KAYNE ANDERSON MIDSTREAM/ENERGY FUND, INC.
Form N-14 8C/A
May 11, 2018
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As filed with the Securities and Exchange Commission on May 11, 2018

Securities Act File No. 333-224204

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM N-14

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Pre-Effective Amendment No.1 **Post-Effective Amendment No.**
(Check appropriate box or boxes)

Kayne Anderson Midstream/Energy Fund, Inc.

(Exact name of registrant as specified in charter)

811 Main Street, 14th Floor

Houston, TX 77002

(Address of Principal Executive Offices)

Registrant s Telephone Number, Including Area Code: (877) 657-3863

David J. Shladovsky, Esq.

KA Fund Advisors, LLC

1800 Avenue of the Stars, Third Floor

Los Angeles, California 90067

(Name and Address of Agent for Service)

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Houston, Texas 77002
(713) 860-7300

Approximate Date of Proposed Offering: As soon as practicable after this Registration Statement is declared effective.

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price per Unit(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, $0.001 par value per share	27,050,000	$12.39(2)	$335,149,500	$41,726.11(3)

(1) Estimated solely for the purpose of calculating the registration fee.
(2) Net asset value per share as of April 4, 2018.
(3) Registration fee amount of $40,920.00, which represents a portion of the registration fees attributable to unsold securities under the Registrant s Registration Statement on Form N-2 (File No. 333-188190, filed on April 29, 2013 and effective November 4, 2013), are being applied to and offset against the registration fee currently due ($41,726.11) pursuant to Rule 457(p) under the Securities Act. Accordingly, the remainder ($806.11) was previously paid.

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

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EXPLANATORY NOTE

This Joint Proxy Statement/Prospectus is organized as follows:

1. Letter to Stockholders of Kayne Anderson Midstream/Energy Fund, Inc. (KMF) and Kayne Anderson Energy Total Return Fund, Inc. (KYE), each a Maryland corporation and registered closed-end management investment company

2. Notice of Annual Meeting of KMF and Special Meeting of KYE

3. Joint Proxy Statement/Prospectus for KMF and KYE

4. Statement of Additional Information regarding the proposed reorganization of KMF and KYE

5. Part C Information

6. Exhibits

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Kayne Anderson Midstream/Energy Fund, Inc. (NYSE: KMF)

Kayne Anderson Energy Total Return Fund, Inc. (NYSE: KYE)

, 2018

Dear Fellow Stockholder:

You are cordially invited to attend the combined 2018 Annual Meeting of Stockholders (the Annual Meeting) of Kayne Anderson Midstream/Energy Fund, Inc. (KMF) and Special Meeting of Stockholders (the Special Meeting, and, together with the Annual Meeting, the Meeting) of Kayne Anderson Energy Total Return Fund, Inc. (KYE) to be held on:

, 2018

a.m. Central Time

Kayne Anderson

811 Main Street, 14th Floor

Houston, TX 77002

At the Meeting, (i) KYE stockholders will be asked to consider and approve a proposal authorizing the combination of KYE and KMF, which will be accomplished as a tax-free reorganization of KYE into KMF (the Reorganization), and (ii) KMF stockholders will be asked to consider and approve a proposal authorizing the issuance of additional shares of KMF common stock in connection with the Reorganization. In addition, KMF stockholders will also be asked to consider routine matters customarily considered at the annual meetings of KMF, namely to (i) elect seven directors of KMF and (ii) ratify PricewaterhouseCoopers LLP as KMF s independent registered public accounting firm for its fiscal year ending November 30, 2018. Finally, KMF stockholders may be asked to consider and take action on such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

The Board of Directors of KMF and KYE each voted unanimously to approve the Reorganization, believes that it is in the best interest of stockholders and recommends you vote **FOR** the approval of the Reorganization and each other proposal for which you are entitled to vote.

Enclosed with this letter are (i) the formal notice of the Meeting, (ii) the joint proxy statement/prospectus, which gives detailed information about the Reorganization and the other proposals and why the Boards of Directors recommends that you vote to approve them, and (iii) a 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 .

Your vote is important. Please vote your shares via the internet or by telephone or complete, sign, and date the enclosed proxy card and return it in the enclosed envelope. You may also vote in person if you are able to attend the Meeting. However, even if you plan to attend the Meeting, we urge you to cast your vote early. That will ensure your vote is counted should your plans change.

Sincerely,

Kevin S. McCarthy

Chairman of the Board of Directors,

CEO of KMF and KYE

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Kayne Anderson Midstream/Energy Fund, Inc.

Kayne Anderson Energy Total Return Fund, Inc.

NOTICE OF KMF 2018 ANNUAL MEETING OF STOCKHOLDERS

NOTICE OF KYE SPECIAL MEETING OF STOCKHOLDERS

To the Stockholders of: Kayne Anderson Midstream/Energy Fund, Inc.

Kayne Anderson Energy Total Return Fund, Inc.

NOTICE IS HEREBY GIVEN that the 2018 Annual Meeting of Stockholders (the Annual Meeting) of Kayne Anderson Midstream/Energy Fund, Inc. (KMF), a Maryland corporation, and a Special Meeting of Stockholders (the Special Meeting, and, together with the Annual Meeting, the Meeting) of Kayne Anderson Energy Total Return Fund, Inc. (KYE), a Maryland corporation, will be held on , 2018 at a.m. Central Time at Kayne Anderson, 811 Main Street, 14th Floor, Houston, TX 77002 for the following purposes:

For KYE:

1. To approve the combination of KYE and KMF by means of a tax-free reorganization, pursuant to which KYE would transfer all of its assets to KMF in exchange for newly issued shares of common stock and preferred stock, which would be distributed to KYE s stockholders prior to KYE s liquidation, dissolution and termination (the Reorganization);

For KMF:

2. To approve the issuance of additional KMF common stock in connection with the Reorganization;

3. To elect two directors to serve until KMF s 2019 Annual Meeting of Stockholders, two directors to serve until KMF s 2020 Annual Meeting of Stockholders and three directors to serve until KMF s 2021 Annual Meeting of Stockholders, each until their successors are duly elected and qualified;

4. To ratify the selection of PricewaterhouseCoopers LLP as KMF s independent registered public accounting firm for the fiscal year ending November 30, 2018; and

5. To consider and take action on such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the joint proxy statement/prospectus accompanying this notice.

Stockholders of record of KMF or KYE as of the close of business on , 2018 are entitled to notice of and to vote (on KMF s or KYE s matters, as applicable) at the Meeting (or any adjournment or postponement of the Meeting thereof).

The Boards of Directors unanimously recommend stockholders vote FOR each proposal.

WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE AUTHORIZE A PROXY TO VOTE YOUR SHARES OF STOCK BY FOLLOWING THE INSTRUCTIONS PROVIDED ON YOUR PROXY OR VOTING INSTRUCTIONS CARD. IN ORDER TO AVOID THE ADDITIONAL EXPENSE OF FURTHER SOLICITATION, THE BOARDS OF DIRECTORS ASKS THAT YOU VOTE PROMPTLY, NO MATTER HOW MANY SHARES YOU OWN.

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By Order of the Boards of Directors,

David J. Shladovsky

Secretary

, 2018

Houston, Texas

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

Subject to completion, dated May 11, 2018

JOINT PROXY STATEMENT/PROSPECTUS

Kayne Anderson Midstream/Energy Fund, Inc.

Kayne Anderson Energy Total Return Fund, Inc.

811 Main Street, 14th Floor

Houston, TX 77002

(877) 657-3863

2018 ANNUAL MEETING OF STOCKHOLDERS OF KMF

SPECIAL MEETING OF STOCKHOLDERS OF KYE

, 2018

This joint proxy statement/prospectus is being sent to you by the Board of Directors of Kayne Anderson Midstream/Energy Fund, Inc. (KMF), a Maryland corporation, and the Board of Directors of Kayne Anderson Energy Total Return Fund, Inc. (KYE), a Maryland corporation. The Boards of Directors are asking you to complete and return the enclosed proxy card, permitting your votes to be cast at the 2018 Annual Meeting of Stockholders of KMF (the Annual Meeting) and the Special Meeting of Stockholders of KYE (the Special Meeting, and, together with the Annual Meeting, the Meeting) to be held on:

, 2018

a.m. Central Time

Kayne Anderson

811 Main Street, 14th Floor

Houston, TX 77002

Stockholders of record of KMF or KYE at the close of business on , 2018 (the Record Date) are entitled to vote (on KMF s or KYE s matters, as applicable) at the Meeting. As a stockholder, for each applicable proposal, you are entitled to one vote for each share of common stock and one vote for each share of preferred stock you hold. This

joint proxy statement/prospectus and the enclosed proxy are first being mailed to stockholders on or about , 2018.

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 KMF and KYE pursuant to investment management agreements with each Fund. 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. As of January 31, 2018, Kayne Anderson managed approximately $27 billion, including approximately $17 billion in the energy sector.

This joint proxy statement/prospectus sets forth the information that you should know in order to evaluate each of the following proposals. The following table presents a summary of the proposals and the

classes of stockholders being solicited with respect to each proposal. In addition to the proposals typically considered at KMF s annual meetings, this joint proxy statement/prospectus relates to the proposed combination of KYE and KMF, which will be accomplished as a tax-free reorganization of KYE into KMF (the Reorganization). Specifically, KYE would transfer substantially all of its assets to KMF, and KMF would assume substantially all of KYE s liabilities, in exchange solely for newly issued shares of common and preferred stock of KMF, which will be distributed by KYE to its stockholders in the form of a liquidating distribution (although cash will be distributed in lieu of fractional common shares). KYE will then be terminated and dissolved in accordance with its charter and Maryland law. Please refer to the discussion of each proposal in this joint proxy statement/prospectus for information regarding votes required for the approval of each proposal.

Proposals	Who votes on the proposals?
KYE	
1. To approve the Reorganization.	The holders of common stock and preferred stock, voting together a single class.
	The holders of preferred stock, voting as a separate class.
KMF	
2. To approve the issuance of additional KMF common stock in connection with the Reorganization.	The holders of common stock and preferred stock, voting together as a single class.
3. To elect the following directors for the specified terms:	
Anne K. Costin until the 2019 Annual Meeting of Stockholders;	The holders of common stock and preferred stock, voting together as a single class.
James C. Baker until the 2019 Annual Meeting of Stockholders;	The holders of preferred stock, voting as a separate class.
William R. Cordes and Barry R. Pearl until the 2020 Annual Meeting of Stockholders;	The holders of common stock and preferred stock, voting together as a single class.
Kevin S. McCarthy and William L. Thacker until the 2021 Annual Meeting of Stockholders; and	The holders of common stock and preferred stock, voting together as a single class.
William H. Shea, Jr. until the 2021 Annual Meeting of Stockholders.	The holders of preferred stock, voting as a separate class.
4. To ratify the selection of PricewaterhouseCoopers LLP as KMF s independent registered public accounting firm for the fiscal year ending November 30, 2018.	The holders of common stock and preferred stock, voting together a single class.
5. To consider and take action on such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.	The holders of common stock and preferred stock, voting together a single class.

The Agreement and Plan of Reorganization between KMF and KYE is sometimes referred to herein as the Reorganization Agreement. KMF and KYE are sometimes referred to herein as a Fund and collectively as the Funds. KMF following the Reorganization is sometimes referred to herein as the Combined Fund.

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Additional Information

This joint proxy statement/prospectus sets forth the information stockholders should know before voting on the proposals. The Reorganization constitutes an offering of common stock of KMF, and this joint proxy statement/prospectus serves as a prospectus of KMF in connection with the issuance of its common stock in the Reorganization. Please read it carefully and retain it for future reference. A Statement of Additional Information, dated , 2018, relating to this joint proxy statement/prospectus (the Statement of Additional Information) has been filed with the Securities and Exchange Commission (the SEC) and is incorporated herein by reference.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2018 MEETING OF STOCKHOLDERS TO BE HELD ON , 2018: You should have received a copy of the Annual Reports for the fiscal year ended November 30, 2017 for KMF and/or KYE. If you would like another copy of either Annual Report or the Statement of Additional Information, please write us at Kayne Anderson s address or call us at (877) 657-3863. The Annual Report(s) and Statement of Additional Information will be sent to you without charge. This joint proxy statement/prospectus, the Annual Report and the Statement of Additional Information can be accessed on our website at *www.kaynefunds.com* or on the website of the SEC at *www.sec.gov*.

The Funds are subject to certain informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports, proxy statements, proxy materials and other information with the SEC. Materials filed with the SEC can be reviewed and copied at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or downloaded from the SEC s web site at *www.sec.gov*. Information on the operation of the SEC s Public Reference Room may be obtained by calling the SEC at (202) 551-8090. You may also request copies of these materials, upon payment at the prescribed rates of a duplicating fee, by electronic request to the SEC s e-mail address (publicinfo@sec.gov) or by writing the Public Reference Branch, Office of Consumer Affairs and Information Services, SEC, Washington, DC, 20549-0102.

The currently outstanding shares of common stock of KMF are listed on the New York Stock Exchange (the NYSE) under the ticker symbol KMF and will continue to be so listed after completion of the Reorganization. The common stock of KMF to be issued in connection with the Reorganization will be listed on the NYSE. The currently outstanding shares of common stock of KYE are also listed on the NYSE under the ticker symbol KYE. Reports, proxy statements and other information concerning KMF and KYE may be inspected at the offices of the NYSE, 20 Broad Street, New York, NY 10005.

