

Kayne Anderson MLP Investment CO
Form DEF 14A
April 29, 2009

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SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Sec. 240.14a-11(c) or Sec. 240.14a-12

KAYNE ANDERSON MLP INVESTMENT COMPANY

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1. Title of each class of securities to which transactions applies:

2. Aggregate number of securities to which transaction applies:

3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4. Proposed maximum aggregate value of transaction:

5. Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

6. Amount Previously Paid:

7. Form, Schedule or Registration Statement No.:

8. Filing Party:

9. Date Filed:

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**717 Texas Avenue, Suite 3100
Houston, TX 77002
1-877-657-3863/MLP-FUND**

April 29, 2009

Dear Fellow Stockholder:

You are cordially invited to attend the 2009 Annual Meeting of Stockholders of Kayne Anderson MLP Investment Company (the Company) on Tuesday, June 16, 2009 at 8:00 a.m. Central Time at 717 Texas Avenue, Suite 3100, Houston, TX 77002.

The matters scheduled for consideration at the meeting are (i) the election of two directors of the Company and (ii) a proposal to authorize the Company to sell shares of its common stock at a net price below net asset value per share, so long as the gross price (before underwriting fees and offering expenses) is above its net asset value per share, subject to certain conditions, as more fully discussed in the enclosed proxy statement.

Enclosed with this letter are answers to questions you may have about the proposals, the formal notice of the meeting, the proxy statement, which gives detailed information about the proposals and why the Board of Directors recommends that you vote to approve them, and an actual written proxy for you to sign and return. If you have any questions about the enclosed proxy or need any assistance in voting your shares, please call 1-877-657-3863/MLP-FUND.

Your vote is important. Please complete, sign, and date the enclosed proxy card and return it in the enclosed envelope. This will ensure that your vote is counted, even if you cannot attend the meeting in person.

Sincerely,

Kevin S. McCarthy
Chairman of the Board of Directors,
CEO and President

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ANSWERS TO SOME IMPORTANT QUESTIONS

Q. WHAT AM I BEING ASKED TO VOTE FOR ON THIS PROXY?

A. This proxy contains two proposals:

Proposal One the election of two Class II Directors to serve until the Company's 2012 Annual Meeting of Stockholders and until their successors are duly elected and qualified. The directors currently serving in Class II are Steven C. Good and Kevin S. McCarthy. Messrs. Good and McCarthy both have current terms that will expire at the Company's 2009 Annual Meeting of Stockholders, and the Company's Board of Directors has nominated Messrs. Good and McCarthy for reelection at the meeting. The holders of the Company's preferred stock will vote on the election of Mr. Good. The holders of the Company's common stock and preferred stock will vote together, as a single class, on the election of Mr. McCarthy.

Proposal Two a proposal to authorize the Company to sell shares of its common stock at a net price less than net asset value per share, so long as the gross price (before underwriting fees and offering expenses) is above its net asset value per share, subject to certain conditions, for a period expiring on the date of the Company's 2010 Annual Meeting of Stockholders. Approval of Proposal Two requires: (1) the affirmative vote of a majority of all common stockholders of record as of the record date and (2) the affirmative vote of a majority of the votes cast by the holders of the Company's common stock and preferred stock outstanding as of the record date, voting together as a single class.

Q. HOW DOES THE BOARD OF DIRECTORS SUGGEST THAT I VOTE?

A. The Board of Directors of the Company unanimously recommends that you vote FOR all proposals on the enclosed proxy card.

Q. HOW CAN I VOTE?

A. If your shares are held in Street Name by a broker or bank, you will receive information regarding how to instruct your bank or broker to vote your shares. If you are a stockholder of record, you may authorize the persons named as proxies on the enclosed proxy card to cast the votes you are entitled to cast at the meeting by completing, signing, dating and returning the enclosed proxy card. Stockholders of record or their duly authorized proxies also may vote in person if able to attend the meeting. However, even if you plan to attend the meeting, we urge you to return your proxy card. That will ensure that your vote is cast should your plans change.

Q. CAN I VIEW THE PROXY STATEMENT AND ANNUAL REPORT ON THE INTERNET?

A. Yes. The proxy statement and Annual Report are available on the Internet at www.kaynefunds.com/KynSECFilings.htm.

This information summarizes information that is included in more detail in the proxy statement. We urge you to read the proxy statement carefully.

If you have questions, call 1-877-657-3863/MLP-FUND.

