unpaid dividends and distributions thereon (whether or not earned or declared) to, but excluding, the date fixed for redemption, plus a redemption amount equal to 2% of the liquidation preference amount. The amount of the Series A MRP Shares, Series B MRP Shares and Series C MRP Shares that may be so redeemed shall not exceed an amount of such series of MRP Shares which results in an asset coverage of more than 250% pro forma for such redemption.

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

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

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

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

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

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

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

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

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

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

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

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

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

The number of MRP Shares to be redeemed under these circumstances will be equal to the product of (1) the quotient of the number of outstanding MRP Shares of each series divided by the aggregate number of outstanding shares of preferred stock (including the MRP Shares) which have an asset coverage test greater than

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or equal to 225% times (2) the minimum number of outstanding shares of preferred stock (including the MRP Shares) the redemption of which, would result in us satisfying the asset coverage and basic maintenance amount as of the Series A Asset Coverage Cure Date or Series B, C, E, F&G Asset Coverage Cure Date, as applicable (provided that, if there is no such number of MRP Shares of such series the redemption of which would have such result, we shall, subject to certain limitation set forth in the next paragraph, redeem all MRP Shares of such series then outstanding).

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

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

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

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

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

Except for the provisions described above, nothing contained in the articles supplementary for each series of MRP Shares limits our legal right to purchase or otherwise acquire any MRP Shares at any price, whether higher or lower than the price that would be paid in connection with an optional or mandatory

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redemption, so long as, at the time of any such purchase (1) there is no arrearage in the payment of dividends on, or the mandatory or optional redemption price with respect to, any MRP Shares for which a Notice of Redemption has been given, (2) we are in compliance with the asset coverage with respect to our outstanding debt securities and preferred stock of 225% and the basic maintenance amount set forth in the current applicable rating agency guidelines after giving effect to such purchase or acquisition on the date thereof and (3) only with respect to a purchase of Series A MRP Shares, Series B MRP Shares or Series C MRP Shares, we make an offer to purchase or otherwise acquire any Series A MRP Shares, Series B MRP Shares or Series C MRP Shares pro rata to the holders of all such MRP Shares at the time outstanding upon the same terms and conditions.

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

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

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

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

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



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

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

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

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

The affirmative vote of the holders of a majority of the outstanding preferred stock determined with reference to a 1940 Act Majority, voting as a separate class, will be required to approve any plan of reorganization (as such term is used in the 1940 Act) adversely affecting such shares or any action requiring a vote of our security holders under Section 13(a) of the 1940 Act. The affirmative vote of the holders of two-thirds of our outstanding preferred stock, or if the NYSE amends its voting rights policy to allow investment companies regulated under the 1940 Act to use the 1940 Act Majority (as defined in our Charter) voting standard, the affirmative vote of the holders of the 1940 Act Majority (as defined in our Charter) of the outstanding preferred stock, voting as a separate class will be required (1) to amend, alter or repeal any of the preferences, rights or powers of holders of our preferred stock so as to affect materially and adversely such preferences, rights or powers, and (2) to approve the issuance of shares of any class of stock (or the issuance of a security convertible into, or a right to purchase, shares of a class or series) ranking senior to our preferred stock with

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respect to the payment of dividends or the distribution of assets. The class vote of holders of preferred stock described above will in each case be in addition to any other vote required to authorize the action in question.

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

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

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

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

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

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

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

## **Debt Securities**

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

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As of February 28, 2014, the Company had \$1,200 million, aggregate principal amount, of senior unsecured fixed and floating rate notes (the Senior Notes ) outstanding. The Senior Notes are subordinated in right of payment to any of our secured indebtedness or other secured obligations to the extent of the value of the assets that secure the indebtedness or obligation. The Senior Notes may be prepaid prior to their maturity at our option, in whole or in part, under certain circumstances and are subject to mandatory prepayment upon an event of default.

