Kayne Anderson MLP Investment CO
Form PRE 14A
April 25, 2013
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant þ

Filed by a Party other than the Registrant ¨

Check the appropriate box:

x 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 §240.14a-12

KAYNE ANDERSON MLP INVESTMENT COMPANY

KAYNE ANDERSON ENERGY TOTAL RETURN FUND, INC.

(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):

þ No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction 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:

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¨ 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.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

Kayne Anderson MLP Investment Company

Kayne Anderson Energy Total Return Fund, Inc.

717 Texas Avenue, Suite 3100

Houston, TX 77002

1-877-657-3863

May 10, 2013

Dear Fellow Stockholder:

You are cordially invited to attend the combined 2013 Annual Meeting of Stockholders of Kayne Anderson MLP Investment Company (KYN) and Kayne Anderson Energy Total Return Fund, Inc. (KYE) on June 18, 2013 at 8:00 a.m. Central Time at 717 Texas Avenue, Suite 3100, Houston, TX 77002. For the purposes of these proxy materials, KYN and KYE will each be referred to as a Company and collectively as the Companies.

For each Company, the matters scheduled for consideration at the meeting are (i) the election of two directors of the Company, (ii) the ratification of the selection of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for 2013 and (iii) 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, commissions 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 (i) answers to questions you may have about the proposals, (ii) the formal notice of the meeting, (iii) the proxy statement, which gives detailed information about the proposals and why the Board of Directors of each Company recommends that you vote to approve them, and (iv) 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.

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 of KYN and KYE

Table of Contents

TABLE OF CONTENTS

Table of Contents

KAYNE ANDERSON MLP INVESTMENT COMPANY

KAYNE ANDERSON ENERGY TOTAL RETURN FUND, INC.

ANSWERS TO SOME IMPORTANT QUESTIONS

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

A. This proxy contains three proposals for each Company:

Proposal One the election of two Class III Directors to serve until the Company s 2016 Annual Meeting of Stockholders and until their successors are duly elected and qualified. The directors currently serving in Class III are William H. Shea, Jr. and Anne K. Costin. Their current terms will expire at the Company s 2013 Annual Meeting of Stockholders and the Company s Board of Directors has nominated them for re-election at the meeting.

For each Company, the election of Mr. Shea requires the affirmative vote of the holders of a majority of the Company s Preferred Stock outstanding as of May 6, 2013 (the Record Date).

For each Company, the election of Ms. Costin requires the affirmative vote of the holders of a majority of the Company s Common Stock and Preferred Stock outstanding as of the Record Date, voting together as a single class.

Proposal Two the ratification of the selection of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for its fiscal year ending November 30, 2013. Approval of Proposal Two requires 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.

Proposal Three 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, commissions 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 2014 Annual Meeting of Stockholders. Approval of Proposal Three requires: (1) the affirmative vote of a majority of all common stockholders on the records of the Company s transfer agent 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 each Company unanimously recommends that you vote FOR all proposals on the enclosed proxy card.

Q. HOW CAN I VOTE?

A. If your shares in either Company 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 of either Company, you may authorize the persons named as proxies on the enclosed proxy

1

Table of Contents

card to cast the votes you are entitled to cast at the meeting by completing, signing, dating and returning the enclosed proxy card. For either Company, 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/kyn/sec-filings/ for KYN and at www.kaynefunds.com/kye/sec-filings/ for KYE.

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.

2

Table of Contents

Kayne Anderson MLP Investment Company

Kayne Anderson Energy Total Return Fund, Inc.

717 Texas Avenue, Suite 3100

Houston, TX 77002

1-877-657-3863

NOTICE OF 2013 ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders of: Kayne Anderson MLP Investment Company

Kayne Anderson Energy Total Return Fund, Inc.

NOTICE IS HEREBY GIVEN that the combined 2013 Annual Meeting of Stockholders of Kayne Anderson MLP Investment Company and Kayne Anderson Energy Total Return Fund, Inc., each a Maryland corporation, will be held on June 18, 2013 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. For the purposes of these proxy materials, KYN and KYE will each be referred to as a Company and collectively as the Companies.

Below are the proposals for each Company:

1. To elect two Class III Directors of the Company, such directors to hold office until the 2016 Annual Meeting of Stockholders and until their successors are duly elected and qualified;

2. To ratify the selection of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for the fiscal year ending November 30, 2013;

3. To approve 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, commissions and offering expenses) is above net asset value per share; and

4. To transact any other business that may properly come before the meeting or any adjournment or postponement thereof.

Stockholders of record of each Company as of the close of business on May 6, 2013 are entitled to notice of and to vote at the combined 2013 Annual Meeting of Stockholders (or any adjournment or postponement of the meeting thereof).

By Order of the Boards of Directors of the Companies,

David J. Shladovsky

Secretary

May 10, 2013

Houston, Texas

3

Table of Contents

Kayne Anderson MLP Investment Company

Kayne Anderson Energy Total Return Fund, Inc.

717 Texas Avenue, Suite 3100

Houston, TX 77002

1-877-657-3863

COMBINED PROXY STATEMENT

2013 ANNUAL MEETING OF STOCKHOLDERS

JUNE 18, 2013

This combined proxy statement is being sent to you by the Boards of Directors of Kayne Anderson MLP Investment Company (KYN) and Kayne Anderson Energy Total Return Fund, Inc. (KYE), each a Maryland corporation. For the purposes of this proxy statement, KYN and KYE will each be referred to as a Company and collectively as the Companies. The Board of Directors of each Company is asking you to complete, sign, date and return the enclosed proxy card, permitting your votes to be cast at the 2013 Annual Meeting of Stockholders (the Annual Meeting) to be held on June 18, 2013 at 8:00 a.m. Central Time at 717 Texas Avenue, Suite 3100, Houston, TX 77002. Stockholders of record of each Company at the close of business on May 6, 2013 (the Record Date) are entitled to vote at the Annual Meeting. As a stockholder of a Company, you are entitled to one vote for each share of common stock of that Company and one vote for each share of preferred stock of that Company you hold on each matter on which holders of such shares are entitled to vote. This combined proxy statement and the enclosed proxy are first being mailed to stockholders on or about May 17, 2013.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2013 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 18, 2013: You should have received a copy of the Annual Report for the fiscal year ended November 30, 2012 for each Company in which you own either common or preferred stock. 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. The Annual Report will be sent to you without charge. This proxy statement and our Annual Reports can be accessed on our website at www.kaynefunds.com/kyn/sec-filings/ for KYN and at www.kaynefunds.com/kye/sec-filings/ for KYE 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 each Company pursuant to an 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 March 31, 2013, Kayne Anderson managed approximately $20 billion, including $18 billion in securities of energy/infrastructure companies. Kayne Anderson may be contacted at the address listed above.

