PROSPECTUS

3,000,000 Shares

Kayne Anderson

MLP Investment Company

Common Stock
$27.00 per share

We are a non-diversified, closed-end management investment company that began investment activities on September 28, 2004. Our investment objective is to obtain a high after-tax total return by investing at least 85% of our net assets plus any borrowings (our "total assets") in energy-related master limited partnerships and their affiliates (collectively, "MLPs"), and in other companies that, as their principal business, operate assets used in the gathering, transporting, processing, storing, refining, distributing, mining or marketing natural gas, natural gas liquids (including propane), crude oil, refined petroleum products or coal (collectively with MLPs, "Midstream Energy Companies"). We invest in equity securities of (i) master limited partnerships, including preferred, common and subordinated units and general partner interests, (ii) owners of such interests in master limited partnerships, and (iii) other Midstream Energy Companies. Additionally, we may invest in debt securities of MLPs and other Midstream Energy Companies. Under normal market conditions, we intend to invest at least 50% of our total assets in publicly traded securities of MLPs and other Midstream Energy Companies, and up to 50% (but not more than 60%) of our total assets in unregistered or otherwise restricted securities of MLPs and other Midstream Energy Companies, including securities issued by private companies.

(continued on following page)

Investing in our common stock may be speculative and involve a high degree of risk and should not constitute a complete investment program. Before buying any shares, you should read the discussion of the material risks of investing in our common stock in "Risk Factors" beginning on page 25 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total(3)
Public Offering Price	$27.00	$81,000,000
Sales Load (1)	$ 1.08	$ 3,240,000
Proceeds, Before Expenses, To Us (2)	$25.92	$77,760,000

(1) The aggregate compensation to the underwriters will be $3,240,000, which will consist solely of the sales load.

(2) We estimate that we will incur approximately $323,500 in expenses in connection with this offering.

(3) The underwriters also may purchase up to an additional 440,888 shares at the public offering price, less the sales load, within 45 days from the date of this prospectus to cover over-allotments. If all such shares are purchased, the total public offering price will be $92,903,976, the total sales load will be $3,716,159 and the total proceeds, before expenses, to us will be $89,187,817.

The underwriters expect to deliver the shares to purchasers on or about October 17, 2005.

Citigroup **UBS Investment Bank**

A.G. Edwards

RBC Capital Markets

Sanders Morris Harris

October 12, 2005

(continued from previous page)

We are managed by Kayne Anderson Capital Advisors, L.P. ("Kayne Anderson"), a leading investor in MLPs. As of August 31, 2005, Kayne Anderson managed approximately $4.8 billion, including approximately $2.5 billion in MLPs and other Midstream Energy Companies.

Our currently outstanding shares of common stock are, and the shares offered in this prospectus will be, listed on the New York Stock Exchange under the symbol ''KYN''. The net asset value of our common stock at the close of business on October 10, 2005 was $25.90 per share, and the last sale price of our common stock on the New York Stock Exchange on such date was $27.50. See ''Market and Net Asset Value Information'' at page 22.

On March 28, 2005, we issued three series of auction rate senior notes due in 2045, in an aggregate principal amount of $260 million (''Senior Notes''). The Senior Notes are rated ''Aaa'' and ''AAA'' by Moody's Investors Service Inc. (''Moody's'') and Fitch Ratings (''Fitch''), respectively. The aggregate principal amount of the Senior Notes represented approximately 19.5% of our total assets as of August 31, 2005. On April 12, 2005, we issued an aggregate amount of $75 million of auction rate preferred stock (''ARP Shares''). The ARP Shares are rated ''Aa'' and ''AA'' by Moody's and Fitch, respectively. The aggregate amount of ARP Shares represented 5.6% of our total assets as of August 31, 2005.

Our common stock is junior in liquidation and distribution rights to the Senior Notes and the ARP Shares. The issuance of debt and preferred stock, including the Senior Notes and the ARP Shares, represent the leveraging of our common stock. The issuance of additional common stock offered by this prospectus will enable us to increase the aggregate amount of our leverage. See ''Use of Leverage — Effects of Leverage'' at page 52, ''Risk Factors — Leverage Risk'' at page 29, and ''Description of Capital Stock'' at page 63.