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**717 Texas Avenue, Suite 3100
Houston, TX 77002
1-877-657-3863/MLP-FUND**

NOTICE OF 2009 ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders of Kayne Anderson MLP Investment Company:

NOTICE IS HEREBY GIVEN that the 2009 Annual Meeting of Stockholders of Kayne Anderson MLP Investment Company, a Maryland corporation (the Company), will be held on Tuesday, June 16, 2009 at 8:00 a.m. Central Time at 717 Texas Avenue, Suite 3100, Houston, TX 77002, to consider and vote on the following matters as more fully described in the accompanying proxy statement:

1. To elect two Class II Directors of the Company, such directors to hold office until the 2012 Annual Meeting of Stockholders and until their successors are duly elected and qualified;
2. To approve a proposal to authorize the Company to sell shares of its common stock at a price less than net asset value per share, so long as the gross price (before underwriting fees and offering expenses) is above net asset value per share; and
3. To transact any other business that may properly come before the meeting or any adjournment or postponement thereof.

Stockholders of record as of the close of business on April 20, 2009 are entitled to notice of and to vote at the meeting (or any adjournment or postponement of the meeting).

By Order of the Board of Directors of the
Company,

David J. Shladovsky
Secretary

April 29, 2009
Houston, Texas

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**717 Texas Avenue, Suite 3100
Houston, TX 77002
1-877-657-3863/MLP-FUND
GENERAL INFORMATION
PROXY STATEMENT
2009 ANNUAL MEETING OF STOCKHOLDERS
JUNE 16, 2009**

This proxy statement is being sent to you by the Board of Directors of Kayne Anderson MLP Investment Company, a Maryland corporation (the Company, we, us, or our). The Board of Directors is asking you to complete, sign, date and return the enclosed proxy card, permitting your votes to be cast at the annual meeting (the Annual Meeting) of stockholders called to be held on June 16, 2009 at 8:00 a.m. Central Time at 717 Texas Avenue, Suite 3100, Houston, TX 77002. Stockholders of record at the close of business on April 20, 2009 (the Record Date) are entitled to vote at the Annual Meeting. You are entitled to one vote for each share of common stock and one vote for each share of preferred stock you hold on each matter on which holders of such shares are entitled to vote. This proxy statement and enclosed proxy are first being mailed to stockholders on or about May 11, 2009.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2009 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 16, 2009: This proxy statement and the Company s most recent Annual Report are available on the Internet at www.kaynefunds.com/KynSECFilings.htm. You should have received our Annual Report to stockholders for the fiscal year ended November 30, 2008. If you would like another copy of the Annual Report, please write us at the address shown at the top of this page or call us at 1-877-657-3863/MLP-FUND. The report will be sent to you without charge. Our reports can be accessed on our website (www.kaynefunds.com/KynSECFilings.htm) or on the Securities and Exchange Commission s (the SEC) website (www.sec.gov).

KA Fund Advisors, LLC (KAFA), a subsidiary of Kayne Anderson Capital Advisors, L.P. (KACALP and together with KAFA, Kayne Anderson), externally manages and advises us pursuant to our investment management agreement. KAFA is registered as an investment adviser under the Investment Advisers Act of 1940, as amended. Kayne Anderson is a leading investor in both public and private energy companies. At February 28, 2009, Kayne Anderson managed approximately \$6.3 billion, including \$5.1 billion in securities of energy companies. Kayne Anderson may be contacted at the address listed above.

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**PROPOSAL ONE
ELECTION OF DIRECTORS**

Under our charter, our Board of Directors (the Board) is divided into three classes (Class I, Class II and Class III) of approximately equal size. Currently we have five directors. Each class of directors will hold office for a three-year term. The directors currently serving in Class II are Steven C. Good and Kevin S. McCarthy. Messrs. Good and McCarthy each have current terms that will expire at the Annual Meeting, and the Board has nominated Messrs. Good and McCarthy for reelection at the Annual Meeting, each to serve for a term of three years (until the 2012 Annual Meeting of Stockholders) and until his successor has been duly elected and qualified.

The Class I director, Gerald I. Isenberg, is currently serving a term which will expire at the 2011 Annual Meeting of Stockholders and until his successor is duly elected and qualified. The Class III directors, Anne K. Costin and William H. Shea, Jr., are each serving terms that will expire at the 2010 Annual Meeting of Stockholders and until their successors are duly elected and qualified.

Pursuant to the terms of our auction rate preferred stock (the Preferred Stock), the holders of Preferred Stock are entitled as a class, to the exclusion of the holders of our common stock, \$.001 par value per share (the Common Stock), to elect two directors of the Company (the Preferred Directors). The Board of Directors has designated Steven C. Good and William H. Shea, Jr. as the Preferred Directors. The terms of our Preferred Stock further provide that the remaining nominees shall be elected by holders of Common Stock and Preferred Stock voting together as a single class. Of those designated as Preferred Directors, Steven C. Good is the sole Preferred Director whose term is expiring at the Annual Meeting. Therefore, the holders of our Preferred Stock, voting as a single class, are being asked to vote for Mr. Good as a Class II Director of the Company, and the holders of our Common Stock and Preferred Stock, voting together as a single class, are being asked to vote for Mr. McCarthy as a Class II Director of the Company.