Table of Contents

This combined proxy statement sets forth the information that each Company s stockholders should know in order to evaluate each of the following proposals. The following table presents a summary of the proposals for each Company and the stockholders of the Company whose votes are being solicited with respect to each proposal. Please refer to the discussion of each proposal in this proxy statement for information regarding votes required for the approval of each proposal.

Proposals for Each Company	Who votes on the proposals?
1. To elect two Class III Directors of the Company, such directors to hold office until the 2016 Annual Meeting of Stockholders and until their successors are duly elected and qualified.	For each Company, (i) the holders of the Company s Preferred Stock (as defined herein) on the election of William H. Shea, Jr. as a Class III Director, and (ii) the holders of the Company s Common Stock (as defined herein) and Preferred Stock, voting together as a single class, on the election of Anne K. Costin as a Class III Director
2. To ratify the selection of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for the fiscal year ending November 30, 2013.	For each Company, the holders of the Company s Common Stock and Preferred Stock, voting together as a single class
3. To approve 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, commissions and offering expenses) is above net asset value per share.	For each Company, (i) the Registered Common Stockholders (as defined herein), and (ii) the holders of the Company s Common Stock and Preferred Stock, voting together as a single class
4. To transact any other business that may properly come before the meeting or any adjournment or postponement thereof.	For each Company, the holders of the Company s Common Stock and Preferred Stock, voting together as a single class

Table of Contents

PROPOSAL ONE

ELECTION OF DIRECTORS

Under each Company s charter, the Board of Directors (the Board) of each Company is divided into three classes (Class I, Class II and Class III) of approximately equal size. The Board of each Company currently has five directors as follows:

Class	Term*	Directors	Elected By Common Stockholders	 Preferred Stockholders
I	3-year term until 2014	Gerald I. Isenberg	X	X
II	3-year term until 2015	Steven C. Good		X
		Kevin S. McCarthy	X	X
III	3-year term until 2013	Anne K. Costin	X	X
		William H. Shea, Jr.		X

* For each Company, each director serves a three-year term until the Annual Meeting of Stockholders for the designated year and until his or her successor has been duly elected and qualified.

For each Company, the directors whose terms are expiring at this year s Annual Meeting are the Class III directors, William H. Shea, Jr. and Anne K. Costin. The Board of each Company has nominated them for re-election at the Annual Meeting, to serve for terms of three years (until the 2016 Annual Meeting of Stockholders) and until their successors have been duly elected and qualified.

Pursuant to the terms of each Company s mandatory redeemable preferred stock (the Preferred Stock), the holders of Preferred Stock are entitled as a class, to the exclusion of the holders of the Company s common stock, $0.001 par value per share (the Common Stock), to elect two directors of the Company (the Preferred Directors). The Board of each Company has designated Steven C. Good and William H. Shea, Jr. as the Preferred Directors. The terms of the Preferred Stock for each Company 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, William H. Shea, Jr. is the sole Preferred Director whose term is expiring at the Annual Meeting.

Therefore, for each Company, (i) the holders of the Company s Preferred Stock are being asked to vote for Mr. Shea as a Class III Director of the Company, and (ii) the holders of the Company s Common Stock and Preferred Stock, voting together as a single class, are being asked to vote for Ms. Costin as a Class III Director of the Company.

The Board of each Company 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 of each Company. The persons named as proxies on the accompanying proxy card intend to vote at the Annual Meeting (unless otherwise directed) FOR the election of Mr. Shea and Ms. Costin as the Company s directors.

The following tables set forth the nominees and each remaining director s name and year of birth; position(s) with each Company and length of time served; principal occupations during the past five years; and other directorships held during the past five years. The address for the nominees and directors is 717 Texas Avenue, Suite 3100, Houston, TX 77002.

Table of Contents

All the directors listed above currently serve on the Board of Directors of KYN and KYE, and Mr. McCarthy also serves on the Board of Directors of Kayne Anderson Midstream/Energy Fund, Inc. (KMF) and Kayne Anderson Energy Development Company (KED). KYN, KYE, KMF and KED are closed-end investment companies registered under the Investment Company Act of 1940, as amended (the 1940 Act) that are advised by KAFA.

For each Company, the directors who are not interested persons, as defined in the 1940 Act, of the Company, Kayne Anderson or the Company s underwriters in offerings of its securities from time to time are referred to herein as Independent Directors. None of the Companies 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, was formerly an affiliate of KACALP.

For information regarding each Company s executive officers and their compensation, please refer to Information About Executive Officers and Compensation Discussion and Analysis below.