No person has been authorized to give any information or make any representation not contained in this joint proxy statement/prospectus and, if so given or made, such information or representation must not be relied upon as having been authorized. This joint proxy statement/prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction in which, or to any person to whom, it is unlawful to make such offer or solicitation.

THE SEC HAS NOT APPROVED OR DISAPPROVED THESE SECURITIES OR PASSED UPON THE ADEQUACY OF THIS JOINT PROXY STATEMENT/PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this joint proxy statement/prospectus is , 2018.

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QUESTIONS AND ANSWERS

Although it is recommended that you read the complete joint proxy statement/prospectus of which this Questions and Answers section is a part, a brief overview of the issues to be voted on has been provided below for your convenience.

The anticipated positive impacts of the Reorganization are set forth below. No assurance can be given that the anticipated positive impacts of the Reorganization will be achieved. For information regarding the risks associated with an investment in KMF, see Risk Factors.

Questions Regarding the Reorganization

Q: Why is the Reorganization being recommended by the Boards of Directors?

A: The Board of Directors of each Fund has approved the Reorganization because they have determined that it is in the best interests of each Fund and its stockholders. In making this determination, the Board of Directors of each Fund considered (i) the expected benefits of the transaction for each Fund (as outlined in more detail below) and (ii) the fact that both Funds have very similar investment investment policies and investment strategies. The Combined Fund will pursue KMF s investment objective of obtaining a high total return with an emphasis on cash distributions by investing at least 80% of total assets in Midstream MLPs, Midstream Companies and Other Energy Companies.

Q: What are the benefits of the proposed Reorganization?

A: After careful consideration, the Board of Directors of each Fund believes that the Reorganization will benefit the stockholders of the Funds for the reasons noted below:

Cost savings through elimination of duplicative expenses and greater economies of scale
It is anticipated that the Combined Fund would have a lower expense level with estimated aggregate cost savings of approximately $1.1 million annually, the majority of which is expected to be attributable to reduced operating costs. Because the Reorganization is expected to be completed during the third quarter of fiscal 2018, and because there are expenses associated with the Reorganization, the full impact of these cost savings will not be entirely recognized this year. We expect the Combined Fund to realize the full benefit of these cost savings during fiscal 2019. The Funds incur operating expenses that are fixed (e.g., board fees, printing fees, legal and auditing services) and operating expenses that are variable (e.g., administrative and custodial services that are based on assets under management). Many of these fixed expenses are duplicative between the Funds and can be eliminated as a result of the Reorganization. There will also be an opportunity to reduce variable expenses by taking advantage of greater economies of scale. As a result of these cost savings, it is expected that the Combined Fund will enjoy lower operating costs as a percentage of total assets.

Reorganization expected to increase KMF s net distributable income
The Reorganization is expected to increase KMF s net distributable income per share, in part due to the anticipated cost savings from the transaction. In connection with the Reorganization, KMF announced its intention to pay a distribution at its current annualized rate of $1.20 per share for the 12 months ending February 28, 2019. See Risk Factors Risks Related to Our Investments and Investment Techniques Cash Flow Risk.

Larger asset base could provide greater financial flexibility

The larger asset base of the Combined Fund may provide greater financial flexibility. In particular, as a larger entity, we believe the Combined Fund should potentially have access to more attractive leverage terms (i.e., lower borrowing costs on debt and preferred stock) and a wider range of alternatives for raising capital to grow the Combined Fund.

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Opportunity for enhanced long-term market liquidity

The larger equity market capitalization of the Combined Fund should provide an opportunity for enhanced market liquidity over the long-term. Greater market liquidity may lead to a narrowing of bid-ask spreads and reduce price movements on a trade-to-trade basis. The table below illustrates the equity market capitalization and average daily trading volume for each Fund on a standalone basis as well as for the Combined Fund.

	KMF	KYE	Pro Forma Combined KMF
Equity capitalization ($ in millions)	$ 289	$ 353	$ 642
Average daily trading volume[(1)]	142	244	NA

As of February 28, 2018.

(1) 90-day average trading volume in thousands of shares.

Q: What distributions will KMF and KYE pay to common stockholders?

A: KMF intends to pay a distribution at its current annualized rate of $1.20 per share for the 12 months ending February 28, 2019. KMF will continue to pay distributions on a quarterly basis until the Reorganization closes and intends to begin paying distributions on a monthly basis shortly thereafter (expected to commence in September 2018). KYE intends to pay a distribution at its current annualized rate of $1.00 per share ($0.25 per quarter) until the Reorganization closes. Historically, a portion of the distributions paid to common stockholders of KMF and KYE has been classified as a return of capital, and we expect that a portion of the distributions paid to common stockholders of the Combined Fund may be classified as a return of capital, though the amount will depend on the earnings and profits of the Combined Fund in any given year. A return of capital represents a return of a stockholder s original investment and should not be confused with a dividend from earnings and profits. Payment of future distributions by either KMF or KYE is subject to the approval of such Fund s Board of Directors.

Q: Why is KMF providing guidance on the distribution it intends to pay through February 2019?

A: We believe that investors will benefit from increased visibility on KMF s expected distribution in considering the Reorganization.

Q: Why is KMF converting to monthly distribution payments?

A: We believe many investors will prefer more frequent distribution payments.

Q: As a KYE stockholder, what will happen to my distribution on a pro forma basis?

A: Based on an annualized distribution level of $1.20 per share for KMF and an exchange ratio as of February 28, 2018 of approximately 0.74 shares of KMF for each share of KYE, the annualized pro forma distribution for KYE common stockholders would be approximately $0.88 per share, which is approximately 12 cents less than KYE s current annualized distribution rate. KYE s current distribution rate on its common stock is higher than its net distributable income. Over time, we expect that KYE s distribution level will generally track net distributable income. Accordingly, if the Reorganization were not to occur and KYE were to remain a stand-alone entity, there can be no assurances that KYE s board of directors would elect to maintain its current distribution in light of estimates of the

fund s long term, sustainable net distributable income.

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Q: What impact will the Reorganization have on leverage levels?

A: The amount of leverage as a percentage of total assets following the Reorganization is not expected to significantly change from that of each Fund s standalone leverage levels. The table below illustrates the leverage of each Fund on both a standalone and pro forma basis.

($ in millions)	KMF	KYE	Pro Forma Combined KMF
Total Debt	$ 92	$ 136	$ 228
Mandatory Redeemable Preferred Stock	$ 35	$ 40	$ 75
Leverage	$ 127	$ 176	$ 303
Leverage as % of total assets	30%	33%	31%

As of February 28, 2018.

Q: How has KMF performed relative to KYE?

A: The performance table below, as of February 28, 2018, illustrates the past performance of an investment in each Fund. As shown in the table below, since KMF s inception, it has generally outperformed KYE on both a net asset value and market price basis. A Fund s past performance does not necessarily indicate how such Fund will perform in the future.

Average Annual Total Returns as of February 28, 2018

	Based on Net Asset Value[1]						Based on Market Price[2]					
	1 Year	3 Years	5 Years	10 Years	Inception[3]	KMF s Inception[4]	1 Year	3 Years	5 Years	10 Years	Inception[3]	KMF s Inception[4]
KMF	(18.1)%	(19.5)%	(7.3)%	N/A	0.4%	0.4%	(13.6)%	(18.3)%	(8.3)%	N/A	(0.6)%	(0.6)%
KYE	(18.0)%	(20.5)%	(10.4)%	(1.9)%	1.5%	(5.0)%	(17.8)%	(21.1)%	(12.1)%	(0.8)%	0.8%	(6.2)%

(1) Total investment return based on net asset value is calculated assuming a purchase of common stock at the net asset value on the first day and a sale at the net asset value on the last day of the period reported. The calculation also assumes the reinvestment of distributions at actual prices pursuant to each Fund s dividend reinvestment plan.

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

(3) KMF and KYE commenced investment operations on November 24, 2010 and June 28, 2005, respectively.

(4) Represents the applicable average annual total returns of the Funds since November 30, 2010, the first month-end following KMF s commencement of investment operations.

Q: How will the Reorganization affect me?

A: KMF stockholders will remain stockholders of KMF. KYE stockholders will become stockholders of KMF. KYE will then cease its separate existence under Maryland law.

Q: What will happen to the shares of KMF and KYE that I currently own as a result of the Reorganization?

A: For KMF stockholders, your currently issued and outstanding shares of common and preferred stock of KMF will remain unchanged.

KYE common stockholders will be issued shares of KMF common stock in exchange for their outstanding shares of KYE common stock (see below for a description of how the exchange ratio is calculated). No fractional shares of KMF common stock will be issued in the Reorganization; instead KYE stockholders will receive cash in an amount equal to the value of the fractional shares of KMF common stock that they would otherwise have received.

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KYE preferred stockholders will receive, on a one-for-one basis, newly issued KMF preferred shares having substantially identical terms as the KYE preferred shares you held immediately prior to the closing of the Reorganization.

Q: How is the exchange ratio determined?

A: The exchange ratio will be determined based on the relative NAVs per share of each Fund on the business day prior to the closing of the Reorganization. As of February 28, 2018, KMF s NAV per share was $13.42 and KYE s was $9.88. For illustrative purposes, if these were the NAVs on the day prior to closing of the Reorganization, then KYE common stockholders would be issued approximately 0.74 shares of KMF for each share of KYE.

Q: How will the net asset values utilized in calculating the exchange rate be determined?

A: The net asset value of a share of common stock of each Fund will be calculated in a manner consistent with past practice and will include the impact of each Fund s pro rata share of the costs of the Reorganization. See Proposal One: Reorganization Information About the Reorganization.

Q: Is the Reorganization expected to be a taxable event for stockholders?

A: No. The Reorganization is intended to qualify as a tax-free reorganization for federal income tax purposes. This means it is expected that stockholders will recognize no gain or loss for federal income tax purposes as a result of the Reorganization, except that gain or loss will generally be recognized by KYE common stockholders with respect to cash received in lieu of fractional shares of KMF common stock.

Q: Will I have to pay any sales load, commission or other similar fees in connection with the Reorganization?

A: No, you will not pay any sales loads or commissions in connection with the Reorganization. The Funds will bear the costs associated with the proposed Reorganization. Costs will be allocated on a pro rata basis based upon each Fund s net assets. Costs related to the Reorganization are currently estimated to be approximately $0.8 million or 0.1% of pro forma Combined Fund net assets, which equates to $0.4 million or $0.016 per share for KMF and $0.4 million or $0.012 per share for KYE as of February 28, 2018. Of the estimated Reorganization costs, $0.6 million is related to out of pocket expenses, and $0.2 million is a write-off of debt issuance cost, which is a non-cash expense. Due to the anticipated cost savings from the Reorganization, we believe the Combined Fund will more than recover the costs associated with the Reorganization over time.

Q: Who do we expect to vote on the Reorganization?

A: KYE s common and preferred stockholders are being asked to vote, together as a class, on the Reorganization. KYE preferred stockholders will also vote on the Reorganization as a separate class. In addition, KMF s common and preferred stockholders are being asked to vote, together as a class, on the issuance of additional KMF common stock in connection with the Reorganization.

Q: What happens if KYE stockholders do not approve the Reorganization or KMF stockholders do not approval the issuance of additional shares of KMF common stock in connection therewith?

A: The Reorganization must be approved by KYE s common and preferred stockholders, voting together as a class, and KYE s preferred stockholders, voting as a separate class. In addition, the issuance of additional shares of KMF common stock in connection with the Reorganization must be approved by KMF s common

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and preferred stockholders, voting together as a class. If either class of KYE stockholders does not approve the Reorganization, or if KMF stockholders do not approve the issuance of additional KMF common stock in connection therewith, then the Reorganization will not take place.

Q: Why is the vote of KMF stockholders being solicited in connection with the Reorganization?

A: Although KMF will continue its legal existence and operations after the Reorganization, the rules of the NYSE (on which KMF s common stock is listed) require KMF s stockholders to approve the issuance of additional KMF common shares because the number of KMF common shares to be issued in the Reorganization will be, upon issuance, in excess of 20 percent of the number of shares of KMF common stock outstanding prior to the Reorganization.

Q: What is the timetable for the Reorganization?

A: The Reorganization is expected to take effect as soon as practicable once the stockholder vote and other customary conditions to closing are satisfied, which is expected to occur during the third fiscal quarter of 2018.

General Questions

Q: What other proposals are being considered at the Meeting?

A: In addition to the proposals regarding approval of the Reorganization, this joint proxy statement/prospectus contains additional proposals for KMF stockholders customarily considered at KMF s annual meetings:

- to elect two directors to serve until KMF s 2019 Annual Meeting of Stockholders, two directors to serve until KMF s 2020 Annual Meeting of Stockholders and three directors to serve until KMF s 2021 Annual Meeting of Stockholders, each until their successors are duly elected and qualified; and

- to ratify PricewaterhouseCoopers LLP as KMF s independent registered public accounting firm for the fiscal year ending November 30, 2018.

KMF stockholders may be asked to consider and take action on such other business as may properly come before the Annual Meeting or any the adjournment or postponement thereof.

Q: Will KYE stockholders get to vote to elect the directors of KMF?