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

Series	Principal Outstanding		Fixed/Floating Interest Rate	Maturity
	February 28, 2014			
	(\$ in millions)			
M	\$	60	4.560%	November 2014
O		65	4.210%	May 2015
P		45	3-month LIBOR + 160 bps	May 2015
Q		15	3.230%	November 2015
R		25	3.730%	November 2017
S		60	4.400%	November 2020
T		40	4.500%	November 2022
U		60	3-month LIBOR + 145 bps	May 2016
V		70	3.710%	May 2016
W		100	4.380%	May 2018
X		14	2.460%	May 2015
Y		20	2.910%	May 2017
Z		15	3.390%	May 2019
AA		15	3.560%	May 2020
BB		35	3.770%	May 2021
CC		76	3.950%	May 2022
DD		75	2.74%	April 2019
EE		50	3.200%	April 2021
FF		65	3.570%	April 2023
GG		45	3.670%	April 2025
HH		250	3-month LIBOR + 125bps	August 2016
	\$	1,200		

*Interest.* The fixed rate Senior Notes will bear interest from the date of issuance at the fixed or floating rate shown above. Holders of our floating rate Senior Notes are entitled to receive quarterly cash interest payments at an annual rate that may vary for each rate period. Holders of our fixed rate Senior Notes are entitled to receive semi-annual cash interest payments at an annual rate per the terms of such notes. If we do not pay interest when due, it will trigger an event of default and we will be restricted from declaring dividends and making other distributions with respect to our common stock and preferred stock. As of February 28, 2014, each series of Senior Notes were rated AAA by Fitch. In the event the credit rating on any series of Senior Notes falls below A- (Fitch) or the equivalent rating from a nationally recognized statistical ratings organization, the interest rate (including any applicable default rate) on such series will increase by 1% during the period of time such series is rated below A- or the equivalent rating from a nationally recognized statistical ratings organization.

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

*Prepayment.* To the extent permitted under the 1940 Act and Maryland law, we may, at our option, prepay the Senior Notes, in whole or in part in the amounts set forth in the purchase agreements (or, with respect to the Series HH Notes, the Indenture) relating to such Senior Notes, at any time from time to time, upon advance prior notice. The amount payable in connection with prepayment of the fixed rate notes is equal to 100% of the amount being repurchased, together with interest accrued thereon to the date of such prepayment and the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The amount payable in connection with prepayment of the floating rate notes is equal to 100% of the amount being repurchased, together with interest accrued thereon to the date of such prepayment and a prepayment premium, if any, and any LIBOR breakage amount, in each case, determined for the prepayment date with respect to such principal amount. In the case of each partial prepayment, the principal amount of a series of Senior Notes to be prepaid shall be allocated among all of such series of Senior Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment. If our asset coverage is greater than 300%, but less than 325%, for any five business days within a ten business day period, in certain circumstances, we may prepay all or any part of the Series Q, R, S, T, V, W, X, Y, Z, AA, BB, CC, DD, EE, FF or GG Senior Notes at par plus 2%. We may prepay all or any part of the Series HH Notes to cure certain events of default regarding minimum coverage ratios under the Indenture governing such Series HH Notes at par plus 1% subject to certain notice requirements in the Indenture.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Classified Board of Directors.* Our Board of Directors is divided into three classes of directors serving staggered three-year terms. The current terms for the first, second and third classes will expire in 2015, 2013 and 2014, respectively. Upon expiration of their current terms, directors of each class will be elected to serve for three-year terms and until their successors are duly elected and qualify and each year one class of directors will be elected by the stockholders. A classified board may render a change in control of us or removal of our incumbent management more difficult. We believe, however, that the longer time required to elect a majority of a classified Board of Directors will help to ensure the continuity and stability of our management and policies.

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

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

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

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

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

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

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

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**\$75,000,000**

**KAYNE ANDERSON MLP INVESTMENT COMPANY**

**Series HH Floating Rate Senior Notes due August 19, 2016**

**PROSPECTUS**

**May 9, 2014**

All tendered Old Notes, executed letters of transmittal and other related documents should be directed to the exchange agent at the numbers and address below. Requests for assistance with respect to the procedures for tendering the Old Notes and for additional copies of the prospectus, the letter of transmittal and other related documents should also be directed to the exchange agent.

The exchange agent for the exchange offer is:

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

**AS EXCHANGE AGENT**

*By Facsimile for Eligible institutions:*

(732) 667-9408

Attention: Adam DeCapio

*Confirm by Telephone:*

(315) 414-3360

*By Mail/Overnight Courier/Hand:*

c/o The Bank of New York Mellon

Trust Company, N.A.

c/o The Bank of New York Mellon Corporation  
Corporate Trust Operations Reorganization Unit

111 Sanders Creek Parkway

Edgar Filing: Kayne Anderson MLP Investment CO - Form 497

East Syracuse, NY 13057

Attention: Adam DeCapio