The Board knows of no reason why the nominees listed below will be unable to serve, and the nominees have consented to serve if elected. If a nominee is unable to serve or for good cause will not serve because of an event not now anticipated, the persons named as proxies may vote for another person designated by the Board. The persons named as proxies on the accompanying proxy card intend to vote at the Annual Meeting (unless otherwise directed) FOR the election of Messrs. Good and McCarthy as our directors.

The following tables set forth each nominee's and each remaining director's name and year of birth; position(s) with us and length of time served; principal occupations during the past five years; and other directorships currently held by the nominees and each remaining director. The address for the nominees, directors and officers is 717 Texas Avenue, Suite 3100, Houston, TX 77002. All of our directors currently serve on the Board of Directors of Kayne Anderson Energy Total Return Fund, Inc. (KYE), a closed-end investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act), that is advised by KAFA.

NOMINEE FOR DIRECTOR WHO IS NOT AN INTERESTED PERSON:

Name (Year Born)	Position(s) Held with Registrant	Proposed Term of Office/ Term of Service	Principal Occupations During Past Five Years	Number of Portfolios in Fund Complex Overseen by Director	Other Directorships Held by Director
Steven C. Good (born 1942)	Director	3-year term (until the 2012 Annual Meeting of Stockholders)/served since inception	Senior partner at Good Swartz Brown & Berns LLP, a division of JH Cohen LLP since June 1, 2008 (accounting, tax and business advisory services	2	KYE; OSI Systems, Inc. (specialized electronic products) and Big Dog Holdings, Inc. (consumer products)

provider). Founded Block,
Good and Gagerman in
1976, which later evolved
in stages into Good Swartz
Brown & Berns LLP.

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Name (Year Born)	Position(s) Held with Registrant	Proposed Term Of Office/ Time of Service	Principal Occupations During Past Five Years	Number of Portfolios in Fund Complex Overseen by Director	Other Directorships Held by Director
Kevin S. McCarthy ⁽¹⁾⁽²⁾ (born 1959)	Chairman; President and Chief Executive Officer	3-year term as a director (until the 2012 Annual Meeting of Stockholders), elected annually as an officer/ served since inception	Senior Managing Director of KACALP since June 2004 and of KAFA since 2006. President and Chief Executive Officer of KYE and KED since inception (KYE inception in 2005 and KED inception in 2006). Global Head of Energy at UBS Securities LLC from November 2000 to May 2004.	3	KYE; KED; Range Resources Corporation (oil and gas company); Clearwater Natural Resources, LLC; Direct Fuels Partners, L.P.; and ProPetro Services, Inc.

(1) Mr. McCarthy is an interested person of the Company by virtue of his employment relationship with Kayne Anderson.

(2) Mr. McCarthy currently serves on the Board of Directors of Kayne Anderson Energy Development Company (KED), a closed-end investment company registered under

the 1940 Act
that is managed
by KAFA.

REMAINING DIRECTORS WHO ARE NOT INTERESTED PERSONS:

Name (Year Born)	Position(s)		Principal Occupations During Past Five Years	Number of Portfolios in Fund Complex Overseen by Director	Other Directorships Held by Director
	Held with Registrant	Term of Office/ Time of Service			
Anne K. Costin ⁽¹⁾ (born 1950)	Director	3-year term (until the 2010 Annual Meeting of Stockholders)/served since inception	Professor at the Amsterdam Institute of Finance. Adjunct Professor in the Finance and Economics Department of Columbia University Graduate School of Business in New York from 2004 through 2007. As of March 1, 2005, retired after a 28-year career at Citigroup. During her last five years at Citigroup, she was Managing Director and Global Deputy Head of the Project & Structured Trade Finance product group within Citigroup's Investment Banking Division.	2	KYE
Gerald I. Isenberg (born 1940)	Director	3-year term (until the 2011 Annual Meeting of Stockholders)/served since inception	Professor Emeritus at the University of Southern California School of Cinema-Television since 2007. Chief Financial Officer of Teccino Caffè Inc., a privately-owned beverage manufacturer and distributor. Board member of Kayne Anderson Rudnick Mutual Funds ⁽²⁾ from 1998 to 2002.	2	KYE; Teccino Caffè Inc.; and the Caucus for Television Producers, Writers & Directors Foundation
William H. Shea, Jr. (born 1954)	Director	3-year term (until the 2010 Annual Meeting of	Private investor since June 2007. From September 2000 to	2	KYE; and Penn Virginia Corp. (natural gas and oil company)

Stockholders)/served since March 2008 June 2007, President, Chief Executive Officer and Director (Chairman from May 2004 to June 2007) of Buckeye Partners, L.P. (pipeline transportation and refined petroleum products company). From May 2004 to June 2007, President, Chief Executive Officer and Chairman of Buckeye GP Holdings, L.P. and its predecessors.