A: No. It is important for stockholders of KYE to understand that, if the Reorganization is approved, it is expected that the Board of Directors will be composed of the individuals described in Proposal Three: Election of Directors. Stockholders of KYE will not have the opportunity to vote for any of these individuals until the first annual meeting following the closing of the Reorganization, though three of the seven nominees are existing directors of KYE. If the Reorganization is not approved by stockholders of KYE, or if the issuance of additional KMF common stock in connection with the Reorganization is not approved by stockholders of KMF, KYE expects to hold its own 2018 Annual Meeting of Stockholders later in the year. If this meeting is required, KYE s board of directors intends to nominate the same individuals as described in Proposal Three: Election of Directors.

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Q: How do the Boards of Directors suggest that I vote?

A: After careful consideration, the Boards of Directors recommend that you vote FOR all proposals on the enclosed proxy card for which you are entitled to vote.

Q: How do I vote my shares?

A: Voting is quick and easy. You may vote your shares via the internet, by telephone (for internet and telephone voting, please follow the instructions on the proxy ballot), or by simply completing and signing the enclosed proxy ballot, and mailing it in the postage-paid envelope included in this package. You may also vote in person if you are able to attend the Meeting. However, even if you plan to attend the Meeting, we urge you to cast your vote early. That will ensure your vote is counted should your plans change.

Q: Whom do I contact for further information?

A: You may contact us at (877) 657-3863 for further information.

Q: Will anyone contact me?

A: You may receive a call from , our proxy solicitor, to verify that you received your proxy materials, to answer any questions you may have about the proposals and to encourage you to authorize your proxy. We recognize the inconvenience of the proxy solicitation process and would not impose it on you if we did not believe that the matters being proposed were important. Once your vote has been registered with the proxy solicitor, your name will be removed from the solicitor s follow-up contact list.

Your vote is very important. We encourage you as a stockholder to participate in the Funds governance by authorizing a proxy to vote your shares as soon as possible. If enough stockholders fail to cast their votes, the Funds may not be able to hold the Meeting or to call for a vote on each issue, and will be required to incur additional solicitation costs in order to obtain sufficient stockholder participation.

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SUMMARY

The following is a summary of certain information contained elsewhere in this joint proxy statement/prospectus and is qualified in its entirety by reference to the more complete information contained in this joint proxy statement/prospectus and in the Statement of Additional Information. Stockholders should read this entire joint proxy statement/prospectus carefully.

Proposal One: Reorganization

The Board of Directors of KYE, including the Directors who are not interested persons of KYE (as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended) (the Independent Directors), has unanimously approved the Reorganization Agreement, declared the Reorganization advisable and directed that the Reorganization proposal be submitted to the KYE stockholders for consideration. If the stockholders approve the Reorganization, KYE would transfer substantially all of its assets to KMF, and KMF would assume substantially all of KYE s liabilities, in exchange solely for newly issued shares of common and preferred stock of KMF, which will be distributed by KYE to its stockholders in the form of a liquidating distribution (although cash will be distributed in lieu of fractional common shares). KYE will then cease its separate existence under Maryland law and terminate its registration under the Investment Company Act of 1940, as amended (the 1940 Act). The aggregate NAV of KMF common stock received by KYE common stockholders in the Reorganization will equal the aggregate NAV of KYE common stock held on the business day prior to closing of the Reorganization, less the costs of the Reorganization attributable to their common shares. KMF will continue to operate after the Reorganization as a registered, non-diversified, closed-end management investment company with the investment objectives and policies described in this joint proxy statement/prospectus.

In connection with the Reorganization, each holder of a KYE Series C Mandatory Redeemable Preferred Share (KYE Series C MRP Shares) or a Series D Mandatory Redeemable Preferred Share (KYE Series D MRP Shares and together with the KYE Series C MRP Shares, the KYE MRP Shares) will receive in a private placement an equivalent number of newly issued KMF Series D Mandatory Redeemable Preferred Shares (KMF Series D MRP Shares) or Series E Mandatory Redeemable Preferred Shares (KMF Series E MRP Shares and together with the KMF Series D MRP Shares, the KMF MRP Shares), as applicable, each having substantially identical terms as the respective KYE MRP Shares. The aggregate liquidation preference of the KMF MRP Shares received by the holders of KYE MRP Shares in the Reorganization will equal the aggregate liquidation preference of the KYE MRP Shares held immediately prior to the closing of the Reorganization. The KMF MRP Shares to be issued in the Reorganization will have equal priority with KMF s existing outstanding preferred shares as to the payment of dividends and the distribution of assets in the event of a liquidation of KMF. In addition, the preferred shares of KMF, including the KMF MRP Shares to be issued in connection with the Reorganization, will be senior in priority to KMF common shares as to payment of dividends and the distribution of assets in the event of a liquidation of KMF.

If the Reorganization is not approved by stockholders of KYE, or if the issuance of additional KMF common stock in connection with the Reorganization is not approved by stockholders of KMF, KMF and KYE will each continue to operate as a standalone Maryland corporation advised by KAFA and will each continue its investment activities in the normal course. It is important for stockholders of KYE to understand that, if the Reorganization is approved, it is expected that the Board of Directors will be composed of the individuals described in Proposal Three: Election of Directors. Stockholders of KYE will not have the opportunity to vote for any of these individuals until the first annual meeting following the closing of the Reorganization, though three of the seven nominees are existing directors of KYE. If the Reorganization is not approved, KYE expects to hold its own 2018 Annual Meeting of Stockholders later in the year.

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Reasons for the Reorganization

The Reorganization seeks to combine two Funds with similar portfolios and investment objectives. Each Fund (i) is managed by KAFA, (ii) has similar investment objectives, (iii) seeks to achieve its objective by investing primarily in the Midstream/Energy Sector, and (iv) has similar fundamental investment policies and nonfundamental investment policies. Each Fund also qualifies as a regulated investment company (a RIC), which is not generally subject to U.S. federal income tax. The Reorganization will also permit each Fund to pursue this investment objective and strategy in a larger fund that will continue to focus on the Midstream/Energy Sector.

In unanimously approving the Reorganization, the Board of Directors of each Fund, including each Fund s Independent Directors, determined that participation in the Reorganization is in the best interests of each Fund and its stockholders and that the interests of the stockholders of each Fund will not be diluted on the basis of NAV as a result of the Reorganization. Before reaching these conclusions, the Board of Directors of each Fund engaged in a thorough review process relating to the proposed Reorganization. The Boards of Directors of each Fund, including the Independent Directors, considered the Reorganization at meetings held in 2017 and 2018 and unanimously approved the Reorganization Agreement, declared the Reorganization advisable and, at a meeting held on February 5, 2018, directed that the Reorganization be submitted to the stockholders of KYE and the issuance of additional KMF common stock in connection with the Reorganization, be submitted to the stockholders of KMF.

The potential benefits and other factors considered by the Board of Directors of each Fund with regard to the Reorganization include, but were not limited to, the following:

- Cost savings through elimination of duplicative expenses and greater economies of scale;
- Reorganization expected to increase KMF s net distributable income;
- Larger asset base could provide greater financial flexibility;
- Opportunity for enhanced long-term market liquidity;
- No gain or loss is expected to be recognized by stockholders of either Fund for U.S. federal income tax purposes as a result of the Reorganization (except with respect to any cash received in lieu of fractional KMF common shares);
- The expectation that KYE stockholders should carry over to KMF the same aggregate tax basis (reduced by any amount of tax basis allocable to a fractional share of common stock for which cash is received) if the Reorganization is treated as tax-free as intended;
- The exchange will take place at the Funds relative NAV per share;

Stockholder rights are expected to be preserved in the Combined Fund; and

KAFA is expected to continue to manage the Combined Fund.

The Board of Directors of each Fund made its determination with regard to the Reorganization on the basis of each Director s business judgment after consideration of all of the factors taken as a whole, though individual Directors may have placed different weight on various factors and assigned different degrees of materiality to various factors. See Proposal One: Reorganization Reasons for the Reorganization.

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Fees and Expenses for Common Stockholders of the Funds as of November 30, 2017

The following table and example contain information about the change in operating expenses expected as a result of the Reorganization. The table sets forth (i) the fees and expenses, including leverage costs, as a percentage of net assets as of November 30, 2017, for each Fund and (ii) the pro forma fees and expenses, including leverage costs, for the Combined Fund, assuming the Reorganization had taken place on November 30, 2017. The fees and expenses are presented as a percentage of net assets and not as a percentage of gross assets or managed assets. By showing expenses as a percentage of net assets, expenses are not expressed as a percentage of all of the assets in which a Fund may invest. The annual operating expenses for each Fund reflect fixed expenses for the fiscal year ended November 30, 2017 and variable expenses assuming each Fund s capital structure and asset levels as of November 30, 2017. The pro forma presentation includes the change in operating expenses expected as a result of the Reorganization, assuming the Combined Fund s capital structure and asset levels as of November 30, 2017. On a pro forma basis, it is expected that the Combined Fund s annual expenses as a percentage of total assets (as of November 30, 2017) will be reduced to 2.62%, as compared to 2.83% for KMF and 2.70% for KYE.

Stockholder Transaction Expenses	**KMF**	**KYE**	**Pro Forma Combined KMF[1]**
Maximum Sales Load (as a percentage of the offering price) imposed on purchases of common stock[2][3]	None	None	None
Dividend Reinvestment Plan Fees	None	None	None
Annual Expenses (as a percentage of net assets attributable to common stock as of November 30, 2017)			
Management Fees[4]	1.75%	1.82%	1.78%
Other Operating Expenses[5]	0.43	0.35	0.27
Subtotal	2.18	2.17	2.05
Interest Payments (including issuance costs) on Borrowed Funds[6]	1.33	1.37	1.27
Dividend Payments (including issuance costs) on Preferred Stock[6]	0.48	0.41	0.45
Total Annual Expenses[7]	3.99%	3.95%	3.77%

(1) The pro forma annual operating expenses are projections for a 12-month period and do not include expenses to be borne by the Funds in connection with the Reorganization.

(2) Each Fund will bear expenses incurred in connection with the Reorganization (whether or not the Reorganization is consummated), including but not limited to, costs related to the preparation and distribution of materials distributed to each Fund s Board of Directors, expenses incurred in connection with the preparation of the Reorganization Agreement and the registration statement on Form N-14, SEC filing fees and legal and accounting fees in connection with the Reorganization, stock exchange fees, transfer agency fees and any similar expenses incurred in connection with the Reorganization. Expenses are allocated on a pro rata basis based upon net assets. Costs related to the Reorganization are currently estimated to be approximately $0.8 million or 0.12% of pro forma Combined Fund net assets, which equates to $0.4 million or $0.016 per share for KMF and

$0.4 million or $0.012 per share for KYE as of February 28, 2018. Of the Reorganization costs, $0.6 million is related to out of pocket expenses, and $0.2 million is a write-off of debt issuance cost, which is a non-cash expense.

(3) No sales load will be charged in connection with the issuance of KMF s shares of common stock as part of the Reorganization. Shares of common stock are not available for purchase from KMF but shares of KMF may be purchased on the NYSE through a broker-dealer subject to individually negotiated commission rates.

(4) Management fees for the pro forma Combined Fund are projections for a 12-month period, assuming each Fund s capital structure and asset levels as of November 30, 2017.

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(5) Other Operating Expenses for each Fund reflect actual expenses for the fiscal year ended November 30, 2017. Other Operating Expenses for the pro forma Combined Fund are projections for a 12-month period, assuming each Fund s capital structure and asset levels as of November 30, 2017.

(6) Interest and dividend payments (including issuance costs) reflect projections for a 12-month period assuming each Fund s and the Combined Fund s capital structure as of November 30, 2017.

(7) The table presents certain annual expenses stated as a percentage of net assets attributable to common shares. This results in a higher percentage than the percentage attributable to annual expenses stated as a percentage of total assets.

Example:

The following example is intended to help you compare the costs of investing in KMF after the Reorganization with the costs of investing in KMF and KYE without the Reorganization. An investor would pay the following expenses on a $1,000 investment, assuming (1) the total annual expenses for each Fund (as a percentage of net assets attributable to shares of common stock) set forth in the table above, (2) all common stock distributions are reinvested at net asset value and (3) an annual rate of return of 5% on portfolio securities.

	1 Year	3 Years	5 Years	10 Years
KMF	$ 40	$ 123	$ 211	$ 454
KYE	$ 39	$ 122	$ 210	$ 453
Pro Forma Combined KMF(1)	$ 38	$ 117	$ 201	$ 434

(1) These figures assume that the Reorganization had taken place on November 30, 2017. These figures reflect the anticipated reduction in other operating expenses due to elimination of certain duplicative expenses as a result of the Reorganization.

Comparison of the Funds

KMF and KYE are both Maryland corporations registered as non-diversified, closed-end management investment companies under the 1940 Act. Each Fund (i) is managed by KAFA, (ii) has similar investment objectives, (iii) seeks to achieve its objective by investing primarily in the Midstream/Energy Sector, and (iv) has similar fundamental investment policies and non-fundamental investment policies. Each Fund also qualifies as a RIC, which is not generally subject to U.S. federal income tax. As noted elsewhere, KMF and KYE s fundamental and non-fundamental investment policies are similar. The primary difference in the investment objectives of the Funds is that KMF emphasizes cash distributions, while KYE emphasizes current income. In addition, KMF has a non-fundamental investment policy to invest at least 80% of its total assets in the Midstream/Energy Sector. Moreover, KMF is required to invest at least 50% of its total assets in securities of Midstream MLPs and Midstream Companies. In contrast, KYE s policies are broader, only requiring at least 80% of total assets to be invested in Energy Companies.