Table of Contents

NOMINEES FOR DIRECTOR WHO ARE NOT INTERESTED PERSONS

Name (Year Born)	Position(s) Held with Each Company, Proposed Term of Office/ Time of Service	Principal Occupations During Past Five Years	Number of Portfolios in Fund Complex(1) Overseen by Director	Other Directorships Held by Director During Past Five Years
Anne K. Costin (born 1950)	Director of each Company since inception. 3-year term (until the 2013 Annual Meeting of Stockholders).	Professor at the Amsterdam Institute of Finance since 2007. 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, Ms. Costin retired after a 28-year career at Citigroup. During the five years prior to her retirement, Ms. Costin was Managing Director and Global Deputy Head of the Project & Structured Trade Finance product group within Citigroup s Investment Banking Division.	2	None
William H. Shea, Jr. (born 1954)	Director of each Company since March 2008. 3-year term (until the 2013 Annual Meeting of Stockholders).	Chief Executive Officer of the general partner of PVR Partners, L.P. (PVR) since March 2010. Chief Executive Officer and President of the general partner of Penn Virginia GP Holdings, L.P. (PVG), from March 2010 to March 2011. Private investor from June 2007 to March 2010. From September 2000 to June 2007, President, Chief Executive Officer and Director (Chairman from May 2004 to June 2007) of Buckeye Partners L.P. (BPL). From May 2004 to June 2007, President, Chief Executive Officer and Chairman of Buckeye GP Holdings L.P. (BGH) and its predecessors.	2	Current: PVR (coal and midstream MLP) Niska Gas Storage Partners LLC (natural gas storage) USA Compression Partners, LP (other MLP) Prior:

BGH (general partner of BPL)

BPL (pipeline MLP)

Gibson Energy ULC (midstream energy)

PVG (owned general partner of PVR)

Penn Virginia Corporation (oil and gas exploration, development and production company)

(1) The 1940 Act requires the term Fund Complex to be defined to include closed-end funds advised by the Company s investment adviser, KAFA and included KYN, KYE, KMF and KED.

8

Table of Contents

REMAINING DIRECTORS WHO ARE NOT INTERESTED PERSONS

Name (Year Born)	Position(s) Held with Each Company, 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 During Past Five Years
Steven C. Good (born 1942)	Director of each Company since inception. 3-year term (until the 2015 Annual Meeting of Stockholders).	Independent consultant since February 2010, when he retired from CohnReznick LLP, where he had been an active partner since 1976. CohnReznick LLP offers accounting, tax and business advisory services to middle market private and publicly-traded companies, their owners and their management. Founded Block, Good and Gagerman in 1976, which later evolved in stages into CohnReznick LLP.	2	Current: OSI Systems, Inc. (specialized electronic products) Prior: California Pizza Kitchen, Inc. (restaurant chain) Arden Realty, Inc. (real estate investment trust)
Gerald I. Isenberg (born 1940)	Director of each Company since 2005. 3-year term (until the 2014 Annual Meeting of Stockholders).	Professor Emeritus at the University of Southern California School of Cinema-Television since 2007. Chief Financial Officer of Teeccino Caffe Inc., a privately owned beverage manufacturer and distributor.	2	Current: Teeccino Caffe Inc. (beverage manufacturer and distributor) Caucus for Television Producers, Writers & Directors Foundation (not-for-profit organization)

Prior:
Kayne Anderson Rudnick Mutual Funds[1] from 1998 to 2002

(1) The investment adviser to the Kayne Anderson Rudnick Mutual Funds, Kayne Anderson Rudnick Investment Management, LLC, formerly was an affiliate of KACALP.

Table of Contents

REMAINING DIRECTOR WHO IS AN INTERESTED PERSON

Name (Year Born)	Position(s) Held with Each Company, 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 During Past Five Years
Kevin S. McCarthy(1) (born 1959)	Chairman of the Board of Directors, President and Chief Executive Officer of each Company since inception. 3-year term as a director (until the 2015 Annual Meeting of Stockholders), elected annually as an officer.	Senior Managing Director of KACALP since June 2004 and of KAFA since 2006. President and Chief Executive Officer of KYN, KYE, KED and KMF since inception (KYN inception in 2004, KYE inception in 2005, KED inception in 2006 and KMF inception in 2010). Global Head of Energy at UBS Securities LLC from November 2000 to May 2004.	4	Current: KED KMF Range Resources Corporation (oil and natural gas company) Direct Fuels Partners, L.P. (transmix refining and fuels distribution) Prior: Clearwater Natural Resources, L.P. (coal mining MLP) International Resource Partners LP (coal mining MLP)

	K-Sea Transportation Partners LP (shipping MLP)
	ProPetro Services, Inc. (oilfield services)

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

Table of Contents

DIRECTOR COMPENSATION

For each Company, directors and officers who are interested persons by virtue of their employment by Kayne Anderson, including all executive officers, serve without any compensation from the Company. For each Company, for the fiscal year ended November 30, 2012:

Each Independent Director who served on the Board of Directors of both KYN and KYE received an annual retainer of $80,000 prior to June 1, 2012 and $90,000 effective June 1, 2012 for his or her service on both boards. KYN and KYE each paid a *pro rata* portion of this retainer quarterly based on their average total assets for the quarter. As of February 28, 2013, 77% and 23% of the quarterly retainer was allocated to KYN and KYE, respectively.

For each Company, the chairperson of the Audit Committee received additional compensation of $5,000 annually prior to June 1, 2012, and $7,500 annually effective June 1, 2012.

For each Company, each Independent Director received $2,500 per regular Board meeting attended in person, $2,000 per regular Board meeting attended via telephone and $1,500 per special Board meeting attended via telephone.

For each Company, each Audit Committee member received $1,500 per Audit Committee meeting, and each member of any other Board committee received $500 per other committee meeting. Committee meeting fees were not paid unless the meeting exceeded 15 minutes in duration.

The Independent Directors were 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 each Company during the fiscal year ended November 30, 2012 to the Independent Directors. No compensation is paid to directors who are interested persons. Neither Company has a retirement or pension plans or any compensation plans under which the Company s equity securities were authorized for issuance.

Director Compensation Table

Name	KYN	KYE	Total Compensation from the Fund Complex
Independent Directors			
Anne K. Costin	$ 86,178	$ 38,822	$ 125,000
Steven C. Good	89,428	44,072	133,500
Gerald I. Isenberg	84,178	38,822	123,000
William H. Shea, Jr.	83,678	36,322	120,000
Interested Director			
Kevin S. McCarthy	None	None	None

Table of Contents

COMMITTEES OF THE BOARD OF DIRECTORS

Each Company s Board currently has three standing committees: the Audit Committee, the Valuation Committee and the Nominating Committee. The following committee descriptions and the directors serving on the committees apply to both Companies:

Audit Committee. Ms. Costin and Messrs. Good, Shea, and Isenberg, each an Independent Director, serve on the Audit Committee. Mr. Good currently serves as Chairman of 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 Securities Exchange Act of 1934, as amended (the 1934 Act). The Audit Committee Charter conforms to the applicable listing standards of the New York Stock Exchange (the NYSE). The Audit Committee Charter is available on the Companies website (www.kaynefunds.com). The Audit Committee, among others, approves and recommends to the Board the election, retention or termination of the Company s independent auditors; approves services to be rendered by such auditors; monitors and evaluates each auditors performance; reviews the results of the Company s audit; determines whether to recommend to the Board that the Company s audited financial statements be included in the Company s Annual Report; monitors the accounting and reporting policies and procedures of the Company and the Company s compliance with regulatory requirements; and responds to other matters as outlined in the Audit Committee Charter. Each Audit Committee member is independent under the applicable NYSE listing standard.