- (1) Due to her ownership of securities issued by one of the underwriters in certain of our previous securities offerings, Ms. Costin, in the future, may be treated as an interested person during any subsequent offerings of our securities if the relevant offering is underwritten by the underwriter in which Ms. Costin owns securities.
- (2) The investment adviser to the Kayne Anderson Rudnick Mutual Funds, Kayne Anderson Rudnick Investment Management, LLC, formerly was an affiliate

of KACALP.

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The preceding table gives information regarding Mr. McCarthy, our Chairman, President and Chief Executive Officer. The following table sets forth each of our other officer's name and age; position(s) with us and length of time served; principal occupations during the past five years; and directorships held by each such officer. All of our officers currently serve in identical offices with KYE, a closed-end investment company registered under the 1940 Act that is advised by KAFA.

Non-Director Officers

Name (Year Born)	Position(s) Held with Registrant	Term of Office/ Time of Service	Principal Occupations During Past Five Years	Number of Portfolios in Fund Complex Overseen by Officer	Directorships Held by Officer
Terry A. Hart (born 1969)	Chief Financial Officer and Treasurer	Elected annually/served since December 2005	Chief Financial Officer and Treasurer of KYE since December 2005 and of KED since September 2006. Director of Structured Finance, Assistant Treasurer, Senior Vice President and Controller of Dynergy, Inc. from 2000 to 2005.	3	None
David J. Shladovsky (born 1960)	Secretary and Chief Compliance Officer	Elected annually/served since inception	Managing Director and General Counsel of KACALP since 1997 and of KAFA since 2006. Secretary and Chief Compliance Officer of KYE since 2005 and of KED since 2006.	3	None
J.C. Frey (born 1968)	Executive Vice President, Assistant Treasurer and Assistant Secretary	Elected annually/served as Assistant Treasurer and Assistant Secretary since inception; served as Executive Vice President since June 2008	Senior Managing Director of KACALP since 2004, and of KAFA since 2006 and Managing Director of KACALP since 2000. Executive Vice President of KYE and KED since June 2008. Portfolio Manager, Vice President, Assistant Secretary and Assistant Treasurer of KYE since 2005 and of KED since 2006.	3	None

James C. Baker (born 1972)	Executive Vice President	Elected annually/served as Vice President from June 2005 to June 2008; served as Executive Vice President since June 2008	Senior Managing Director of KACALP and KAFA since February 2008, Managing Director of KACALP and KAFA since December 2004 and 2006, respectively. Executive Vice President of KED and KYE since June 2008 and Vice President of KYE from 2005 to 2008 and KED from 2006 to 2008. Director in Planning and Analysis at El Paso Corporation from April 2004 to December 2004. Director at UBS Securities LLC (energy investment banking group) from 2002 to 2004 and Associate Director from 2000 to 2002.	3	ProPetro Services, Inc.; and Quest Midstream Partners, L.P.
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The directors who are not interested persons, as defined in the 1940 Act, of Kayne Anderson or our underwriters in offerings of our securities from time to time as defined in the 1940 Act are referred to herein as Independent Directors. Unless noted otherwise, references to our Independent Directors include Ms. Costin. None of our Independent Directors (other than Mr. Isenberg), nor any of their immediate family members, has ever been a director, officer or employee of Kayne Anderson or its affiliates. From 1998 to 2002, Mr. Isenberg was a board member of Kayne Anderson Rudnick Mutual Funds, whose investment adviser, Kayne Anderson Rudnick Investment Management, LLC, may formerly have been deemed an affiliate of Kayne Anderson.

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The following table sets forth as of February 28, 2009 the number of shares of our Common Stock beneficially owned by each of our current directors and executive officers as a group, and certain beneficial owners, according to information furnished to us by such persons. Based on statements publicly filed with the SEC, as of February 28, 2009 we are aware of no person who beneficially owns more than five percent of our outstanding Common Stock. Beneficial ownership is determined in accordance with Rule 13d-3 under the Securities Act of 1934, as amended (the 1934 Act) and, unless indicated otherwise, includes voting or investment power with respect to the securities.

Name of Beneficial Owner of Common Stock	Amount of Beneficial Ownership	Percent of Class⁽¹⁾
Independent Directors		
Gerald I. Isenberg	1,000	*
Anne K. Costin	2,000	*
Steven C. Good	2,000	*
William H. Shea, Jr.	3,000	*
Interested Director		
Kevin S. McCarthy	45,436	*
Executive Officers		
Terry A. Hart	1,665	*
David. J. Shladovsky	9,820	*
J.C. Frey	18,600	*
James C. Baker	9,264	*
All Directors and Executive Officers as a Group (9 persons)	92,785	*

* Less than 1% of class.

(1) Based on 44,520,057 shares outstanding as of February 28, 2009.