See Proposal One: Reorganization Comparison of the Funds for a more detailed comparison of the Funds. After the Reorganization, the investment strategies and significant operating policies will be those of KMF.

Further Information Regarding the Reorganization

The parties believe that the Reorganization will be characterized for federal income tax purposes as a tax-free reorganization under Section 368(a) of the Code. If the Reorganization so qualifies, in general, stockholders of KYE will recognize no gain or loss upon the receipt of KMF s stock in connection with the Reorganization. Additionally, if the Reorganization so qualifies, KYE will recognize no gain or loss as a result of the transfer of all of its assets and liabilities to KMF and neither KMF nor its stockholders will recognize any gain or loss in connection with the Reorganization. If the Reorganization so qualifies, the aggregate tax basis of

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KMF common shares received by stockholders of KYE should be the same as the aggregate tax basis of the common shares of KYE surrendered in exchange therefor (reduced by any amount of tax basis allocable to a fractional share of common stock for which cash is received).

Stockholder approval of the Reorganization by KYE requires the affirmative vote of (i) the holders of a majority of the issued and outstanding KYE common and preferred stock (voting as a class) and (ii) the holders of a majority of the outstanding voting securities, as such term is defined under the 1940 Act. Under the 1940 Act, a majority of the outstanding voting securities means the vote, at the annual or a special meeting of the security holders of such company duly called, the lesser of (A) of 67 percent or more of the voting securities present at such meeting, if the holders of more than 50 percent of the outstanding voting securities of such company are present or represented by proxy; or (B) of more than 50 percent of the outstanding voting securities of such company. For purposes of this proposal, each share of KYE common stock and each share of KYE preferred stock is entitled to one vote.

An additional effect of approval of the Reorganization by KYE s stockholders, and completion of the Reorganization, will be that KYE s stockholders will become stockholders of KMF, which has a different Board of Directors. Certain of KYE s Directors would join KYE s Board of Directors if approved under Proposal Three: Election of Directors described below. Additional information about KMF s current Board of Directors is provided elsewhere in this combined proxy statement/prospectus.

Subject to the requisite approval of the stockholders of KYE with regard to the Reorganization, and stockholders of KMF with regard to the issuance of additional KMF common stock in connection with the Reorganization, it is expected that the closing date of the Reorganization will be during the third fiscal quarter of 2018, but it may be at a different time as described herein.

The Board of Directors of KYE unanimously recommends KYE stockholders vote FOR the Reorganization.

Proposal Two: Issuance of Additional KMF Common Stock

The Board of Directors of KMF, including the Independent Directors, has unanimously approved the Reorganization Agreement, including the issuance of additional shares of KMF common stock in connection therewith, declared the Reorganization advisable and directed that the issuance of additional KMF common stock be submitted to the KMF stockholders.

The rules of the NYSE require the stockholders of KMF to approve the issuance of additional KMF common shares in connection with the Reorganization. In connection with the proposed Reorganization described under Proposal One: Reorganization, KMF will issue additional KMF common stock and list such shares of common stock on the NYSE. The Reorganization will result in no reduction of the NAV of the KMF common shares, immediately following the Reorganization, other than to reflect the costs of the Reorganization. No gain or loss is expected to be recognized by KMF or its stockholders in connection with the Reorganization. The Board of Directors of KMF, based upon its evaluation of all relevant information, anticipates that the Reorganization will benefit stockholders of KMF. The Funds have very similar investment strategies and objectives and the Reorganization will permit each Fund to continue to pursue them in a larger fund. Additionally, the Reorganization is expected to result in several benefits for stockholders in the Combined Fund, including (i) cost savings through the elimination of duplicative expenses and greater economies of scale, (ii) expected accretion to net distributable income, (iii) greater financial flexibility through a larger asset base and (iv) the opportunity for enhanced long-term market liquidity.

Stockholder approval of the issuance of additional KMF common shares in connection with the Reorganization requires the affirmative vote of the holders of a majority of votes cast by the holders of the issued

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and outstanding KMF common and preferred stock (voting as a class). For purposes of this proposal, each share of common stock and each share of preferred stock is entitled to one vote.

Subject to the requisite approval of the stockholders of KMF of the issuance of additional KMF common shares in connection with the Reorganization, and the requisite approval by the stockholders of KYE with regard to the Reorganization, it is expected that the Closing Date will be during the third fiscal quarter or as soon as practicable thereafter. For additional information about the Reorganization, including a comparison of KMF and KYE, the reasons for the Reorganization and the U.S. Federal income tax consequences of the Reorganization, see Proposal One: Reorganization.

The Board of Directors of KMF unanimously recommends KMF stockholders vote FOR the issuance of additional KMF common stock in connection with the Reorganization.

Proposal Three: Election of Directors

The KMF Board of Directors unanimously nominated the following directors for the specified terms and until their successors have been duly elected and qualified:

- Anne K. Costin and James C. Baker until the 2019 Annual Meeting of Stockholders;
- William R. Cordes and Barry R. Pearl until the 2020 Annual Meeting of Stockholders; and
- Kevin S. McCarthy, William H. Shea, Jr. and William L. Thacker until the 2021 Annual Meeting of Stockholders.

Ms. Costin and Mr. Shea are currently directors of KYE, and Mr. Baker is currently President of KYE and KMF, and each has been nominated to the Board of Directors of KMF to serve whether or not the Reorganization is approved. Messrs. Cordes, Pearl and McCarthy are currently directors of KMF and are moving from one Class to another. Mr. Thacker is currently a director of KMF, and his existing term as a KMF director is expiring at the Annual Meeting. Mr. Richey is an existing director of KMF who is not up for election at the Meeting. Following the completion of the Reorganization, the KMF board (as modified) will govern the Combined Fund.

Each director has consented to be named in this joint proxy statement/prospectus and has agreed to serve if elected. KMF has no reason to believe that any of the nominees will be unavailable to serve. The persons named on the accompanying proxy card intend to vote at the Meeting (unless otherwise directed) FOR the election of the nominees. If any of the nominees is unable to serve because of an event not now anticipated, the persons named as proxies may vote for another person designated by KMF s Board of Directors.

The elections of Ms. Costin and Messrs. Cordes, Pearl, McCarthy and Thacker under this proposal require the affirmative vote of the holders of a majority of KMF s common stock and preferred stock outstanding as of the Record Date, voting together as a single class. The elections of Messrs. Shea and Baker under this prosposal requires the affirmative vote of a majority of KMF s preferred stock outstanding as of the Record Date, voting as a separate class. For purposes of this proposal, each share of KMF common stock and each share of KMF preferred stock is entitled to one vote. Stockholders do not have cumulative voting rights.

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Including the directors nominated for election at the Meeting, KMF will have eight directors as follows:

Class	Term*	Directors	Common Stockholders	Preferred Stockholders
I	Until 2020	William R. Cordes	X	X
		Barry R. Pearl	X	X
II	Until 2021	Kevin S. McCarthy	X	X
		William H. Shea, Jr.		X
		William L. Thacker	X	X
III	Until 2019	Anne K. Costin	X	X
		Albert L. Richey	X	X
		James C. Baker		X

* 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.

The Board of Directors of KMF unanimously recommends KMF stockholders vote FOR the election of each nominee.

Proposal Four: Ratification of Selection of Independent Registered Public Accounting Firm

The Audit Committee and the Board of Directors of KMF, including all of KMF s Independent Directors, have selected PricewaterhouseCoopers LLP as the independent registered public accounting firm for KMF for the year ending November 30, 2018 and are submitting the selection of PricewaterhouseCoopers LLP to the stockholders for ratification.

The ratification of PricewaterhouseCoopers LLP requires the vote of a majority of the votes cast by the holders of KMF 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 KMF common stock and each share of KMF preferred stock is entitled to one vote.

The Board of Directors of KMF unanimously recommends KMF stockholders vote FOR the ratification of the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm for KMF.

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RISK FACTORS

If the Reorganization is approved and consummated, holders of KYE s common stock will receive shares of KMF s common stock in exchange. That would represent an investment in KMF s common stock. KYE s stockholders should understand that, like an investment in KYE s common stock, investing in KMF s common stock involves risk, including the risk that you may receive little or no return on your investment or that you may lose part or all of your investment. The following discussion summarizes some of the risks that a holder of KYE s common stock should carefully consider before deciding whether to approve the Reorganization. In light of the fact that the Funds have very similar investment policies and investment strategies (as well as substantially overlapping portfolios), the risks described below should not be materially different than those applicable to an investment in KYE. Holders of KYE common stock should pay special attention to Risks Related to Our Investments and Investment Techniques Midstream/Energy Sector Risk, as KMF s non-fundamental investment policy is more narrowly focused on such investments than KYE s broader potential scope. You should carefully consider the following risks before voting on the Reorganization.

This section relates to KMF and the risk factors for KMF s common stockholders (other parts of this document relate to both KMF and KYE). Accordingly, references to we us our or the Fund in this section are references to KMF.

Risks Related to Our Investments and Investment Techniques

Investment and Market Risk

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

Midstream/Energy Sector Risk

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

Supply and Demand Risk

Energy Companies could be adversely affected by reductions in the supply of or demand for energy commodities and could also be adversely affected by increases in supply of energy commodities if there is not a corresponding increase

in demand for such commodities. The adverse impact of these events could lead to a reduction in the distributions paid by Midstream Companies and Other Energy Companies to their equity holders or substantial reduction (or elimination) in the growth rate of distributions paid to equity holders, either of which

could lead to a decline in (i) the equity values of the affected Midstream Companies or Other Energy Companies and/or (ii) our net distributable income. The volume of production of energy commodities and the volume of energy commodities available for transportation, mining, storage, processing or distribution could be affected by a variety of factors, including depletion of resources, depressed commodity prices, access to capital for Energy Companies engaged in exploration and production, catastrophic events, labor relations, increased environmental or other governmental regulation, equipment malfunctions and maintenance difficulties, volumes of imports or exports, international politics, policies of OPEC, and increased competition from alternative energy sources. Alternatively, a decline in demand for energy commodities could result from factors such as adverse economic conditions; increased taxation; increased environmental or other governmental regulation; increased fuel economy; increased energy conservation or use of alternative energy sources; legislation intended to promote the use of alternative energy sources; or increased commodity prices.

Commodity Pricing Risk

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

Regulatory Risk

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

performance of Energy Companies. Additionally, government authorities, such as the Federal Energy Regulatory Commission, or FERC, and state authorities

regulate the rates charged on many types of Midstream Assets. Those authorities can change the regulations and, as a result, materially reduce the rates charged for these Midstream Assets, which may adversely affect the financial performance of Energy Companies.

In the last few years, several pipeline projects have experienced significant delays related to difficulties in obtaining the necessary permits to proceed with construction (or some phase of construction). These delays have raised concerns about the ability of Energy Companies to place such projects in service and their ability to get the necessary financing to complete such projects. Furthermore, it has become much more common for opponents of energy infrastructure development to utilize the courts, media campaigns and political activism to attempt to stop, or delay as much as possible, these projects. Significant delays could result in a material increase in the cost of developing these projects and could result in the Energy Companies developing such projects failing to generate the expected return on investment or, if the project does not go forward, realizing a financial loss, either of which would adversely affect the results of operations and financial performance of the affected Energy Companies.

Changes to laws and increased regulations or enforcement policies as a result of pipeline spills (both onshore and offshore) or spills attributable to railroad accidents may also adversely affect the financial performance of Energy Companies. Additionally, changes to laws and increased regulation or restrictions to the use of hydraulic fracturing, the disposal of wastewater associated with hydraulic fracturing and production or the emission of greenhouse gases may adversely impact the ability of Energy Companies to economically develop oil and natural gas resources and, in turn, reduce production of such commodities and adversely impact the financial performance of Energy Companies.

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

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

impact on the financial performance of Energy Companies.

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

There is an inherent risk that Energy Companies may incur material environmental costs and liabilities due to the nature of their businesses and the substances they handle. For example, an accidental release from a pipeline could subject the owner of such pipeline to substantial liabilities for environmental cleanup and restoration costs, claims made by neighboring landowners and other third parties for personal injury and property damage, and fines or penalties for related violations of environmental laws or regulations. Moreover, the possibility exists that stricter laws, regulations or enforcement policies could significantly increase the compliance costs of Energy Companies. Similarly, the implementation of more stringent environmental requirements could significantly increase the cost for any remediation that may become necessary. Energy Companies may not be able to recover these costs from insurance or recover these costs in the rates they charge customers.