Valuation Committee. Ms. Costin and Messrs. McCarthy, Good and Isenberg serve on the Valuation Committee. The Valuation Committee is responsible for the oversight of the Company s valuation procedures and the valuation of the Company s 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 the Companies website (www.kaynefunds.com).

Nominating Committee. Ms. Costin and Messrs. Good, Isenberg and Shea, each an Independent Director, are members of the Nominating Committee. The Nominating Committee is responsible for appointing and nominating Independent Directors to the Board. Each Nominating Committee member is independent under the applicable NYSE listing standards. The Nominating Committee operates under a written charter adopted and approved by the Board (the Nominating Committee Charter), a copy of which is available on the Companies 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, the Company s management, investment adviser and counsel, will consider nominees properly recommended by stockholders, 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 or to the energy 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;

12

Table of Contents

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 the Company s 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 Nominating 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).

The Nominating Committee also considers diversity, including gender, race and national origin, education, professional experience, skills and viewpoints in identifying nominees for director. The Nominating Committee does not have a formal policy with respect to diversity; however, the Board and the Nominating Committee believe that it is important that the Board members represent diverse skills, backgrounds, experiences and perspectives.

Prior to making a final recommendation to the Board, the Nominating Committee of each Company may conduct personal interviews with the candidates it believes to be 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 the Company s 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 of either Company, stockholders of such Company shall mail the recommendation to the Secretary of the Company at 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; (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 the Company, 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.

Any such recommendation must contain sufficient background information concerning the candidate to enable the Company s 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.

Table of Contents

Board of Director and Committee Meetings Held

The following table shows the number of meetings held for each Company during the fiscal year ended November 30, 2012:

	KYN	KYE
Board of Directors	5	4
Audit Committee	3	3
Valuation Committee	4	4
Nominating Committee	3	3

During the 2012 fiscal year, all of the directors of each Company 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. The Companies do not currently have a policy with respect to board member attendance at annual meetings.

For each Company, please refer to Corporate Governance on page 32 for a review of the Board s leadership structure, role in risk oversight and other matters.

Table of Contents

INFORMATION ABOUT EACH DIRECTOR S QUALIFICATIONS,

EXPERIENCE, ATTRIBUTES OR SKILLS

The Board of each Company believes that each of its directors has the qualifications, experience, attributes and skills (Director Attributes) appropriate to their continued service as directors of the Company in light of the Company s business and structure. Each of the directors has a demonstrated record of business and/or professional accomplishment that indicates that they have the ability to critically review, evaluate and access information provided to them. Certain of these business and professional experiences are set forth in detail in the tables above under Information Regarding Nominee and Directors. Each of the directors has served on the Boards of both Companies for a number of years. In addition, many of the directors have served as members of the board of other public companies, non-profit entities or other organizations. They therefore have substantial boardroom experience and, in their service to both Companies, have gained substantial insight as to the operation of the Companies and have demonstrated a commitment to discharging oversight duties as directors in the interests of stockholders.

In addition to the information provided in the tables above, certain additional information regarding the directors and their Director Attributes is provided below. The information provided below, and in the tables above, is not all-inclusive. Many Director Attributes involve intangible elements, such as intelligence, integrity and work ethic, along with the ability to work with other members of the Board, to communicate effectively, to exercise judgment and to ask incisive questions, and commitment to stockholder interests. The Board of each Company annually conducts a self-assessment wherein the effectiveness of the Board and individual directors is reviewed. In conducting its annual self-assessment, each Board has determined that the directors have the appropriate attributes and experience to continue to serve effectively as directors of the Company.

Kevin S. McCarthy. Mr. McCarthy is Chairman, President and Chief Executive Officer of both Companies. In this position, Mr. McCarthy has extensive knowledge of each Company, its operations, personnel and financial resources. Prior to joining Kayne Anderson in 2004, Mr. McCarthy was most recently global head of energy at UBS Securities LLC. In this role, he had senior responsibility for all of UBS energy investment banking activities, including direct responsibilities for securities underwriting and mergers and acquisitions in the MLP industry. From 1995 to 2000, Mr. McCarthy led the energy investment banking activities of Dean Witter Reynolds and then PaineWebber Incorporated. He began his investment banking career in 1984. In addition to his directorships at KYN, KYE, KMF and KED, he is also on the board of directors of Range Resources Corporation and Direct Fuel Partners, L.P. Mr. McCarthy earned a B.A. in Economics and Geology from Amherst College in 1981 and an M.B.A. in Finance from the Wharton School at the University of Pennsylvania in 1984. Mr. McCarthy s position of influence and responsibility at each Company and at KAFA, combined with his experience advising energy companies as an investment banker, make him a valued member of the Board of each Company.

Anne K. Costin. Ms. Costin has been a professor at the Amsterdam Institute of Finance since 2007. She served as an adjunct professor in the finance and economics department of Columbia University Graduate School of Business from 2004 through 2007. As of March 1, 2005, Ms. Costin retired after a 28-year career at Citigroup, and during the last five years of her banking career she held the position of Managing Director and Global Deputy Head of the Project & Structured Trade Finance product group within Citigroup s Investment Banking Division. Ms. Costin s product group provided integrated advice and non-recourse capital raising in both the bond and bank markets to top tier Citigroup corporate clients in both the developed and emerging markets. Her product group was the acknowledged market leader globally in all relevant league tables. Ms. Costin received a Director s Certificate from the Director s Institute at UCLA Anderson School of Management, a PMD degree from Harvard Business School, and a B.A. from the University of North Carolina at Chapel Hill. In addition to her managerial and banking experience, Ms. Costin s academic professional experience related to financial matters equip her to offer further insights to the Board of each Company.