We paid dividends to our common stockholders on January 14, 2005, April 15, 2005 and July 15, 2005 in the amounts of $0.25, $0.41 and $0.415 per share, respectively. We intend to continue to pay quarterly dividends to our common stockholders. On September 13, 2005, we declared a quarterly dividend of $0.42 per share payable on October 14, 2005 to common stockholders of record on October 5, 2005, with an ex-dividend date of October 3, 2005. Our dividends will be treated as a taxable dividend to our common stockholders to the extent of our current or accumulated earnings and profits. To the extent that dividends to a stockholder exceed our earnings and profits, a stockholder's basis in our common stock will be reduced and, if a stockholder has no further basis in our shares, a stockholder will report any excess as capital gain. As with any investment, you should consult your own tax professional about your particular consequences of investing in our common stock. See ''Dividends'' at page 39 and ''Tax Matters'' at page 70.

We are treated as a corporation for federal income tax purposes and, as a result, unlike most investment companies, we are subject to corporate income tax to the extent we recognize taxable income. As a partner in MLPs, we have to report our allocable share of each MLP's taxable income in computing our taxable income, whether or not we actually receive any cash from such MLP. However, MLPs are not subject to corporate income taxes and, as a result, can generally pay distributions at a higher rate to their partners. See ''Tax Matters'' at page 70.

Shares of closed-end investment companies frequently trade at a discount to their net asset value. If our common stock trades at a discount to our net asset value, the risk of loss may increase for purchasers in this offering. This risk may be greater for investors who expect to sell their common stock in a relatively short period after completion of the public offering. See ''Risk Factors — Market Discount From Net Asset Value Risk'' at page 29.

You should rely only on the information contained or incorporated by reference in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

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This prospectus sets forth concisely the information about us that a prospective investor ought to know before investing. You should read this prospectus before deciding whether to invest and retain it for future reference. A statement of additional information, dated October 12, 2005 (''SAI''), containing additional information about us, has been filed with the Securities and Exchange Commission (''SEC'') and is incorporated by reference in its entirety into this prospectus. You may request a free copy of our stockholder reports and our SAI, the table of contents of which is on page 76 of this prospectus, by calling (877) 657-3863/MLP-FUND, by accessing our web site (http://www.kaynemlp.com), or by writing to us. You may also obtain copies of these documents (and other information regarding us) from the SEC's web site (http://www.sec.gov).

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before investing in our common stock offered by this prospectus. You should carefully read the entire prospectus, including the documents incorporated by reference into it, particularly the section entitled ''Risk Factors'' beginning on page 25. Except where the context suggests otherwise, the terms ''we,'' ''us,'' and ''our'' refer to Kayne Anderson MLP Investment Company; ''Kayne Anderson'' refers to Kayne Anderson Capital Advisors, L.P.; ''midstream energy assets'' refers to assets used in the gathering, transporting, processing, storing, refining, distributing, mining or marketing natural gas, natural gas liquids (including propane), crude oil, refined petroleum products or coal; ''MLPs'' refers to energy-related master limited partnerships, limited liability companies treated as partnerships, and their affiliates; and ''Midstream Energy Companies'' means (i) MLPs and (ii) other companies that, as their principal business, operate midstream energy assets.

What is Kayne Anderson MLP Investment Company?

Kayne Anderson MLP Investment Company is a non-diversified, closed-end investment company registered under the Investment Company Act of 1940, as amended (the ''1940 Act''), which commenced investment activities on September 28, 2004. Our common stock is traded on the New York Stock Exchange (the ''NYSE'') under the symbol ''KYN.'' See ''Description of Capital Stock'' on page 63.