The following table sets forth the dollar range of our equity securities beneficially owned by our directors as of February 28, 2009 (beneficial ownership being determined in accordance with Rule 16a-1(a)(2) of the 1934 Act):

**Aggregate
Dollar Range⁽¹⁾ of
Equity
Securities in All
Registered Investment
Companies Overseen
or to be Overseen by
Director in**

Director	Dollar Range⁽¹⁾ of Our Equity Securities	Family of Investment Companies⁽²⁾ as of February 28, 2009
Independent Directors		
Anne K. Costin	\$ 10,001-\$50,000	\$ 50,001-\$100,000
Steven C. Good	\$ 10,001-\$50,000	\$ 50,001-\$100,000
Gerald I. Isenberg	\$ 10,001-\$50,000	\$ 10,001-\$ 50,000
William H. Shea, Jr.	\$50,001-\$100,000	\$ 50,001-\$100,000
Interested Director		
Kevin S. McCarthy	Over \$100,000	Over \$100,000

(1) Dollar ranges are as follows: none; \$1-\$10,000; \$10,001-\$50,000; \$50,001-\$100,000; over \$100,000.

(2) As of February 28, 2009, the directors also oversee KYE, an investment company managed by KAFA. Mr. McCarthy also serves on the Board of Directors of KED, a registered investment company advised by KAFA.

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As of February 28, 2009, the Independent Directors (other than Mr. Isenberg as noted in the table below) and their respective immediate family members did not own beneficially or of record any class of securities of Kayne Anderson or any person directly or indirectly controlling, controlled by, or under common control with Kayne Anderson. As of that same date, the Independent Directors (other than Ms. Costin) did not own beneficially or of record any class of securities of the underwriters of the offerings of our Common Stock and our Series D auction rate securities or any person directly or indirectly controlling, controlled by, or under common control with such underwriters. As of February 28, 2009, Ms. Costin owned securities issued by one of such underwriters in the offerings of our Common Stock and our Series D auction rate securities and may continue to own securities in such issuer at the time of any future offering of our securities in which such company could be considered for participation as an underwriter. Accordingly, Ms. Costin was treated as an interested person of the Company as defined in the 1940 Act during and until the completion of the offerings of our Common Stock and our Series D auction rate securities, and, in the future, may be treated as an interested person during subsequent offerings of our securities if the relevant offering is underwritten by the company in which Ms. Costin owns securities.

The table below sets forth information about securities owned by the directors and their respective immediate family members, as of February 28, 2009, in entities directly or indirectly controlling, controlled by, or under common control with, our investment adviser or underwriters.

Director	Name of Owners and Relationships to Director	Company	Title of Class	Value of Securities	Percent of Class
Gerald I. Isenberg	Self	Kayne Anderson Capital Income Partners (QP), L.P. ⁽¹⁾	Partnership units	\$780,343	0.3%

⁽¹⁾ KACALP may be deemed to control this fund by virtue of its role as the fund's general partner.

As of February 28, 2009, certain officers of Kayne Anderson, including all our officers, own, in the aggregate, approximately \$3.9 million of our Common Stock.

EXECUTIVE COMPENSATION

Pursuant to an investment management agreement between Kafa (our external manager) and us, our external manager is responsible for supervising the investments and reinvestments of our assets. Our external manager, at its own expense, maintains staff and employs personnel as it determines is necessary to perform its obligations under the investment management agreement. We pay various management fees to our external manager for its advisory and other services performed under the investment management agreement.

Our executive officers who manage our regular business are employees of our external manager or its affiliates. Accordingly, we do not pay any salaries, bonuses or other compensation to our executive officers. We do not have employment agreements with our executive officers. We do not provide pension or retirement benefits, perquisites, or other personal benefits to our executive officers. We do not maintain any compensation plans under which our equity securities are authorized for issuance. We do not have arrangements to make payments to our executive officers upon their termination or in the event of a change in control of the Company.

The investment management agreement does not require our external manager to dedicate specific personnel to fulfilling its obligation to us under the investment management agreement, or require personnel to dedicate a specific amount of time. In their capacities as executive officers or employees of our external manager or its affiliates, they devote a portion of their time to our affairs as required for the performance of the duties of our external manager under

the investment management agreement.

Our executive officers are compensated by our external manager. We understand that our external manager takes into account the performance of the Company as a factor in determining the compensation of certain of its senior managers, and such compensation may be increased depending on the Company's performance. In addition to compensation for services performed for the Company, certain of our executive officers may receive compensation for services performed for various investment funds of our external manager. However, our external manager cannot segregate and identify that portion of the compensation awarded to, earned by or paid to our executive officers that relates exclusively to their services to us.

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Our directors and officers who are interested persons by virtue of their employment by Kayne Anderson, including all our executive officers, serve without any compensation from us. Each of our Independent Directors receives a \$25,000 annual retainer for serving as a director. In addition, our Independent Directors receive fees for each meeting attended, as follows: \$2,500 per Board meeting; \$1,500 per Audit Committee meeting; and \$500 for other committee meetings. Committee meeting fees are not paid unless the meeting is held on a day when there is not a Board meeting and the meeting exceeds 15 minutes in duration. The Independent Directors are reimbursed for expenses incurred as a result of attendance at meetings of the Board of Directors and its committees.