Steven C. Good. Mr. Good has worked as an independent consultant since his retirement, effective February 1, 2010, from the accounting firm of CohnReznick LLP (formerly Good, Swartz, Brown & Berns), where he had been an active partner since 1976. He founded Good, Swartz, Brown & Berns in 1976, and has been active in consulting and advisory services for businesses in various sectors, including the manufacturing, garment, medical services and real estate development industries. Mr. Good also has many years of experience as the chairman of the audit committees of several public companies. Mr. Good founded California United Bancorp and served as its Chairman through 1993. In addition to his KYN and KYE directorships, Mr. Good currently serves as a director of OSI Systems, Inc., a designer and manufacturer of specialized electronic products. Mr. Good also formerly served as a director of California Pizza Kitchen, Inc. and Arden Realty Group, Inc. from 1997 to 2006. Mr. Good holds a B.S. in Business Administration from UCLA and attended its Graduate School of Business. Mr. Good has extensive experience with corporate governance, financial and accounting matters, evaluating financial results and overseeing the financial reporting process of a large corporation. In addition, Mr. Good brings to the Board of each Company many years of experience as the chairman of the audit committees of several public companies.

Gerald I. Isenberg. Mr. Isenberg has served as a professor emeritus at the University of Southern California School of Cinema-Television since 2007. He also serves as Chief Financial Officer of Teeccino Caffe Inc., a privately-owned beverage manufacturer and distributor. From 1989 to 1995, he was Chief Executive Officer of Hearst Entertainment Productions, a producer of television movies and programming for major broadcast and cable networks, as well as President and Chief Operating Officer of Hearst Entertainment, the domestic and international television production and distribution division of The Hearst Corporation. From 1989 to 1993, Mr. Isenberg taught as an adjunct professor at the UCLA Graduate School of Film and Television. In addition to his KYN and KYE directorships, Mr. Isenberg also serves as a director of Teeccino Caffe Inc. and as the Chairman of the Caucus for Television Producers, Writers, and Directors, a not-for-profit organization that supplies grants to minority film students to complete their thesis films. From 1998 to 2002, Mr. Isenberg was a board member of the Kayne Anderson Rudnick Mutual Funds. Mr. Isenberg received an M.B.A. from Harvard Business School as a Baker Scholar. Mr. Isenberg s academic and professional career with prominent institutions and companies, much of which is related to financial and strategic planning, is relevant to the oversight of each Company. Mr. Isenberg also brings to the Board of each Company an understanding of asset management and mutual fund operations and strategy as a result of his service on the Board of Kayne Anderson Rudnick Mutual Funds, formerly an affiliate of KACALP.

William H. Shea, Jr. Mr. Shea has served as the Chief Executive Officer of the general partner of PVR Partners L.P. (PVR), a coal and midstream MLP since March 2010. Mr. Shea also serves as a director of PVR. From March 2010 to March 2011, Mr. Shea also served as the President and Chief Executive Officer of Penn Virginia GP Holdings L.P. (PVG), which then owned the general partner of PVR. Mr. Shea was previously with the general partner of Buckeye Partners, L.P. (BPL), a petroleum products MLP, serving as Chairman from May 2004 to July 2007, Chief Executive Officer and President from September 2000 to July 2007 and President and Chief Operating Officer from July 1998 to September 2000. He was also Chairman of the general partner of Buckeye GP Holdings, L.P. (BGH), the owner of the general partner of BPL, from August 2006 to July 2007 and Chief Executive Officer and President from May 2004 to July 2007. Mr. Shea held various managerial and executive positions during his tenure with Buckeye, which he joined in 1996. Prior to Buckeye, Mr. Shea worked for Union Pacific Corporation, UGI Development Company and Laidlaw Environmental Services. In addition to his KYN and KYE directorships, Mr. Shea also serves as director for Niska Gas Storage Partners LLC, a natural gas storage partnership and USA Compression Partners, LP, an MLP. Mr. Shea served as a director of PVG from March 2010 to March 2011 and of Penn Virginia Corporation, a company engaged in oil and gas exploration, development and production, from July 2007 to June 2010. Mr. Shea s extensive executive experience in the MLP sector and the energy industry, as well as his board experience as a director of several energy-related companies allows him to provide the Board with insight into the specific industries in which we invest.

Table of Contents

Required Vote

With respect to each Company, the election of Mr. Shea as a Class III Director under this proposal requires the affirmative vote of the holders of a majority of the Company s Preferred Stock outstanding as of the Record Date. For purposes of this proposal, each share of Preferred Stock is entitled to one vote.

With respect to each Company, the election of Ms. Costin as a Class III Director under this proposal requires the affirmative vote of the holders of a majority of the Company s Common Stock and Preferred Stock outstanding as of the Record Date, voting together as a single class. For purposes of this proposal, each share of Common Stock, and each share of Preferred Stock, is entitled to one vote.

Abstentions, if any, will have the same effect as votes against the election of Mr. Shea and Ms. Costin, although they will be considered present for purposes of determining the presence of a quorum at the Annual Meeting.

In uncontested elections of directors, brokers are permitted by applicable regulations to vote shares as to which instructions have not been received from the beneficial owners or the persons entitled to vote. For this reason, it is anticipated that there will be few, if any, broker non-votes in connection with this proposal. However, broker non-votes, if any, will have the same effect as a vote against the nominee, although they would be considered present for purposes of determining a quorum.

BOARD RECOMMENDATION

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

Table of Contents

PROPOSAL TWO

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING

FIRM

The Audit Committee and the Board of Directors of each Company, including all of the Company s Independent Directors, have selected PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company for the year ending November 30, 2013 and are submitting the selection of PricewaterhouseCoopers LLP to the stockholders for ratification.

PricewaterhouseCoopers LLP has audited the financial statements of each Company since inception and has informed each Company that it has no direct or indirect material financial interest in the Company or in Kayne Anderson.