Natural gas transmission pipeline systems, crude oil transportation pipeline systems and certain of storage facilities and related assets owned by Energy Companies are subject to regulation by the FERC. The regulators have authority to regulate natural gas pipeline transmission and crude oil pipeline transportation services, including; the rates charged for the services, terms and conditions of service, certification and construction of new facilities, the extension or abandonment of services and facilities, the maintenance of accounts and records, the acquisition and disposition of facilities, the initiation and discontinuation of services, and various other matters. Action by the FERC could adversely affect the ability of Midstream Companies to establish or charge rates that would cover future increase in their costs, such as additional costs related to environmental matters including any climate change regulation, or even to continue to collect rates that cover current costs, including a reasonable return. For example, effective January 2018, the 2017 Tax Cuts and Jobs Act changed several provisions of the federal tax code, including a reduction in the maximum corporate tax rate. Following the 2017 Tax Cuts and Jobs Act being signed into law, filings have been made at FERC requesting that FERC require natural gas and liquids pipelines to lower their transportation rates to account for lower taxes. Following the effective date of the law, FERC orders granting certificates to construct proposed natural gas pipeline facilities have directed pipelines proposing new rates for service on those facilities to re-file such rates so that the rates reflect the reduction in the corporate tax rate, and FERC has issued data requests in pending certificate proceedings for proposed natural gas pipeline facilities requesting pipelines to explain the impacts of the reduction in the corporate tax rate on the rate proposals in those proceedings and to provide re-calculated initial rates for service on the proposed pipeline facilities. Furthermore, on March 15, 2018, the FERC took a number of actions that could materially adversely impact Midstream MLPs and Midstream Companies. First, the FERC reversed a long-standing policy that allowed MLPs to include an income tax allowance when calculating the transportation rates for cost-of-service pipelines owned by such MLPs. Second, the FERC issued a notice of proposed rulemaking to create a process to determine whether cost-of-service natural gas pipelines subject to FERC jurisdiction are overearning in light of either the lower corporate tax rate or the FERC s policy change related to an MLP s ability to recover an income tax allowance. Third, with respect to cost-of-service oil and refined products pipelines, the FERC

announced that it will account for the lower corporate tax rate and the

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FERC s policy change related to an MLP s ability to recover an income tax allowance in 2020 when setting the next cost inflation index level, which index level sets the maximum allowable rate increases for oil and refined products pipelines and is set by FERC every five years. Finally, the FERC issued a notice of inquiry requesting comments as to how FERC should address accumulated deferred income tax balances on the regulatory books of pipelines regulated by FERC as well as comments on any other effects of the 2017 Tax Cuts and Jobs Act. Many experts believe it is likely that the proposed rule concerning natural gas pipelines will be adopted as-is or in a form very close to what the FERC has proposed. As a result, many natural gas pipelines could be required to lower their transportation rates, either through the FERC process or because shippers may challenge their rates. In addition, oil and refined products pipelines may be forced to reduce rates in 2020 or may not be able to increase rates as previously expected. Finally, the notice of inquiry could result in additional adverse outcomes for pipeline owners, including potentially compensating shippers for the reduction in accumulated deferred income taxes resulting from either the lower corporate tax rate or the FERC s policy change related to an MLP s ability to recover an income tax allowance, which compensation could take the form of material cash payments. The Midstream MLPs and Midstream Companies that own the affected natural gas, oil or refined products pipelines could experience a material reduction in revenues and cash flows, which may in turn materially adversely affect their financial condition and results of operations. FERC may enact other regulations or issue further requests to pipelines which may lead to lower rates. Any such change could have an adverse impact on the financial condition, results of operations or cash flows of Midstream MLPs and Midstream Companies.

Depletion Risk

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

Reserve Risks

Energy Companies engaged in the production of natural gas, natural gas liquids and crude oil estimate the quantities of their reserves. If reserve estimates prove to be inaccurate, these companies reserves may be overstated, and no commercially productive amounts of such energy commodities may be discovered. Furthermore, drilling or other exploration activities, may be curtailed, delayed, or cancelled as a result of low commodity prices, unexpected conditions or miscalculations, title problems, pressure or irregularities in formations, equipment failures or accidents, adverse weather conditions, compliance with environmental and other governmental requirements and cost of, or shortages or delays in the availability of, drilling rigs and other exploration equipment. In addition, there are many

operational risks and hazards associated with the development of the underlying properties, including natural disasters, blowouts, explosions, fires, leakage of such energy commodities, mechanical failures, cratering, and pollution.

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Catastrophic Event Risk

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

Acquisition Risk

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

Affiliated Party Risk

Certain Energy Companies (particularly certain MLPs) are dependent on their parents or sponsors for a majority of their revenues. Any failure by such company s parents or sponsors to satisfy their payments or obligations would impact such company s revenues and cash flows and ability to make interest payments and distributions.

Contract Rejection/Renegotiation Risk

Midstream MLPs and Midstream Companies are also subject to the credit risk of their customers. For example, many Energy Companies that explore for and produce oil, natural gas and natural gas liquids filed for bankruptcy in the last few years as a result of the downturn in commodity prices. During the bankruptcy process, the debtor Energy Company may be able to reject a contract that it has with a Midstream MLP or Midstream Company that provides services for the debtor, which services could include gathering, processing, transporting, fractionating or storing the debtor Energy Company s production. If a contract is successfully rejected during bankruptcy, the affected Midstream MLP or Midstream Company will have an unsecured claim for damages but will likely only recover a portion of its

claim for damages and may not recover anything at all. A Midstream MLP, Midstream Company or Other Energy Company that provides services to a company that is in financial distress could experience a material adverse impact to its financial performance and results of operations.

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Master Limited Partnership Risks

In addition to the risks summarized herein, an investment in MLP units involves certain risks, which differ from an investment in the securities of a corporation. Limited partners of MLPs, unlike investors in the securities of a corporation, have limited voting rights on matters affecting the partnership and generally have no rights to elect the directors of the general partner. In addition, conflicts of interest exist between limited partners and the general partner, including those arising from incentive distribution payments, and the general partner does not generally have any duty to the limited partners beyond a good faith standard. For example, over the last few years there have been several simplification transactions in which the incentive distribution rights were eliminated by either (i) a purchase of the outstanding MLP units by the general partner or (ii) by the purchase of the incentive distribution rights by the MLP. These simplification transactions present a conflict of interest between the general partner and the MLP and may be structured in a way that is unfavorable to the MLP. There are also certain tax risks associated with an investment in MLP units.

Sector Specific Risks

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

Midstream

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

Marine Transportation

Energy Companies with marine transportation assets are exposed to many of the same risks as Other Energy Companies. In addition, the highly cyclical nature of the marine transportation industry may lead to volatile changes in charter rates and vessel values, which may adversely affect the revenues, profitability and cash flows of such companies in our portfolio. Fluctuations in charter rates result from changes in the supply and demand for vessel capacity and changes in the supply and demand for certain energy commodities. Changes in demand for transportation

of commodities over longer distances and supply of vessels to carry those commodities may materially affect revenues, profitability and cash flows. The value of marine transportation vessels may fluctuate and could adversely affect the value of marine transportation company securities in our

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

Exploration and Production

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

Refining

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

Coal

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

Utilities/Yieldcos

In addition to the risks of investing in other Energy Companies, investments in those Energy Companies, also known as Utilities, that provide electric power generation (including renewable energy), transmission and distribution, are subject to additional specific risks, including dependence on a specified fuel source, the transportation of fuel, changes in electricity and fuel usage, availability of competitively priced alternative energy sources, changes in generation efficiency, changes in tax law impacting renewable energy investment and lack of sufficient capital to maintain

facilities. In addition, Utilities are highly regulated at the state and federal level and, for many Utilities, the rates that they can charge their customers are limited and may be changed by state utility commissions or by the FERC. There are also Energy Companies, which are sometimes referred to as Yieldcos, which are formed to own renewable and/or conventional power assets with long-term

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contracts. Yieldcos face many of the same risks as MLPs when it comes to maintaining and growing their distributions, and they also face risks specific to Utilities. Utilities and Yieldcos, like other Energy Companies that are purchased for their distributions, are sensitive to interest rates, and tend to decline in value when rates increase.

Dependence on Limited Number of Customers and Suppliers

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

Capital Markets Risk

Financial markets are volatile, and Energy Companies may not be able to obtain new debt or equity financing on attractive terms or at all. For example, the downturn in commodity prices over the last few years negatively impacted the ability of Energy Companies to raise capital, and equity capital in particular, at attractive levels, and these challenges remain even though crude oil and natural gas liquids prices have increased significantly since the lows of February 2016. Downgrades of the debt of Energy Companies by rating agencies during times of distress could exacerbate this challenge. In addition, downgrades of the credit ratings of Energy Companies by ratings agencies may increase the cost of borrowing under the terms of an Energy Company s credit facility, and a downgrade from investment grade to below investment may cause an Energy Company to be required to post collateral (or additional collateral) by its contractual counterparties, which could reduce the amount of liquidity available to such Energy Company and increase its need for additional funding sources. If funding is not available when needed, or is available only on unfavorable terms, Energy Companies may have to reduce their distributions (and many have done so over the last few years) to manage their funding needs and may not be able to meet their obligations, which may include multi-year capital expenditure commitments, as they come due. Moreover, without adequate funding, many Energy Companies will be unable to execute their growth strategies, complete future acquisitions, take advantage of other business opportunities or respond to competitive pressures, any of which could have a material adverse effect on their revenues and results of operations.

Political Instability Risk

The Energy Companies in which we may invest are subject to disruption as a result of terrorist activities, war, and other geopolitical events, including the upheaval in the Middle East or other energy producing regions. The U.S. government has issued warnings that Energy Assets, specifically those related to pipeline and other energy infrastructure, production facilities and transmission and distribution facilities, may be targeted in future terrorist attacks. Internal unrest, acts of violence or strained relations between a government and energy companies or other governments may affect the operations and profitability of Energy Companies, particularly marine transportation companies, in which we invest. Political instability in other parts of the world may also cause volatility and disruptions in the market for the securities of Energy Companies, even those that operate solely in North America. For example, President Trump has recently announced the imposition of tariffs of 25% on steel imports and 10% on aluminum imports into the United States pursuant to authority granted under Section 232 of the Trade Expansion Act of 1962. These tariffs may be subject to exemptions, but which countries may be exempt (and to what extent) is currently unknown. The steel tariffs could increase the cost of construction of pipelines, processing plants and other Midstream Assets for Midstream MLPs and Midstream Companies, which could have a material adverse effect on

their financial performance and results of operations. Further steel tariffs could increase the cost of drilling and completing new wells for Energy Companies, which could have a material adverse effect on returns, the pace of developing acreage and the financial performance and operating results for such companies. Furthermore, countries outside of the United States have announced their

intention to retaliate should they not be exempt from these tariffs. There are many ways in which such retaliation could negatively impact Energy Companies, including, for example, any retaliatory policies that negatively impact the supply of or demand for commodities or that make it more difficult or costly to export commodities.

Weather Risks

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

Cash Flow Risk

A substantial portion of the cash flow received by us is derived from our investment in equity securities of MLPs and Midstream Companies. The amount of cash that an MLP or Midstream Company has available to service its debt obligations and pay distributions to its equity holders depends upon the amount of cash flow generated from the company s operations. Cash flow from operations will vary from quarter to quarter and is largely dependent on factors affecting the company s operations and factors affecting the energy industry in general. Large declines in commodity prices (such as those experienced from mid-2014 to early 2016) can result in material declines in cash flow from operations. In addition to the risk factors described herein, other factors which may reduce the amount of cash an Energy Company has available to pay its debt and equity holders include increased operating costs, maintenance capital expenditures, acquisition costs, expansion or construction costs and borrowing costs (including increased borrowing costs as a result of additional collateral requirements as a result of ratings downgrades by credit agencies). Further, covenants in debt instruments issued by Energy Companies in which we intend to invest may restrict distributions to equity holders or, in certain circumstances, may not allow distributions to be made to equity holders. In addition, access to the capital markets (or lack thereof) to finance growth initiatives can impact the amount of cash an MLP, Midstream Company or Other Energy Company elects to distribute to its equity holders. Finally, the acquisition of an Energy Company by an acquiror with a lower yield could result in lower distributions to the equity holders of the acquired Energy Company. These kind of transactions have become more prevalent in recent years. To the extent Energy Companies that we own reduce their distributions to equity holders, this will result in reduced levels of net distributable income and can cause us to reduce our distributions. For example, the Fund has reduced its distribution three times since December 2015 for a cumulative reduction of 41%, partly in response to lower distributions from the Energy Companies that we own, and partly as a result of sales of securities to manage our leverage levels. See Risks Related to Our Business and Structure Use of Leverage. Currently, our net distributable income is below our annualized distribution of $1.20 per share. Over time, we expect that our distribution level will generally track net distributable income. Accordingly, if our net distributable income does not increase (or is not projected to increase) to a level that supports our distribution, the Board of Directors may reduce the distribution again.

Concentration Risk

Our investments are concentrated in the Midstream/Energy Sector. The focus of our portfolio on specific industries within the Midstream/Energy may present more risks than if our portfolio were broadly diversified over numerous sectors of the economy. A downturn in one or more industries within the Midstream/Energy Sector would have a larger impact on us than on an investment company that does not concentrate in the Midstream/Energy Sector. The performance of securities in the Midstream/Energy Sector may lag the

performance of other industries or the broader market as a whole. To the extent that we invest a relatively high percentage of our assets in the obligations of a limited number of issuers, we may be more susceptible than a more widely diversified investment company to any single economic, political or regulatory occurrence.