The following table sets forth the compensation paid by us during the fiscal year ended November 30, 2008 to the Independent Directors. No compensation is paid to directors who are interested persons. We have no retirement or pension plans or any compensation plans under which our equity securities were authorized for issuance.

Director Compensation Table

Name	Total Compensation from Registrant	Total Compensation from the Fund Complex ⁽¹⁾
Independent Directors		
Anne K. Costin	\$ 46,000	\$ 92,000
Steven C. Good	\$ 46,000	\$ 92,000
Gerald I. Isenberg	\$ 50,500	\$ 101,000
William H. Shea, Jr. ⁽²⁾	\$ 28,250	\$ 56,500
Interested Director		
Kevin S. McCarthy	None	None

* Less than 1% of class.

(1) As of November 30, 2008, the directors also oversee KYE, an investment company managed by KAFA.

(2) Mr. Shea became a director on March 31, 2008.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 30(h) of Investment Company Act of 1940 and Section 16(a) of the 1934 Act require our directors and executive officers, investment adviser, affiliated persons of the investment adviser and persons who own more than 10% of a registered class of our equity securities to file forms reporting their affiliation with us and reports of ownership and changes in ownership of our shares with the SEC and the New York Stock Exchange (the NYSE). Those persons and entities are required by SEC regulations to furnish us with copies of all Section 16(a) forms they

file. Based on a review of those forms furnished to us, we believe that our directors and officers, KAFA and affiliated persons of KAFA have complied with all applicable Section 16(a) filing requirements during the last fiscal year. To the knowledge of our management, no person owns beneficially more than 10% of a class of our equity securities.

COMMITTEES OF THE BOARD OF DIRECTORS

Our Board currently has three standing committees: the Audit Committee, the Valuation Committee and the Nominating Committee.

Audit Committee. Messrs. Good, Shea, and Isenberg serve on the Audit Committee. The Audit Committee operates under a written charter (the Audit Committee Charter), which was adopted and approved by the Board and established in accordance with Section 3(a)(58)(A) of the 1934 Act. The Audit Committee Charter conforms to the applicable listing standards of the NYSE. The Audit Committee Charter is available on our website (www.kaynefunds.com). The Audit Committee approves and recommends to the Board the election, retention or termination of independent auditors; approves services to be rendered by the auditors; monitors the auditors performance; reviews the results of our audit; determines whether to recommend to the Board that our audited financial statements be included in our Annual Report; and responds to other matters as outlined in the Audit Committee Charter. Each audit committee member is independent under the applicable NYSE listing standard.

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Valuation Committee. Ms. Costin and Messrs. McCarthy and Isenberg serve on the Valuation Committee. The Valuation Committee is responsible for the oversight of our valuation procedures and the valuation of our securities in accordance with such procedures. The Valuation Committee operates under a written charter adopted and approved by the Board, a copy of which is available on our website (www.kaynefunds.com).

Nominating Committee. Ms. Costin and Messrs. Good and Isenberg are members of the Nominating Committee. None of the members of the Nominating Committee are interested persons of the Company as defined in the 1940 Act (other than as previously noted for Ms. Costin). The Nominating Committee is responsible for appointing and nominating Independent Directors to our Board. Each Nominating Committee member is independent under the applicable NYSE listing standards. The committee operates under a written charter adopted and approved by the Board, a copy of which is available on our website (www.kaynefunds.com). The Nominating Committee has not established specific, minimum qualifications that must be met by an individual for the Committee to recommend that individual for nomination as a director. The Nominating Committee expects to seek referrals for candidates to consider for nomination from a variety of sources, including current directors, our management, our investment adviser and counsel, and may also engage a search firm to identify or evaluate or assist in identifying or evaluating candidates. As set forth in the Nominating Committee Charter, in evaluating candidates for a position on the Board, the Committee considers a variety of factors, including, as appropriate:

the candidate's knowledge in matters relating to the investment company industry;

any experience possessed by the candidate as a director or senior officer of public companies;

the candidate's educational background;

the candidate's reputation for high ethical standards and personal and professional integrity;

any specific financial, technical or other expertise possessed by the candidate, and the extent to which such expertise would complement the Board's existing mix of skills and qualifications;

the candidate's perceived ability to contribute to the ongoing functions of the Board, including the candidate's ability and commitment to attend meetings regularly and work collaboratively with other members of the Board;

the candidate's ability to qualify as an independent director for purposes of the 1940 Act, the candidate's independence from our service providers and the existence of any other relationships that might give rise to a conflict of interest or the appearance of a conflict of interest; and

such other factors as the Committee determines to be relevant in light of the existing composition of the Board and any anticipated vacancies or other transitions (*e.g.*, whether or not a candidate is an audit committee financial expert under the federal securities laws).