We completed our initial public offering of common stock on September 28, 2004. After the payment of offering expenses and underwriting discounts, we received approximately $711 million from the proceeds of the initial public offering and after subsequent exercises by the underwriters of their over-allotment option, the aggregate net proceeds were approximately $786 million. On March 28, 2005 and April 12, 2005, we completed offerings of the Senior Notes and the ARP Shares, respectively. After the payment of offering expenses and underwriting discounts, we received a total of approximately $331 million in net proceeds from the issuance of the Senior Notes and the ARP Shares. We paid dividends to our common stockholders on January 14, 2005, April 15, 2005 and July 15, 2005 in the amounts of $0.25, $0.41 and $0.415 per share, respectively. We intend to continue to pay quarterly dividends to our common stockholders. On September 13, 2005, we declared a quarterly dividend of $0.42 per share payable on October 14, 2005 to common stockholders of record on October 5, 2005, with an ex-dividend date of October 3, 2005. Because the cash distributions received from the MLPs in our portfolio are expected to exceed the earnings and profits associated with owning such MLPs, we expect that a significant portion of our dividends will be paid from sources other than our current or accumulated earnings, income or profits. The portion of the dividend which exceeds our current or accumulated earnings and profits will be treated as a return of capital to the extent of a stockholder's basis in our common stock, then as capital gain. See ''Tax Matters'' at page 70.

Since commencing investment activities on September 28, 2004, we have reported our per share net asset value as of the end of each month as set forth in the following table. Through September 30, 2005 our per share net asset value, together with the dividends paid to our stockholders on January 14, 2005, April 15, 2005, and July 15, 2005 increased by 17.7% from our initial per share net asset value of $23.70 (after deduction of offering expenses and underwriting discounts).

Valuation Date	Net Asset Value	Adjusted Net Asset Value(2)
September 28, 2004(1)	$23.70	$23.70
October 31, 2004	23.73	23.73
November 30, 2004	23.91	23.91
December 31, 2004	24.25	24.25
January 31, 2005	25.03	25.28
February 28, 2005	25.27	25.52
March 31, 2005	24.90	25.15
April 30, 2005	24.92	25.58
May 31, 2005	25.19	25.85
June 30, 2005	26.01	26.67
July 31, 2005	26.86	27.94
August 31, 2005	26.63	27.71
September 30, 2005	26.74	27.82

(1) The initial public offering price of our common stock was $25.00 per share. After the deduction of offering expenses and underwriting discounts, our beginning per share net asset value was $23.70.

(2) Adjusted net asset value equals our net asset value plus cumulative dividends paid.

Section 19(a) of the 1940 Act and Rule 19a-1 thereunder require us to provide a written statement accompanying payment from any source other than our income that adequately discloses the source or sources of such payment. Thus, if our capital were the source of a distribution, and the payment amounted to a return of capital, we would be required to provide written notice to that effect. Nevertheless, stockholders who periodically receive distributions from us may be under the impression that such payments are made from our income, when, in fact, they are not. Accordingly, stockholders should carefully read any written disclosure accompanying a distribution and should not assume that the source of payment is our income.

Our investment objective is to obtain a high after-tax total return by investing at least 85% of our total assets in MLPs and other Midstream Energy Companies. We also must comply with the SEC's rule regarding investment company names, which requires us, under normal market conditions, to invest at least 80% of our total assets in MLPs so long as MLP is in our name.

What are our portfolio investments?

Our investments in the securities of MLPs and other Midstream Energy Companies are principally in equity securities issued by MLPs. Generally, we invest in equity securities of (i) master limited partnerships, including preferred, common and subordinated units and general partner interests, (ii) owners of such interests in master limited partnerships, and (iii) other Midstream Energy Companies. Finally, we may also, from time to time, invest in debt securities of MLPs and other Midstream Energy Companies with varying maturities of up to 30 years.