A representative of PricewaterhouseCoopers LLP will be available at the Annual Meeting to make a statement, if such representative so desires, and to respond to stockholders questions.

The Audit Committee of each Company normally meets two times each year with representatives of PricewaterhouseCoopers LLP to discuss the scope of their engagement, review the financial statements of the Company and the results of their examination.

INDEPENDENT ACCOUNTING FEES AND POLICIES

Audit and Related Fees

The following table sets forth the approximate amounts of the aggregate fees billed to each Company for the fiscal years ended November 30, 2012 and 2011, respectively, by PricewaterhouseCoopers LLP:

	KYN		KYE	
	2012	**2011**	**2012**	**2011**
Audit Fees(1)	$ 221,900	$ 205,300	$ 207,000	$ 181,300
Audit-Related Fees(2)	120,600	80,200	55,800	10,000
Tax Fees(3)	186,600	169,000	157,800	146,000
All Other Fees				
Aggregate Non-Audit Fees(4)				

(1) For professional services rendered with respect to the audit of each Company s annual financial statements and the quarterly review of each Company s financial statements.

(2) For professional services rendered with respect to assurance and related services reasonably related to the performance of the audits of each Company s annual financial statements not included in Audit Fees above.

(3) For professional services for tax compliance, tax advice and tax planning.

(4) Neither Company, nor KAFA or any entity controlling, controlled by, or under common control with KAFA that provides ongoing services to either Company, was billed by PricewaterhouseCoopers LLP for any non-audit services during the fiscal years ended November 30, 2012 and 2011.

Audit Committee Pre-Approval Policies and Procedures

Before the auditor for each Company is engaged by the Company to render audit, audit-related or permissible non-audit services to the Company, either: (a) the Audit Committee shall pre-approve such engagement; or (b) such engagement shall be entered into pursuant to pre-approval policies and procedures established by the Audit Committee. Before any non-audit services may be provided by the auditor to Kayne Anderson or any entity in the investment company complex (*i.e.*, the Company, Kayne Anderson and any

Table of Contents

entity controlled by, controlling or under common control with Kayne Anderson if such entity is an investment adviser or is engaged in the business of providing administrative, custodian, underwriting or transfer agent services to the Company or Kayne Anderson), if the nature of the services to be provided relate directly to the Company s operations or financial reporting, such non-audit services must be pre-approved by the Audit Committee. Any pre-approval policies and procedures established by the Audit Committee must be detailed as to the particular service and not involve any delegation of the Audit Committee s responsibilities to Kayne Anderson. The Audit Committee may delegate to one or more of its members the authority to grant pre-approvals. The pre-approval policies and procedures shall include the requirement that the decisions of any member to whom authority is delegated under this provision shall be presented to the full Audit Committee at its next scheduled meeting. Under certain limited circumstances, pre-approvals are not required if certain *de minimis* thresholds are not exceeded, as such thresholds are set forth by the Audit Committee and in accordance with applicable SEC rules and regulations.

For engagements with PricewaterhouseCoopers LLP, the Audit Committee of each Company approved in advance all audit services and non-audit services, if any, that PricewaterhouseCoopers LLP provided to the Company and to Kayne Anderson (with respect to the Company s operations and financial reporting). None of the services rendered by PricewaterhouseCoopers LLP to the Company or Kayne Anderson were pre-approved by the Audit Committee pursuant to the pre-approval exception under Rule 2.01(c)(7)(i)(C) or Rule 2.01(c)(7)(ii) of Regulation S-X. The Audit Committee has considered and concluded that the provision of non-audit services rendered by PricewaterhouseCoopers LLP to Kayne Anderson and any entity controlling, controlled by, or under common control with Kayne Anderson that were not required to be pre-approved by the Audit Committee is compatible with maintaining PricewaterhouseCoopers LLP s independence.

JOINT AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors (the Board) of each of Kayne Anderson MLP Investment Company and Kayne Anderson Energy Total Return Fund, Inc. (each, a Company) is responsible for assisting the Board in monitoring (1) the accounting and reporting policies and procedures of the Company, (2) the quality and integrity of the Company s financial statements, (3) the Company s compliance with regulatory requirements, and (4) the independence and performance of the Company s independent auditors and any internal auditors. Among other responsibilities, the Audit Committee of each Company reviews, in its oversight capacity, the Company s annual financial statements with both management and the independent auditors, and the Audit Committee of each Company meets periodically with the independent auditors and any internal auditors to consider their evaluation of the Company s financial and internal controls. The Audit Committee of each Company also selects, retains and evaluates and may replace the Company s independent auditors and determines their compensation, subject to ratification of the Board, if required. The Audit Committee of each Company is currently composed of four directors. The Audit Committee of each Company operates under a written charter (the Audit Committee Charter) adopted and approved by the Board, a copy of which is available on the Companies website (www.kaynefunds.com). Each Audit Committee member is independent as defined by New York Stock Exchange listing standards.

The Audit Committee of each Company, in discharging its duties, has met with and held discussions with management and the Company s independent auditors and any internal auditors. The Audit Committee of each Company has reviewed and discussed the Company s audited financial statements with management. Management has represented to the independent auditors that the Company s financial statements were prepared in accordance with accounting principles generally accepted in the U.S. The Audit Committee of each Company has also discussed with the independent auditors the matters required to be

Table of Contents

discussed by the statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee of each Company has received the written disclosures and the letter from the Company s independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors communications with the Audit Committee of each Company concerning independence, and has discussed with the independent auditors the independent auditors independence. As provided in the Audit Committee Charter of each Company, it is not the Audit Committee s responsibility to determine, and the considerations and discussions referenced above do not ensure, that the Company s financial statements are complete and accurate and presented in accordance with accounting principles generally accepted in the U.S.

Based on each Company s Audit Committee s review and discussions with management and the independent auditors, the representations of management and the report of the independent auditors to each Company s Audit Committee, the Audit Committee of each Company has recommended that its Board include the audited financial statements in the Company s Annual Report on Form N-CSR for the fiscal year ended November 30, 2012 filed with the Securities and Exchange Commission.