Prior to making a final recommendation to the Board, the Nominating Committee may conduct personal interviews with the candidates it concludes are the most qualified.

If there is no vacancy on the Board, the Board will not actively seek recommendations from other parties, including stockholders. When a vacancy on the Board occurs and nominations are sought to fill such vacancy, the Nominating Committee may seek nominations from those sources it deems appropriate in its discretion, including our stockholders.

The Nominating Committee considers nominees properly recommended by stockholders. To submit a recommendation for nomination as a candidate for a position on the Board, stockholders shall mail such recommendation to the Secretary of the Company, at our address: 717 Texas Avenue, Suite 3100, Houston, TX 77002. Such recommendation shall include the following information: (a) evidence of stock ownership of the person

or entity recommending the candidate (if submitted by one of our stockholders); (b) a full description of the proposed candidate's background, including his or her education, experience, current employment, and date of birth; (c) names and addresses of at least three professional references for the candidate; (d) information as to whether the candidate is an interested person in relation to us, as such term is defined in the 1940 Act, and such other information that may be considered to impair the candidate's independence; and (e) any other information that may be helpful to the Nominating Committee in evaluating the candidate.

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Any such recommendation must contain sufficient background information concerning the candidate to enable the Nominating Committee to make a proper judgment as to the candidate's qualifications. If a recommendation is received with satisfactorily completed information regarding a candidate during a time when a vacancy exists on the Board or during such other time as the Nominating Committee is accepting recommendations, the recommendation will be forwarded to the Chair of the Nominating Committee and will be evaluated in the same manner as other candidates for nomination. Recommendations received at any other time will be kept on file until such time as the Nominating Committee is accepting recommendations, at which point they may be considered for nomination.

Board of Director and Committee Meetings Held

The following table shows the number of meetings held for the Company during the fiscal year ended November 30, 2008:

Board of Directors	6
Audit Committee	4
Valuation Committee	12
Nominating Committee	1

During the 2008 fiscal year, all directors attended at least 75% of the aggregate of (1) the total number of meetings of the Board and (2) the total number of meetings held by all committees of the Board on which they served. We do not currently have a policy with respect to board member attendance at annual meetings. All of the directors then serving attended our 2008 Annual Meeting of Stockholders.

BOARD RECOMMENDATION

THE BOARD OF DIRECTORS OF THE COMPANY, INCLUDING ALL OF THE INDEPENDENT DIRECTORS, UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF EACH OF THE NOMINEES TO THE BOARD.

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PROPOSAL TWO
APPROVAL TO SELL SHARES OF COMMON STOCK AT A NET PRICE BELOW NET ASSET VALUE
PER SHARE,
SUBJECT TO THE GROSS PRICE (BEFORE UNDERWRITING FEES AND OFFERING EXPENSES)
BEING GREATER
THAN NET ASSET VALUE PER SHARE

Summary

The 1940 Act prohibits the Company from selling shares of its common stock at a net price, after deducting underwriting fees and offering expenses, below the current net asset value (NAV) per share of such stock, except with the consent of a majority of its common stockholders or under certain other circumstances. The Company may be presented with potential investments that KAFA believes are sufficiently attractive to justify selling shares of the Company s common stock at a price below its then-current NAV per share, which could be made only if the Company raises additional capital in that manner. The Board of Directors is seeking the required stockholder approval so the Company may sell shares of its common stock at a net price below its then-current NAV per share, so long as the gross price (before underwriting fees and offering expenses) is above its then-current NAV, subject to certain conditions discussed below. If approved, the authorization would be effective for a period expiring on the date of the Company s 2010 Annual Meeting of Stockholders, which is expected to be held in June 2010.

Rationale

The Company expects that it will be periodically presented with opportunities to acquire securities at attractive prices that may lead to an increase in the long term NAV, including publicly traded securities at a discount to current market value in negotiated transactions. The Company believes that having the ability to issue its common stock at a price below NAV could benefit its stockholders by providing it the flexibility to enter into such negotiated transactions, which have the potential to increase the Company s long-term NAV per share.

These negotiated transactions often require the Company to commit capital in a relatively short period of time, and such commitments cannot be contingent upon future financings. Because the Company generally attempts to remain fully invested and it does not intend to maintain cash for the purpose of making these investments, the Company may be unable to capitalize on investment opportunities presented to it unless it is confident that it can raise equity capital without seeking stockholder approval on a case by case basis.

NAV and Share Price History of the Company s Common Stock

The Company s common stock has traded both at a premium and at a discount in relation to its NAV. The following table sets forth a comparison of the Company s NAV per share and the comparable closing price of the Company s common stock, as reported on the NYSE as of the last day of each fiscal quarter since the inception of the Company.