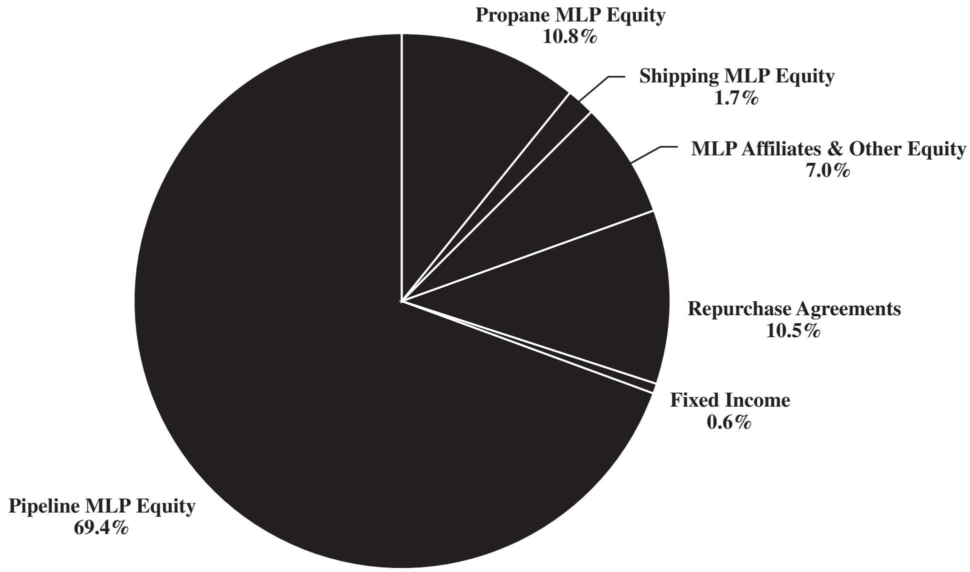
Under normal market conditions, we intend to invest at least 50% of our total assets in publicly traded (i.e., freely tradable) securities of MLPs and other Midstream Energy Companies and up to 50% (but not more than 60%) of our total assets in unregistered or otherwise restricted securities of MLPs and other Midstream Energy Companies, including securities issued by private companies. We may invest up to 15% of our total assets in any single issuer.

We may invest up to 20% of our total assets in debt securities of MLPs and other Midstream Energy Companies, including below investment grade debt securities rated, at the time of investment, at least B3 by Moody's Investors Service, Inc., B– by Standard & Poor's or Fitch Ratings, or, if unrated, determined by Kayne Anderson to be of comparable quality. In addition, up to one-quarter of our permitted investments in debt securities (or up to 5% of our total assets) may include unrated debt securities of private companies.

On a limited basis, we may also use derivative investments to hedge against interest rate and market risks. We may also utilize short sales to hedge such risks and as part of short sale investment strategies.

What is the composition of our investment portfolio?

As of May 31, 2005, we had invested approximately $1,105 million in securities of MLPs and other Midstream Energy Companies out of our total assets of $1,244 million. As of that date, the Company's portfolio consisted of $1,011 million in freely tradable securities (including $514 million in restricted securities that are now freely tradable) and $224 million in restricted securities. As shown in the following chart, approximately 69.4% of our net investment position consisted of equity securities of pipeline MLPs. The next largest component of our portfolio, totaling 10.8% of our net investment position, consisted of equity securities of propane MLPs. As of May 31, 2005, our net investment position was $1,232 million (net investment position is equal to long positions less short positions). For more detail regarding our portfolio investments, see ''Schedule of Investments'' beginning on page 18.



The restricted securities in our portfolio as of August 31, 2005 were purchased in five separate transactions and are expected to become freely tradable over the next seven months. The following table outlines the details of each of these investments, as well as four transactions in which we purchased restricted securities which became freely tradable.