Interest Rate Risk

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

Non-Diversification Risk

We are a non-diversified, closed-end investment company under the 1940 Act. Although we may invest a relatively high percentage of our assets in a limited number of issuers, in order to qualify as a RIC for federal income tax purposes, we must diversify our holdings so that, at the end of each quarter of each taxable year (i) at least 50% of the value of our total assets is represented by cash and cash items, U.S. Government securities, the securities of other RICs and other securities, with such other securities limited for purposes of such calculation, in respect of any one issuer, to an amount not greater than 5% of the value of our total assets and not more than 10% of the outstanding voting securities of such issuer, and (ii) not more than 25% of the value of our total assets is invested in the securities of any one issuer (other than U.S. Government securities or the securities of other RICs), the securities (other than the securities of other RICs) of any two or more issuers that we control and that are determined to be engaged in the same business or similar or related trades or businesses, or the securities of one or more qualified publicly traded partnerships. As of February 28, 2018, we held investments in approximately 45 issuers.

Inflation / Deflation Risk

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

Risk of Conflicting Transactions by the Investment Adviser

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

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Tax Risks

Tax Risks of Investing in Equity Securities of MLPs

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

The 2017 Tax Cuts and Jobs Act did not eliminate the treatment of MLPs as pass through entities, but it did impose certain limitations on the deductibility of interest expense that could result in less deduction being passed through to us as the owner of an MLP. Furthermore, we cannot predict the likelihood that future legislation will result in MLPs no longer being treated as partnerships for tax purposes or result in a material increase in the amount of taxable income that we are allocated from the MLP securities in which we invest.

Tax Law Change Risk

Changes in tax laws or regulations, or interpretations thereof in the future, could adversely affect us or the Energy Companies in which we invest. Any such changes could negatively impact the holders of our securities. Legislation could also negatively impact the amount and tax characterization of distributions received by our common stockholders.

Risks Associated With an Investment in Non-U.S. Companies

Non-U.S. Securities Risk

Investing in non-U.S. securities involves certain risks not involved in domestic investments, including, but not limited to: fluctuations in currency exchange rates; future foreign economic, financial, political and social developments; different legal systems; the possible imposition of exchange controls or other foreign governmental laws or restrictions; lower trading volume; greater price volatility and illiquidity; different trading and settlement practices; less governmental supervision; high and volatile rates of inflation; fluctuating interest rates; less publicly available information; confiscatory taxation; and different accounting, auditing and financial recordkeeping standards and requirements.

Non-U.S. Currency Risk

Because we invest in securities denominated or quoted in non-U.S. currencies, changes in the non-U.S. currency/United States dollar exchange rate may affect the value of our securities and the unrealized gain or loss of investments.

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Equity Securities Risk

The vast majority of our assets is invested in equity securities of MLPs and Midstream Companies. Such securities are subject to general movements in the stock market and a significant drop in the stock market may depress the price of securities to which we have exposure. Equity securities prices fluctuate for several reasons, including changes in the financial condition of a particular issuer, investors perceptions of Energy Companies, investors perceptions of the Midstream/Energy Sector, the general condition of the relevant stock market, or when political or economic events affecting the issuers occur. In addition, Energy Company equity securities held by the Fund may decline in price if the issuer fails to make anticipated distributions or dividend payments (or reduces the amount of such payments) because, among other reasons, the issuer experiences a decline in its financial condition. In general, the equity securities of MLPs that are publicly traded partnerships tend to be less liquid than the equity securities of corporations, which means that we could have difficulty selling such securities at the time and price we would like.

Small Capitalization Risk

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

Debt Securities Risks

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

Credit Risk

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

Below Investment Grade and Unrated Debt Securities Risk

Below investment grade debt securities (commonly referred to as junk bonds or high yield bonds) are rated Ba1 or less by Moody s, BB+ or less by Fitch or Standard & Poor s, or comparably rated by another rating agency. Below investment grade and unrated debt securities generally pay a premium above the yields of U.S. government securities or debt securities of investment grade issuers because they are subject to greater risks than these securities. These risks, which reflect their speculative character, include the following: greater yield and price volatility; greater credit

risk and risk of default; potentially greater sensitivity to general economic or industry conditions; potential lack of attractive resale opportunities (illiquidity); and additional expenses to seek recovery from issuers who default.

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

Prepayment Risk

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

Interest Rate Risk for Debt and Equity Securities

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

Risks Associated with Investing in Initial Public Offerings (IPOs)

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

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

PIPE investors purchase securities directly from a publicly traded company in a private placement transaction, typically at a discount to the market price of the company s common stock. Because the sale of the securities is not registered under the Securities Act of 1933, as amended (the Securities Act), the securities are

restricted and cannot be immediately resold by the investors into the public markets. Until we can sell such securities into the public markets, our holdings will be less liquid, and any sales will need to be made pursuant to an exemption under the Securities Act. We may purchase equity securities in a PIPE transaction that are structured as common equity that pay distributions in kind for a period of time (the PIK period) or as convertible preferred equity (that may also pay distributions in kind). The issuers of these securities may not be able to pay us distributions in cash after the PIK period. Further, at the time a convertible preferred equity investment becomes convertible into common equity, the common equity may be worth less than the conversion price, which would make it uneconomic to convert into common equity and, as a result, significantly reduce the liquidity of the investment.

Privately Held Company Risk

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

Liquidity Risk

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

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

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

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Portfolio Turnover Risk

We anticipate that our annual portfolio turnover rate will range between 20% and 50%, but the rate may vary greatly from year to year. Portfolio turnover rate is not considered a limiting factor in KAFA s execution of investment decisions. A higher portfolio turnover rate results in correspondingly greater brokerage commissions and other transactional expenses, including taxes related to realized gains, that are borne by us. It could also result in an acceleration of realized gains on portfolio securities held by us. See Proposal One: Reorganization Investment Objective and Policies of KMF Investment Practices Portfolio Turnover.

Derivatives Risk

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

During the fiscal year ended November 30, 2017, we wrote covered call options. The fair value of these derivative instruments, measured on a weekly basis, was less than 1% of our total assets during fiscal 2017. In prior years, we have written covered call options and entered into interest rate swaps. We expect to continue to utilize derivative instruments in a manner similar to our activity during fiscal 2017. We will not allow the fair value of our derivative instruments to exceed 25% of total assets.

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

Depending on whether we would be entitled to receive net payments from the counterparty on an interest rate swap, which in turn would depend on the general state of short-term interest rates at that point in time, a default by a counterparty could negatively impact the performance of our common stock. In addition, at the time an interest rate transaction reaches its scheduled termination date, there is a risk that we would not be able to obtain a replacement transaction or that the terms of the replacement would not be as favorable as on the expiring transaction. If this occurs, it could have a negative impact on the performance of our common stock. If we fail to maintain any required asset coverage ratios in connection with any use by us of our debt securities, revolving credit facility and other borrowings

(collectively, our Borrowings) and our preferred stock (together with our Borrowings, Leverage Instruments), we may be required to redeem or prepay some or all of the Leverage Instruments. Such redemption or prepayment would likely result in our seeking to terminate early all or a portion of any swap or cap transactions. Early termination of a swap could result in a termination payment by or to us.

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

Short Sales Risk

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

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

Risks Related to Our Business and Structure

Use of Leverage

We currently utilize Leverage Instruments and intend to continue to do so. Under normal market conditions, our policy is to utilize Leverage Instruments in an amount that represents approximately 30% of our total assets, including proceeds from such Leverage Instruments (which equates to approximately 43% of our net asset value as of February 28, 2018). Notwithstanding this policy, based on market conditions at such time, we may use Leverage Instruments in amounts greater than our policy (to the extent permitted by the 1940 Act) or less than our policy. As of February 28, 2018, our Leverage Instruments represented approximately 30% of our total assets. Leverage Instruments have seniority in liquidation and distribution rights over our common stock.

As of February 28, 2018, we had $91 million of Notes outstanding and 1,400,000 Mandatory Redeemable Preferred (MRP) Shares ($35 million aggregate liquidation preference) outstanding. As of February 28, 2018, we had $1 million of borrowings outstanding under our term loan and no borrowings outstanding under our credit facility. Our revolving credit facility matures on November 9, 2018, and our term loan matures on July 25, 2019. Our Notes and MRP Shares have maturity dates and mandatory redemption dates ranging from 2021 to 2023. If we are unable to renew or refinance our credit facility or term loan prior to maturity or if we are unable to refinance our Notes or MRP Shares as they mature, we may be forced to sell securities in our portfolio to repay debt or MRP Shares as they mature. If we are required to sell portfolio securities to repay outstanding debt or MRP Shares as they mature or to maintain asset

coverage ratios, such sales may be at prices lower than what we would otherwise realize if we were not required to sell such securities at such time. Additionally, we may be unable to refinance our debt or MRP Shares or sell a sufficient amount of portfolio securities to repay debt or MRP Shares as they mature or to maintain asset coverage ratios, which could cause an event of default on our debt securities or MRP Shares.

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

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

Certain types of leverage, including the Notes and MRP Shares, subject us to certain affirmative covenants relating to asset coverage and our portfolio composition. In a declining market, we may need to sell securities in our portfolio to maintain asset coverage ratios, which would impact the distributions to us, and as a result, our cash available for distribution to common stockholders. For example, from August 31, 2014 to April 30, 2016, we reduced our total debt by $213 million and total MRP Shares by $70 million in order to maintain our asset coverage ratios. The decline in cash distributions to us resulting from securities sales to fund this reduction in leverage was one of the factors leading to the reduction in our distribution to common stockholders in January 2016 and April 2016. While we believe maintaining our asset coverage ratios and selling portfolio securities was the prudent course of action, it is unlikely that we would have elected to sell securities at the time had we not had leverage. Furthermore, because we repaid certain of our Notes and MRP Shares prior to their stated maturities or mandatory redemption dates, we incurred prepayment penalties. By continuing to utilize Notes and MRP Shares, we may again be forced to sell securities at an inopportune time in the future to maintain asset coverage ratios and may be forced to pay additional prepayment penalties on our Notes and MRP Shares. Our Notes and MRP Shares also may impose special restrictions on our use of various investment techniques or strategies or in our ability to pay distributions on common stock and preferred stock in certain instances. In addition, we are subject to certain negative covenants relating to transactions with affiliates, mergers and consolidation, among others. We are also subject to certain restrictions on investments imposed by guidelines of one or more rating agencies, which issue ratings for Leverage Instruments issued by us. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed by the 1940 Act. Kayne Anderson does not believe that these covenants or guidelines will impede it from managing our portfolio in accordance with our investment objective and policies.

Interest Rate Hedging Risk

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

anticipated net receipts under the interest rate swap to offset our cost of financial leverage.

Tax Risks

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

We cannot assure you what percentage of the distributions paid on our common stock will be treated as qualified dividend income ordinary income, capital gains or return of capital or what the tax rates on various types of income or gain will be in future years. New legislation could negatively impact the amount and tax characterization of distributions received by our common stockholders. Under current law, qualified dividend income and capital gains received by individual stockholders is taxed at a maximum federal tax rate of 20% for individuals, provided a holding period requirement and certain other requirements are met. In addition, currently a 3.8% federal tax on net investment income (the Tax Surcharge) generally applies to dividend income and net capital gains for taxpayers whose adjusted gross income exceeds $200,000 for single filers or $250,000 for married joint filers. Prior to the December 22, 2017 enactment of the 2017 Tax Cuts and Jobs Act, certain legislative proposals called for the elimination of tax incentives widely used by oil, gas and coal companies and the imposition of new fees on certain energy producers. We cannot predict whether such proposals will resurface, and the elimination of such tax incentives and imposition of such fees could adversely affect MLPs in which we invest and the energy sector generally.

Failure to Qualify as a Regulated Investment Company

To qualify as a RIC under the Code, we must meet certain income source, asset diversification and annual distribution requirements. The annual distribution requirement for a RIC is satisfied if we distribute at least 90% of our investment company taxable income (which generally consists of ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any) and net tax-exempt interest, if any, to our stockholders on an annual basis. Any Leverage Instruments currently outstanding or that we issue in the future would subject us to certain asset coverage ratio requirements under the 1940 Act as an investment company, and we may be subject to financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to qualify as a RIC. If we are unable to obtain cash from other sources, we may fail to qualify as a RIC and, thus, may be subject to income tax as an ordinary corporation.

To qualify as a RIC, we must also meet certain asset diversification requirements at the end of each quarter of each taxable year. In particular, in order to meet the asset diversification requirement for a RIC, we must diversify our holdings so that, at the end of each quarter of each taxable year, (i) at least 50% of the value of our total assets is represented by cash and cash items (including receivables), U.S. Government securities, the securities of other RICs and other securities, with such other securities limited for purposes of such calculation, in respect of any one issuer, to an amount not greater than 5% of the value of our total assets and not more than 10% of the outstanding voting securities of such issuer, and (ii) not more than 25% of the value of our total assets is invested in the securities (other than U.S. Government securities or the securities of other RICs) of any one issuer, the securities (other than the securities of other RICs) of any two or more issuers that we control (by owning 20% or more of their voting power) and that are determined to be engaged in the same or similar trades or businesses or related trades or businesses, or the securities of one or more qualified publicly traded partnerships. Furthermore, we may only directly invest up to but not more than 25% of our total assets in equity or debt securities of MLPs. This limit does not apply to securities issued by MLP Affiliates, which are not treated as publicly traded partnerships for U.S. federal income tax purposes.