Date	Net Asset Value	Closing Price
February 28, 2009	\$14.84	\$17.32
November 30, 2008	14.74	13.37
August 31, 2008	25.09	27.13
May 31, 2008	28.00	30.68
February 29, 2008	28.41	29.55
November 30, 2007	30.08	28.27
August 31, 2007	31.40	32.66
May 31, 2007	34.13	34.17
February 28, 2007	30.97	32.91
November 30, 2006	28.99	31.39
August 31, 2006	27.37	27.68
May 31, 2006	26.48	25.78
February 28, 2006	25.48	25.43
November 30, 2005	25.07	24.33

August 31, 2005	26.63	27.60
May 31, 2005	25.19	26.00
February 28, 2005	25.27	26.05
November 30, 2004	23.91	24.90
September 27, 2004	23.70 ⁽¹⁾⁽²⁾	

(1) Our Common Stock began trading on the NYSE on September 28, 2004.

(2) 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.

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Conditions for Selling the Company's Common Stock at a Net Price Below NAV, Subject to the Gross Price Being Greater than NAV

If this proposal is approved, the Company does not anticipate selling its common stock at a net price below its NAV unless it has identified attractive near-term investment opportunities that Kafa reasonably believes will lead to a long-term increase in NAV. In determining whether or not to sell additional shares of the Company's common stock at a net price below the NAV per share, the Board of Directors will have duties to act in the best interest of the Company and its stockholders. To the extent the Company issues shares of its common stock at a net price below NAV in a publicly registered transaction, the Company's market capitalization and the amount of its publicly tradable common stock will increase, thus affording all common stockholders greater liquidity.

The Company will only sell shares of its common stock at a net price below NAV per share if all of the following conditions are met:

1. The gross offering price per share, before deduction of underwriting fees, commissions and offering expenses, will not be less than the NAV per share of the Company's common stock, as determined at any time within 2 business days of pricing of the common stock to be sold in the offering.
2. Immediately following each offering, of common stock after deducting offering expenses and underwriting fees and commissions, the NAV per share of the Company's common stock, as determined at any time within 2 business days of pricing of the common stock to be sold, would not have been diluted by greater than a total of 1% of such value per share of all outstanding common stock as a result of such offering, without regard to any other offering. The Company will not be subject to a maximum number of shares that can be sold or a defined minimum sales price per share in any offering so long as the aggregate number of shares offered and the price at which such shares are sold together would not result in dilution of the NAV per share of the Company's common stock in excess of the 1% limitation.
3. A majority of the Company's Independent Directors makes a determination, based on information and a recommendation from Kafa, that they reasonably expect that the investment(s) to be made with the net proceeds of such issuance will lead to a long-term increase in NAV.

Factors to Consider

Before voting on this proposal or giving proxies with regard to this matter, common stockholders should consider the potentially dilutive effect of the issuance of shares of the Company's common stock at a net price less than NAV per share on the NAV per share of common stock then-outstanding. Any sale of common stock at a net price below NAV would result in an immediate dilution to existing common stockholders. Common stockholders should also consider that holders of the Company's common stock have no subscription, preferential or preemptive rights to additional shares of the common stock proposed to be authorized for issuance, and thus any future issuance of common stock will dilute such stockholders' holdings of common stock as a percentage of shares outstanding.

The two examples below assume that the Company has an NAV of \$15.00 per share with 44.2 million shares outstanding and that the underwriting fees, commissions and expenses are 5% of the gross offering price per share.

Example 1. A gross offering price of \$15.00 per share (equal to the NAV) would result in a net offering price of \$14.25 per share after deducting the underwriting fees, commissions and expenses. The maximum number of shares that the Company could issue in this example is 11.0 million shares before reaching the cap of 1% dilution to NAV per share, or \$0.15 per share.

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Example 2. A gross offering price of \$15.30 per share (above NAV) would result in a net offering price of \$14.54 per share after deducting the underwriting fees, commissions and expenses. The maximum number of shares that the Company could issue in this example is approximately 21.0 million shares before reaching the cap of 1% dilution to NAV per share, or \$0.15 per share.

The issuance of the additional shares of common stock will also have an effect on the gross amount of management fees paid by the Company to KAFA. The Company's investment advisory agreement with KAFA provides for a management fee payable to KAFA as compensation for managing the investment portfolios of the Company computed as a percentage of assets under management. The increase in the Company's asset base that would result from any issuance of shares of common stock proposed to be authorized by common stockholders in this proposal would increase assets of the Company under management, and would cause a corresponding increase in the gross amount of management fees paid to KAFA, but would not increase or decrease the management fee as a percentage of assets under management. However, by increasing the size of the Company's asset base and number of shares outstanding, the Company may be able to reduce its fixed expenses both as a percentage of total assets and on a per share basis.

BOARD RECOMMENDATION

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS OF THE COMPANY VOTE FOR THE PROPOSAL TO ALLOW THE COMPANY TO SELL SHARES OF ITS COMMON STOCK AT A NET PRICE BELOW NAV PER SHARE, SO LO