Submitted by the Audit Committee of each Company:

Anne K. Costin

Steven C. Good

Gerald I. Isenberg

William H. Shea, Jr.

Required Vote

With respect to each Company, the approval of this proposal requires 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. For purposes of this proposal, each share of Common Stock, and each share of Preferred Stock is entitled to one vote.

For purposes of the vote on this proposal, abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote.

BOARD RECOMMENDATION

THE BOARD OF DIRECTORS OF EACH COMPANY, INCLUDING ALL OF THE INDEPENDENT DIRECTORS, UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

Table of Contents

PROPOSAL THREE

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, COMMISSIONS AND OFFERING EXPENSES) BEING GREATER THAN NET ASSET VALUE PER SHARE

Summary

The 1940 Act prohibits each Company from selling shares of its common stock at a net price, after deducting underwriting fees, commissions and offering expenses, below the current net asset value (NAV) per share of such stock, except with the consent of a majority of the Company s common stockholders or under certain other circumstances. Each 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 net 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 of each Company 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, commissions and offering expenses) is above its then-current NAV, subject to certain conditions discussed below. For each Company, if approved, the authorization would be effective for a period expiring on the date of the Company s 2014 Annual Meeting of Stockholders, which is expected to be held in June 2014.

Rationale

Each Company expects that it will be periodically presented with opportunities to acquire securities at attractive prices that may lead to an increase in the Company s long-term NAV, including publicly traded securities purchased at a discount to current market value in negotiated transactions. Each Company believes that having the ability to issue its common stock at a net price below NAV could benefit its stockholders by providing it with 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 each Company generally attempts to remain fully invested and 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 Each Company s Common Stock

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

	KYN			KYE		
Date	**Net Asset Value**	**Closing Price**	**Premium/ (Discount)**	**Net Asset Value**	**Closing Price**	**Premium/ (Discount)**
February 28, 2013	$ 30.92	$ 35.38	14%	$ 26.94	$ 28.82	7%
November 30, 2012	28.51	31.13	9	25.43	25.02	(2)
August 31, 2012	28.66	30.50	6	26.19	26.85	3
May 31, 2012	26.38	28.99	10	24.65	25.89	5

Table of Contents

	KYN			KYE		
Date	**Net Asset Value**	**Closing Price**	**Premium/ (Discount)**	**Net Asset Value**	**Closing Price**	**Premium/ (Discount)**
February 29, 2012	$ 30.08	$ 31.40	4%	$ 28.66	$ 28.61	0%
November 30, 2011	27.01	28.03	4	25.25	23.82	(6)
August 31, 2011	26.01	28.40	9	24.51	25.47	4
May 31, 2011	27.53	29.43	7	28.26	29.10	3
February 28, 2011	28.73	30.91	8	29.42	30.15	2
November 30, 2010	26.67	28.49	7	26.53	28.34	7
August 31, 2010	23.96	25.54	7	22.74	24.12	6
May 31, 2010	21.90	25.25	15	21.26	23.18	9

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

For each Company, 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.

Each 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 two business days before pricing of the common stock to be sold in such 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 two business days before pricing of such common stock offering, 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 in one or a series of related transactions 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.

Table of Contents

Factors to Consider

Before voting on this proposal or giving proxies with regard to this matter, common stockholders of each Company 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 of each Company should also consider that holders of the Company s common stock have no subscription, preferential or pre-emptive 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.

Below are separate examples for KYN and KYE:

KYN Examples

These two examples assume that KYN has an NAV of $32.00 per share with 93.2 million shares outstanding and that the underwriting fees, commissions and expenses are 4% of the gross offering price per share.

Example 1. A gross offering price of $32.00 per share (equal to the NAV) would result in a net offering price of $30.72 per share after deducting the underwriting fees, commissions and expenses. The maximum number of shares that the KYN could issue in this example is 31.0 million shares before reaching the cap of 1% dilution to NAV per share, or $0.32 per share.

Example 2. A gross offering price of $32.50 per share (above NAV) would result in a net offering price of $31.20 per share after deducting the underwriting fees, commissions and expenses. The maximum number of shares that KYN could issue in this example is approximately 62.1 million shares before reaching the cap of 1% dilution to NAV per share, or $0.32 per share.

KYE Examples

These two examples assume that KYE has an NAV of $28.00 per share with 35.6 million shares outstanding and that the underwriting fees, commissions and expenses are 4% of the gross offering price per share.

Example 1. A gross offering price of $28.00 per share (equal to the NAV) would result in a net offering price of $26.88 per share after deducting the underwriting fees, commissions and expenses. The maximum number of shares that KYE could issue in this example is 11.8 million shares before reaching the cap of 1% dilution to NAV per share, or $0.28 per share.

Example 2. A gross offering price of $28.50 per share (above NAV) would result in a net offering price of $27.36 per share after deducting the underwriting fees, commissions and expenses. The maximum number of shares that KYE could issue in this example is approximately 27.6 million shares before reaching the cap of 1% dilution to NAV per share, or $0.28 per share.

As discussed above, a Company will only sell shares of its common stock at a net price below NAV per share so long as the relevant offering would not result in dilution of the NAV per share in excess of 1%. However, it is possible that the Company could effect multiple offerings of its common stock, each of which would meet the 1% limitation, but which would cumulatively result in a dilutive effect of greater than 1% of the NAV per share. It is worth noting that KYN has completed seven offerings of common stock in the last four years (in August 2009, January 2010, August 2010, April 2011, February 2012, August 2012 and March 2013), none of which had a dilutive effect on its NAV. KYE issues common stock through an at the market (ATM) program; common stock offered under the ATM program has not had a dilutive effect on NAV. Neither Company can make assurances as to the effect of any future offerings.

Table of Contents

The issuance of additional shares of common stock will also have an effect on the gross amount of management fees paid by such Company to KAFA. Each 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 a 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 a 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.

Required Vote

With respect to each Company, the approval of this proposal requires:

(1) the affirmative vote of a majority of all holders of the Company s Common Stock on the records of the Company s transfer agent (Registered Common Stockholders) as of the Record Date (the Registered Common Stockholder Vote), 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 (the Majority Stockholder Vote).