To qualify as a RIC, we must also meet certain income source requirements. In order to meet the income source requirement for a RIC, at least 90% of our gross income in each taxable year must be derived from dividends, interest, payments with respect to securities loans, and gains from the sale or other disposition of stock or

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securities or foreign currencies, or other income (including but not limited to gains from options, futures or forward contracts) derived with respect to our business of investing in such stock, securities, or currencies and net income derived from interests in qualified publicly traded partnerships. Income derived from a partnership (other than a qualified publicly traded partnership) is treated for purposes of the 90% gross income test as if the income of the partnership was earned directly by the RIC. We may invest in certain equity securities issued by non-traded limited partnerships, and income earned with respect to such partnerships may not be qualifying income for purposes of the 90% gross income test. Although we do not anticipate income from our direct investments in the equity securities of non-traded limited partnerships to exceed the limits set forth above, we cannot be certain that this will be the case. Failure to comply with the 90% gross income test may result in our having to dispose of certain investments at times we would not consider advantageous in order to prevent the loss of RIC status. Any such dispositions could be made at disadvantageous prices and may result in substantial losses.

If, in any year, we fail to qualify as a RIC for any reason, we would be taxed as an ordinary corporation and would become (or remain) subject to federal and perhaps state corporate income tax. The federal maximum income tax rate on corporations was recently lowered to 21%. The resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. Such a failure would have a material adverse effect on us and our stockholders. In such circumstances, we could be required to recognize unrealized gains, pay substantial taxes and interest and make substantial distributions before requalifying as a RIC that is accorded special treatment. In such case, distributions to our common stockholders generally would be eligible (i) for treatment as qualified dividend income in the case of individual stockholders, and (ii) for the dividends-received deduction in the case of corporate stockholders, provided certain holding period requirements were satisfied.

Tax Risks of Investing in our Securities

A reduction in the return of capital portion of the distributions that we receive from our portfolio investments or an increase in our earnings and profits and portfolio turnover may reduce that portion of our distribution treated as a tax-deferred return of capital and increase that portion treated as a dividend, resulting in lower after-tax distributions and dividends to our common and preferred stockholders. See Proposal One: Reorganization Certain Federal Income Tax Matters.

Other Tax Risks

As a limited partner in the MLPs in which we invest, we will be allocated our distributive share of income, gains, losses, deductions and credits from those MLPs. Historically, a significant portion of income from such MLPs has been offset by tax deductions. The percentage of an MLP s income and gains which is offset by tax deductions, losses and credits will fluctuate over time for various reasons. A significant slowdown in acquisition activity or capital spending by MLPs held in our portfolio could result in a reduction in the depreciation deduction passed through to us, which may, in turn, result in a higher percentage of the distribution we pay to you being characterized as a dividend rather than return of capital. In addition, changes to the tax code that impact the amount of income, gain, deduction or loss that is passed through to us from the MLP securities in which we invest (for example through changes to the deductibility of interest expense or changes to how capital expenditures are depreciated) may also result in a higher percentage of the distribution we pay to you being characterized as a dividend rather than return of capital. For example, the 2017 Tax Cuts and Jobs Act imposed certain limitations on the deductibility of interest expense that could result in less deduction being passed through to us as the owner of an MLP that is impacted by such limitations. Upon the sale of an MLP security, we may generate capital gains, and if an MLP in our portfolio is acquired by another Energy Company in a transaction treated as a sale for federal income tax purposes, including in a roll-up transaction, we will not have control of the timing of when we generate for such gains.

We rely to some extent on information provided by the MLPs, which may not necessarily be timely, to estimate taxable income allocable to the MLP units held in the portfolio and to estimate the associated unrealized

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gains. Such estimates are made in good faith. From time to time, as new information becomes available, we may modify our estimates or assumptions.

Management Risk; Dependence on Key Personnel of Kayne Anderson

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

We depend upon Kayne Anderson s key personnel for our future success and upon their access to certain individuals and investments in the MLP and Midstream Energy industries. In particular, we depend on the diligence, skill and network of business contacts of our portfolio managers, who evaluate, negotiate, structure, close and monitor our investments. These individuals manage a number of investment vehicles on behalf of Kayne Anderson and, as a result, do not devote all of their time to managing us, which could negatively impact our performance. Furthermore, these individuals do not have long-term employment contracts with Kayne Anderson, although they do have equity interests and other financial incentives to remain with Kayne Anderson. For a description of Kayne Anderson, see Proposal One: Reorganization Management Investment Adviser. We also depend on the senior management of Kayne Anderson. The departure of any of our portfolio managers or the senior management of Kayne Anderson could have a material adverse effect on our ability to achieve our investment objective. In addition, we can offer no assurance that KAFA will remain our investment adviser or that we will continue to have access to Kayne Anderson s industry contacts and deal flow.

Conflicts of Interest of Kayne Anderson

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

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

KAFA also manages Kayne Anderson Energy Total Return Fund, Inc., a closed-end investment company listed on the NYSE under the ticker KYE, Kayne Anderson Energy Development Company, a closed-end investment company listed on the NYSE under the ticker KED and Kayne Anderson MLP Investment Company, a closed-end investment company listed on the NYSE under the ticker KYN. Contemporaneously with the Reorganization, KYN and KED are pursuing a similar combination transaction that, if approved, is expected to close at the same time as the

Reorganization.

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In addition to closed-end investment companies, KAFA also manages separately managed accounts which together had approximately $242 million in combined total assets as of January 31, 2018, and KACALP manages several private investment funds and separately managed accounts (collectively, Affiliated Funds). Some of the Affiliated Funds have investment objectives that are similar to or overlap with ours. In particular, certain Affiliated Funds invest in MLPs and Midstream Companies. Further, Kayne Anderson may at some time in the future, manage other investment funds with the same investment objective as ours or that otherwise create potential conflicts of interest with us. For example, Kayne Anderson formed Kayne Anderson Acquisition Corp. (KAAC) in March 2017, a special purpose acquisition company formed for the purpose of effecting a business combination with an Energy Company. KAAC may compete with the MLPs or Midstream Companies in which we invest or may enter into one or more transactions with Energy Companies that may preclude an investment by us in the same entities for regulatory or other reasons.

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

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

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

Risk of Owning Securities of Affiliates

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

companies and their affiliates (including our investment adviser), principal underwriters and affiliates of those affiliates or underwriters.

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

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

As of February 28, 2018, we considered Plains GP Holdings, L.P., Plains AAP, L.P. and Plains All American Pipeline, L.P. to be affiliates. Robert V. Sinnott is Co-Chairman of KACALP, the managing member of KAFA. Mr. Sinnott also serves as a director of PAA GP Holdings LLC, which is the general partner of Plains GP Holdings, L.P. (PAGP). Members of senior management of KACALP and KAFA and various affiliated funds managed by KACALP own PAGP shares, Plains All American Pipeline, L.P. (PAA) units and interests in Plains AAP, L.P. (PAGP-AAP). We believe that we are an affiliate of PAA, PAGP and PAGP-AAP under the 1940 Act by virtue of (i) our and other affiliated Kayne Anderson funds ownership interest in PAA, PAGP and PAGP-AAP and (ii) Mr. Sinnott s participation on the board of PAA GP Holdings LLC.

As of March 2, 2018, we believe we are an affiliate of Buckeye Partners, L.P. due to the aggregate ownership by us and our affiliates exceeding 5% of its voting securities.

We believe that we are an affiliate of KAAC as a result of our being under common control, including as a result of the fact that Messrs. Sinnott, McCarthy and Hart serve as officers or directors of KAAC.

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

There is no assurance that the SEC staff will not consider that other limited partnership securities that we own and do not treat as voting securities are, in fact, voting securities for the purposes of Section 17 of the 1940 Act. If such determination were made, we will be required to abide by the restrictions on control or affiliate transactions as proscribed in the 1940 Act. We or any portfolio company that we control, and our

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

Certain Affiliations

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

Valuation Risk

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

Anti-Takeover Provisions

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

Additional Risks Related to Our Common Stock

Market Discount from Net Asset Value Risk

Our common stock has traded both at a premium and at a discount to our net asset value. From the beginning of the year until February 28, 2018, our common stock has traded at an average discount of 6.4% to net asset value per share. This discount may persist or widen, and there is no assurance that our common stock will trade at a premium again. Shares of closed-end investment companies frequently trade at a discount to their

net asset value. This characteristic is a risk separate and distinct from the risk that our net asset value could decrease as a result of our investment activities and may be greater for investors expecting to sell their shares in a relatively short period following completion of this offering. Although the value of our net assets is generally considered by market participants in determining whether to purchase or sell shares, whether investors will realize gains or losses upon the sale of our common stock depends upon whether the market price of our common stock at the time of sale is above or below the investor s purchase price for our common stock. Because the market price of our common stock is affected by factors such as net asset value, distribution levels (which are dependent, in part, on expenses), supply of and demand for our common stock, stability of distributions, trading volume, general market and economic conditions, and other factors beyond our control, we cannot predict whether our common stock will trade at, below or above net asset value.

Leverage Risk to Common Stockholders

The issuance of Leverage Instruments represents the leveraging of our common stock. Leverage is a technique that could adversely affect our common stockholders. Unless the income and capital appreciation, if any, on securities acquired with the proceeds from Leverage Instruments exceed the costs of the leverage, the use of leverage could cause us to lose money. When leverage is used, the net asset value and market value of our common stock will be more volatile. There is no assurance that our use of leverage will be successful.

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

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

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

if the prediction were to turn out to be correct, and determine not to reduce leverage as described above.

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

PROPOSAL ONE: REORGANIZATION

The Board of Directors of KYE, including the Independent Directors, has unanimously approved the Reorganization Agreement, declared the Reorganization advisable and directed that the Reorganization proposal be submitted to the KYE stockholders for consideration. If the stockholders approve the Reorganization, KYE would transfer substantially all of its assets to KMF, and KMF would assume substantially all of KYE s liabilities, in exchange solely for newly issued shares of common and preferred stock of KMF, which will be distributed by KYE to its stockholders in the form of a liquidating distribution (although cash will be distributed in lieu of fractional common shares). KYE will then cease its separate existence under Maryland law and terminate its registration under the 1940 Act. The aggregate NAV of KMF common stock received by KYE common stockholders in the Reorganization will equal the aggregate NAV of KYE common stock held on the business day prior to closing of the Reorganization, less the costs of the Reorganization attributable to their common shares. KMF will continue to operate after the Reorganization as a registered, non-diversified, closed-end management investment company with the investment objectives and policies described in this joint proxy statement/prospectus.

In connection with the Reorganization, each holder of KYE MRP Shares will receive in a private placement an equivalent number of newly issued KMF MRP Shares having substantially identical terms as the KYE MRP Shares. The aggregate liquidation preference of the KMF MRP Shares received by the holders of KYE MRP Shares in the Reorganization will equal the aggregate liquidation preference of the KYE MRP Shares held immediately prior to the closing of the Reorganization. The KMF MRP Shares to be issued in the Reorganization will have equal priority with KMF s existing outstanding preferred shares as to the payment of dividends and the distribution of assets in the event of a liquidation of KMF. In addition, the preferred shares of KMF, including the KMF MRP Shares to be issued in connection with the Reorganization, will be senior in priority to KMF common shares as to payment of dividends and the distribution of assets in the event of a liquidation of KMF.

If the Reorganization is not approved by stockholders of KYE, or if the issuance of additional KMF common stock in connection with the Reorganization is not approved by stockholders of KMF, KMF and KYE will each continue to operate as a standalone Maryland corporation advised by KAFA and will each continue its investment activities in the normal course. It is important for stockholders of KYE to understand that, if the Reorganization is approved, it is expected that the Board of Directors will be composed of the individuals described in Proposal Three: Election of Directors. Stockholders of KYE will not have the opportunity to vote for any of these individuals until the first annual meeting following the closing of the Reorganization, though three of the seven nominees are existing directors of KYE. If the Reorganization is not approved, KYE expects to hold its own 2018 Annual Meeting of Stockholders later in the year.

Reasons for the Reorganization

The Reorganization seeks to combine two Funds with similar portfolios and investment objectives. Each Fund (i) is managed by KAFA, (ii) has similar investment objectives, (iii) seeks to achieve its objective by investing primarily in the Midstream/Energy Sector, and (iv) has similar fundamental investment policies and nonfundamental investment policies. Each Fund also qualifies as a RIC, which is not generally subject to U.S. federal income tax. The Reorganization will also permit each Fund to pursue this investment objective and strategy in a larger fund that will continue to focus on the Midstream/Energy Sector.

In unanimously approving the Reorganization, the Board of Directors of each Fund, including each Fund s Independent Directors, determined that participation in the Reorganization is in the best interests of each Fund and its stockholders and that the interests of the stockholders of each Fund will not be diluted on the basis of NAV as a result of the Reorganization. Before reaching these conclusions, the Board of Directors of each Fund engaged in a thorough

review process relating to the proposed Reorganization. The Boards of Directors of each Fund, including the Independent Directors, considered the Reorganization at meetings held in 2017 and 2018 and unanimously approved the Reorganization Agreement, declared the Reorganization advisable and, at a meeting held on February 5, 2018, directed that the Reorganization be submitted to the stockholders of KYE.

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In making this determination, the Board of Directors of each Fund considered (i) the expected benefits of the transaction for each Fund and (ii) the fact that both Funds have very similar investment policies and investment strategies. KYE s investment objective is to obtain a high total return with an emphasis on current income. KYE seeks to achieve this objective by investing in a portfolio of companies in the Energy Sector. Its investments are focused on securitities of Energy Companies, with the majority of its investments in securities of MLPs, Midstream Companies and marine transportation companies. KMF s investment objective is to provide a high level of total return with an emphasis on cash distributions to its stockholders, which it seeks to achieve by investing at least 80% of its total assets in securities of companies in the Midstream/Energy Sector. The Combined Fund will pursue KMF s investment objective and follow KMF s investment policies.

The potential benefits and other factors considered by the Board of Directors of each Fund with regard to the Reorganization include, but were not limited to, the following:

Cost savings through elimination of duplicative expenses and greater economies of scale.
It is anticipated that the Combined Fund would have a lower expense level with estimated aggregate cost savings of approximately $1.1 million annually, the majority of which is expected to be attributable to reduced operating costs. Because the Reorganization is expected to be completed during the third quarter of fiscal 2018, and because there are expenses associated with the Reorganization, the full impact of these cost savings will not be entirely recognized this year. We expect the Combined Fund to realize the full benefit of these cost savings during fiscal 2019. The Funds incur operating expenses that are fixed (e.g., board fees, printing fees, legal and auditing services) and operating expenses that are variable (e.g., administrative and custodial services that are based on assets under management). Many of these fixed expenses are duplicative between the companies and can be eliminated as a result of the Reorganization. There will also be an opportunity to reduce variable expenses by taking advantage of greater economies of scale. As a result of these cost savings, it is expected that the Combined Fund will enjoy lower operating costs as a percentage of total assets.

Reorganization expected to increase KMF s net distributable income.
The Reorganization is expected to increase KMF s net distributable income per share, in part due to the anticipated cost savings from the transaction. In connection with the Reorganization, KMF announced its intention to pay a distribution at its current annualized rate of $1.20 per share for the 12 months ending February 28, 2019. See Risk Factors Risks Related to Our Investments and Investment Techniques Cash Flow Risk.

Larger asset base could provide greater financial flexibility.
The larger asset base of the Combined Fund may provide greater financial flexibility. In particular, as a larger entity, we believe the Combined Fund should potentially have access to more attractive leverage terms (i.e., lower borrowing costs on debt and preferred stock) and a wider range of alternatives for raising capital to grow the Combined Fund.

Opportunity for enhanced long-term market liquidity.
The larger equity market capitalization of the Combined Fund should provide an opportunity for enhanced market liquidity over the long-term. Greater market liquidity may lead to a narrowing of bid-ask spreads and reduce price

movements on a trade-to-trade basis. The table below illustrates the equity market capitalization and average daily trading volume for each Fund on a standalone basis as well as for the Combined Fund.

	KMF	KYE	Pro Forma Combined KMF
Equity capitalization ($ in millions)	$ 289	$ 353	$ 642
Average daily trading volume(1)	142	244	NA

As of February 28, 2018.

(1) 90-day average trading volume in thousands of shares.

No gain or loss is expected to be recognized by stockholders of either Fund for U.S. federal income tax purposes as a result of the Reorganization.

The Reorganization is intended to qualify as tax-free for federal income tax purposes. Stockholders of KMF and KYE are not expected to recognize any gain or loss for federal income tax purposes as a result of the Reorganization (except with respect to cash received in lieu of fractional KMF common shares). See Material U.S. Federal Income Tax Consequences of the Reorganization.

The expectation that KYE stockholders should carry over to KMF the same aggregate tax basis (reduced by any amount of tax basis allocable to a fractional share of common stock for which cash is received) if the Reorganization is treated as tax-free as intended.

Based on the intended tax treatment of the Reorganization, the aggregate tax basis of KMF common stock received by a stockholder of KYE should be the same as the aggregate tax basis of the common shares of KYE surrendered in exchange therefor (reduced by any amount of tax basis allocable to a fractional share of KMF common stock for which cash is received). See Material U.S. Federal Income Tax Consequences of the Reorganization.

The exchange will take place at the Funds relative NAV per share.

The aggregate net asset value of the KMF shares that KYE stockholders will receive in the Reorganization is expected to equal the aggregate net asset value that KYE stockholders owned immediately prior to the Reorganization (adjusted for KYE s share of costs related to the Reorganization). No fractional common shares of KMF will be issued to stockholders in connection with the Reorganization, and KYE stockholders will receive cash in lieu of such fractional shares.

Stockholder rights are expected to be preserved.

Both of the Funds involved in the Reorganization are organized as Maryland corporations. Common stockholders of each of KMF and KYE have substantially similar voting rights as well as rights with respect to the payment of dividends and distribution of assets upon liquidation of their respective Fund and have no preemptive, conversion, or exchange rights.

KAFA is expected to continue to manage the Combined Fund.

The Funds will retain consistency of management. Stockholders of the Combined Fund may benefit from the continuing experience and expertise of KAFA and its commitment to the very similar investment style and strategies to be used in managing the assets of the Combined Fund.

Considering the reasons outlined above and other reasons, the Board of Directors of each Fund unanimously concluded that consummation of the Reorganization is advisable and in the best interests of each Fund and its stockholders. The approval determination was made on the basis of each director s business judgment after consideration of all of the factors taken as a whole, though individual directors may have placed different weight on various factors and assigned different degrees of materiality to various factors.

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Investment Objectives and Policies of KMF

This section relates to KMF and its Investment Objective and Policies (other parts of this document relate to both KMF and KYE). Accordingly, references to we us our or the Fund in this section are references to KMF

Our investment objective is to provide a high level of total return with an emphasis on cash distributions to our stockholders. We intend to achieve that objective by investing at least 80% of our total assets in securities of companies in the Midstream/Energy Sector. Our investment objective is considered a fundamental policy and therefore may not be changed without the approval of the holders of a majority of the outstanding voting securities, as such term is defined under the 1940 Act. When used with respect to our voting securities, a majority of the outstanding voting securities means (i) 67% or more of the shares present at a meeting, if the holders of more than 50% of the shares are present or represented by proxy, or (ii) more than 50% of the shares, whichever is less. There can be no assurance that we will achieve our investment objective.

Our investment objective and investment policies are substantially similar, but not identical, to those of KYE. For a comparison of the Funds, see Comparison of the Funds.

Our non-fundamental investment policies may be changed by the Board of Directors without the approval of the holders of a majority of the outstanding voting securities, provided that the holders of such voting securities receive at least 60 days prior written notice of any change. Under normal market conditions:

- We will invest at least 80% of our total assets in securities of companies in the Midstream/Energy Sector.

- We will invest in equity securities such as common units, preferred units, subordinated units, general partner interests, common stocks, preferred stocks and convertible securities in MLPs, Midstream Companies and Other Energy Companies.

- We may directly invest up to but not more than 25% (or such higher amount as permitted by any applicable tax diversification rules) of our total assets in equity or debt securities of Master Limited Partnerships. This limit does not apply to securities issued by MLP Affiliates, which are not treated as publicly traded partnerships for federal income tax purposes.

- We will invest at least 50% of our total assets in securities of Midstream MLPs and Midstream Companies.

- We may invest up to but not more than 10% of our total assets in securities of Other MLPs.

- We may invest up to but not more than 50% of our total assets in unregistered or otherwise restricted securities of companies in the Midstream/Energy Sector. For purposes of this limitation, restricted securities include (i) registered securities of public companies subject to a lock-up period, (ii) unregistered securities of public companies with registration rights, (iii) unregistered securities of public companies

that become freely tradable with the passage of time, or (iv) securities of privately held companies. However, no more than 5% of our total assets may be invested in equity securities of privately held companies. For purposes of the foregoing, a registered security subject to such a lock-up period will no longer be considered a restricted security upon expiration of the lock-up period, an unregistered security of a public company with registration rights will no longer be considered a restricted security when such securities become registered, and an unregistered security of a public company that becomes freely tradable with the passage of time will no longer be considered a restricted security upon the elapse of the requisite time period.

We may invest up to but not more than 30% of our total assets in debt securities of Energy Companies, including below-investment-grade debt securities (commonly referred to as junk bonds or high yield bonds). Up to but not more than 10% of our total assets may be invested in unrated debt securities or below-investment-grade debt securities that are rated less than B- (or an equivalent rating) by a nationally recognized ratings agency (a Ratings Agency). The balance of such debt investments may be invested in securities which are rated at least B- (or an equivalent rating) by a Ratings Agency or, if such securities are unrated, are determined by KAFA to be of comparable quality based on a Ratings Agency s corporate ratings for the issuers of such securities or ratings of other securities issued by such issuers. For the purposes of determining if an investment satisfies this test, we will look to the highest credit rating on such debt investment. The debt securities in which we invest may have varying maturities which will generally not exceed 30 years.

We may invest up to but not more than 15% of our total assets in any single issuer.

We generally will seek to enhance our total returns through the use of Leverage Instruments. Our policy is to utilize Leverage Instruments in an amount that represents approximately 30% of our total assets. However, based on market conditions at the time, we may use Leverage Instruments in amounts that represent greater than 30% of our total assets to the extent permitted by the 1940 Act.

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

We will invest primarily in companies located in North America, but may invest in companies located anywhere in the world. We will invest in companies of any market capitalization.

Our Portfolio

At any given time, we expect that our portfolio will have some or all of the types of the following types of investments: (i) equity securities of Midstream MLPs, including common units, preferred units, subordinated units and general partner interests, (ii) equity securities of Midstream Companies, (iii) equity securities of Other MLPs, (iv) equity securities of Other Energy Companies and (iv) debt securities of Energy Companies (including Midstream MLPs and Midstream Companies). The focus of our portfolio investments is in securities of Midstream MLPs and Midstream Companies. A description of our investment policies and restrictions and more information about our portfolio investments are contained in this joint proxy statement/prospectus and the Statement of Additional Information.

Description of Midstream Companies and Midstream Assets

Midstream Companies include companies that (i) derive at least 50% of their revenues or operating income from operating Midstream Assets or (ii) have Midstream Assets that represent a majority of their assets. These companies are typically structured as corporations and the common stock of such companies is typically listed and traded on a U.S. securities exchange.

Midstream Assets are the assets used by Energy Companies in performing services related to energy logistics. These assets provide the link between the source point of energy products such as natural gas and natural gas liquids and oil (i.e., where it is produced) and the end users (i.e., where it is consumed). Midstream Assets include those used in transporting (including via marine transportation vessels), storing, gathering, treating, processing, fractionating, transloading, distributing or marketing of natural gas, natural gas liquids, oil or refined products. Midstream Assets are often owned by Master Limited Partnerships, but are increasingly owned by Midstream Companies.

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

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

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

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

Description of How MLPs are Structured

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

MLPs organized as limited partnerships typically have two classes of limited partner interests common units and subordinated units.

MLPs that have two classes of limited partnership interests (common units and subordinated units) are structured such that common units and general partner interests have first priority to receive quarterly cash distributions up to an established minimum amount (minimum quarterly distributions or MQD). Common units also accrue arrearages in distributions to the extent the MQD is not paid. Once common units have been paid, subordinated units receive distributions of up to the MQD; however, subordinated units do not accrue arrearages. Distributable cash in excess of the MQD paid to both common and subordinated units is distributed to

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both common and subordinated units on a pro rata basis. Whenever a distribution is paid to either common unitholders or subordinated unitholders, the general partner is paid a proportional distribution. The holders of incentive distribution rights (IDRs), usually the general partner, are eligible to receive incentive distributions if the general partner operates the business in a manner which results in distributions paid per unit surpassing specified target levels. As cash distributions to the limited partners increase, the IDRs receive an increasingly higher percentage of the incremental cash distributions.

The MLPs in which we invest are currently classified by us as Midstream MLP and Other MLPs. As described below, we further sub-categorized into the following groups:

Midstream MLPs own and operate Midstream Assets. Midstream MLPs may also operate ancillary businesses including the marketing of commodities and logistical services. Midstream MLPs include General Partner MLPs whose assets consist of ownership interests of an affiliated Midstream MLP.

Other MLPs own and operate Energy Assets but are not categorized as Midstream MLPs. Other MLPs can be classified into one of the following groups:

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

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

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

In addition to the first three categories of Other MLPs listed above, certain MLPs own other types of Energy Assets or provide other energy-related services, such as refining, petrochemical manufacturing,

frac sands production, wholesale fuel distribution, offshore drilling and distribution of specialty refined products. These types of assets and services generate qualified income and qualify for federal tax treatment as an MLP.

Description of Energy Companies

Energy Companies includes companies that (i) derive at least 50% of their revenues or operating income from operating Energy Assets or providing services for the operation of such Energy Assets or (ii) have Energy Assets that represent the majority of their assets. These companies operate Energy Assets including assets used in exploring, developing, producing, generating, transporting, transmitting, storing, gathering, processing, refining, distributing, mining, marketing or generation of natural gas, natural gas liquids, crude oil, refined petroleum products, coal or electricity.

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Energy Companies can be broadly divided into five groups:

Upstream: Companies engaged in the exploring, developing and producing of natural gas, natural gas liquids, crude oil and coal.

Midstream: Companies engaged in the transporting, gathering, processing, storing and delivery of natural gas, natural gas liquids, crude oil and refined products for use by end users.

Downstream: Companies engaged in the refining, marketing and distributing of crude oil and refined products to end customers.

Power: Companies engaged in the generating, transmission and distribution of electricity.

Energy Services: Companies that provide services to the Upstream, Midstream and Downstream sectors of the energy industry.

For the purpose of this joint proxyt statement/prospectus, Other Energy Companies include all of the companies mentioned above except MLPs and Midstream Companies.

Investment Practices

Covered Calls

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