For purposes of the Registered Common Stockholder Vote, abstentions will have the effect of votes AGAINST this proposal; and broker non-votes are not relevant for this vote because Registered Common Stockholders are stockholders of record with the transfer agent and, therefore, do not hold their shares through a broker. For purposes of the Majority Stockholder Vote, abstentions will have the effect of votes AGAINST this proposal, and broker non-votes will have no effect on the outcome.

The vast majority of shareholders hold their shares beneficially through brokers and are not Registered Common Stockholders. In fact, as of March 31, 2013 KYN and KYE had 50 and 36 Registered Common Stockholders, respectively.

Stockholders should note that various affiliates of KAFA, such as its officers and employees, are Registered Common Stockholders of each Company and intend to participate in the Registered Common Stockholder Vote. Because there are so few Registered Common Stockholders, these affiliates represent a substantial percentage of the total number of each Company s Registered Common Stockholders. For that reason, votes cast by these affiliates will likely determine whether this proposal is approved pursuant to the Registered Common Stockholder Vote. In order to mitigate the conflict of interest these affiliates may have in voting for this proposal pursuant to the Registered Common Stockholder Vote, each such affiliate intends to vote in favor of this proposal pursuant to the Registered Common Stockholder Vote only if this proposal is approved pursuant to the Majority Stockholder Vote. Using this method, the approval of the proposal is likely to be determined by the Majority Stockholder Vote.

BOARD RECOMMENDATION

THE BOARD OF DIRECTORS OF EACH COMPANY 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 LONG AS THE GROSS PRICE IS ABOVE NAV PER SHARE, SUBJECT TO CERTAIN CONDITIONS.

Table of Contents

INFORMATION ABOUT EXECUTIVE OFFICERS

The following table sets forth each executive officer s name and year of birth; position(s) with each Company, term of office, and length of time served; principal occupations during the past five years; and directorships. The address for the Company s offices is 717 Texas Avenue, Suite 3100, Houston, TX 77002. All executive officers currently serve in identical offices with KYN, KYE, KMF and KED.

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**	**Other Directorships Held by Officer During Past Five Years**
Kevin S. McCarthy (born 1959)	Chairman of the Board of Directors, President and Chief Executive Officer. 3-year term as a director (until the 2015 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 KYN, KYE, KED and KMF since inception (KYN inception in 2004, KYE inception in 2005, KED inception in 2006 and KMF inception in 2010). Global Head of Energy at UBS Securities LLC from November 2000 to May 2004.	4	Current: KED; KMF; Range Resources Corporation (oil and natural gas company); Direct Fuels Partners, L.P. (transmix refining and fuels distribution). Prior: Clearwater Natural Resources, L.P. (coal mining MLP)

				International Resource Partners LP (coal mining MLP) K-Sea Transportation Partners LP (shipping MLP) ProPetro Services, Inc. (oilfield services)
Terry A. Hart (born 1969)	Chief Financial Officer and Treasurer. Elected annually. Served since 2005.	Chief Financial Officer and Treasurer of KYN and KYE since December 2005, of KED since September 2006, and of KMF since November 2010. Director of Structured Finance, Assistant Treasurer, Senior Vice President and Controller of Dynegy, Inc. from 2000 to 2005.	4	Current: The Source for Women (not-for-profit organization)
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 KYN since 2004, of KYE since 2005, of KED since 2006 and of KMF since August 2010.	4	None

Table of Contents

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	Other Directorships Held by Officer During Past Five Years
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. Portfolio Manager of KACALP since 2000, Portfolio Manager, Vice President, Assistant Secretary and Assistant Treasurer of KYN since 2004, of KYE since 2005 and of KED since 2006. Executive Vice President of KYN, KYE and KED since June 2008 and of KMF since August 2010.	4	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. Vice President of KYN and KYE from 2005 to 2008 and of KED from 2006 to 2008, and Executive Vice President of KYN, KYE and KED since June 2008 and of KMF since August 2010.	4	Current: None Prior: K-Sea Transportation Partners LP (shipping MLP) Petris Technology, Inc. (data management for energy companies) ProPetro Services, Inc. (oilfield services)
Ron M. Logan, Jr. (born 1960)	Senior Vice President. Elected annually. Served since September 2012.	Managing Director of KACALP and KAFA since September 2006. Senior Vice President of KED since September 2006. Senior Vice President of KMF since June 2012. Senior Vice President of KYE since September 2012. Independent consultant to several leading energy firms. Senior Vice President	4	Current: VantaCore Partners LP (aggregates MLP)

		of Ferrellgas Inc. from 2003 to 2005. Vice President of Dynegy Midstream Services from 1997 to 2002.		
Jody C. Meraz (born 1978)	Vice President. Elected annually. Served since June 2011.	Senior Vice President of KACALP and KAFA since 2011. Vice President of KACALP from 2007 to 2011. Associate of KACALP and KAFA since 2005 and 2006. Vice President of KYN, KYE, KED and KMF since 2011.	4	None

COMPENSATION DISCUSSION AND ANALYSIS

Pursuant to an investment management agreement between each Company and KAFA (the Companies external manager), KAFA is responsible for supervising the investments and reinvestments of each Company s assets. KAFA, at its own expense, maintains staff and employs personnel as it determines is necessary to perform its obligations under the investment management agreement. Each Company pays various management fees to KAFA for the advisory and other services performed by KAFA under the investment management agreement.

Table of Contents

The executive officers who manage each Company s regular business are employees of KAFA or its affiliates. Accordingly, neither Company pays salaries, bonuses or other compensation to its executive officers. Neither Company has employment agreements with its executive officers. Neither Company provides pension or retirement benefits, perquisites, or other personal benefits to its executive officers. Neither Company maintains compensation plans under which its equity securities are authorized for issuance. Neither Company has arrangements to make payments to its executive officers upon their termination or in the event of a change in control of the Company.

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

The executive officers for both Companies are compensated by KAFA. The Companies understand that KAFA takes into account the performance of each 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 each Company, certain of the executive officers rec