Security	Number of Units	Acquisition Date	Cost	Fair Value at 8/31/2005	Value Per Unit	Percent of Total Assets	Month Freely Tradable(1)
			($ in millions, except per unit data)				
Restricted Investments							
Clearwater Natural Resources, LP(2)(3)	2,650,000	08/01/05	$ 53.0	$ 53.0	$20.00	4.0%	NA(3)
Copano Energy, L.L.C. — Class B Units(2)	1,656,248	08/01/05	46.5	62.9	37.98	4.7	March 2006
Copano Energy, L.L.C. — Common Units(2)	470,557	08/01/05	13.5	18.3	38.80	1.4	March 2006
Crosstex Energy, L.P.(2)	1,046,787	06/24/05	35.0	40.5	38.75	3.0	February 2006
Holly Energy Partners, L.P.(2)	32,100	07/08/05	1.3	1.3	40.12	0.1	January 2006
Magellan Midstream Partners, L.P.	3,478,261	04/13/05	100.0	110.4	31.73	8.2	February 2006
			$249.3	$286.4		21.4%	

Security	Number of Units	Acquisition Date	Cost	Fair Value at 8/31/2005	Value Per Unit	Percent of Total Assets	Month Freely Tradable(1)
			($ in millions, except per unit data)				
Restricted Investments Now Freely Tradable							
Enbridge Energy Partners, L.P.	1,503,900	02/11/05	$ 75.0	$ 81.1	$53.94	6.1%	May 2005
Energy Transfer Partners, L.P. . .	4,444,444	01/26/05	120.0	164.4	36.99	12.3	April 2005
Enterprise Products Partners L.P.	4,427,878	12/29/04	101.1	107.5	24.28	8.0	April 2005
Enterprise Products Partners L.P.	1,203,600	04/01/05	30.0	29.2	24.28	2.2	June 2005
Ferrellgas Partners, L.P.(4)	1,776,423	11/09/04	33.9	39.0	21.92	2.9	February 2005
Inergy, L.P.	2,946,955	12/17/04	75.0	87.7	29.77	6.6	August 2005
Kinder Morgan Management LLC	1,300,000(5)	11/04/04	52.6	64.0(5)	47.58	4.7	February 2005
			$487.6	$572.9		42.8%	
Total Investments in Restricted Securities			**$736.9**	**$859.3**		**64.2%**	

(1) Anticipated month in which our investment becomes or became freely tradable.

(2) Units purchased are not yet registered for resale.

(3) Clearwater Natural Resources, LP is a privately-held company.

(4) We purchased 2,098,623 Ferrellgas Partners, L.P. units in the November 9, 2004 transaction and have sold a portion of those units since they became freely tradeable in February 2005. The total cost and fair value of the investment have been adjusted to reflect only those units still held by us.

(5) Our 1,300,000 share purchase of Kinder Morgan Management LLC in November 2004 has increased in size because of paid-in-kind distributions on those shares. The fair value at 8/31/2005 includes value attributable to these distributions.

Who is Kayne Anderson Capital Advisors?

Kayne Anderson Capital Advisors, L.P. is our investment adviser, responsible for implementing and administering our investment strategy. As of August 31, 2005, Kayne Anderson managed approximately $4.8 billion, including approximately $2.5 billion in MLPs and other Midstream Energy Companies. Kayne Anderson has invested in MLPs and other Midstream Energy Companies since 1998. We believe that Kayne Anderson has developed an understanding of the MLP market that enables it to identify and take advantage of public MLP investment opportunities. In addition, Kayne Anderson's senior professionals have developed a strong reputation in the energy sector and have many long-term relationships with industry managers, which we believe gives Kayne Anderson an important advantage in sourcing and structuring private investments.

Why does our MLP strategy present an attractive market opportunity?

We invest principally in MLPs. We believe that this strategy offers an opportunity for attractive risk-adjusted returns based on several characteristics of MLPs, including the following:

- *MLPs provide steady distributions with attractive growth profiles.* During the period from January 1, 1998 through December 31, 2004, publicly-traded energy-related master limited partnerships provided an average annual yield of 8.5%. Additionally, during that same time period, distributions from these master limited partnerships increased at a compounded average annual rate of 6.6%. Currently, these master limited partnerships provide a 6.1% average yield. This information is for the energy-related master limited partnerships that were traded publicly as of September 30, 2005 (37 partnerships), and is derived by us from financial industry databases and public filings. We believe that current market conditions are conducive for continued growth in distributions. However, there can be no assurance that these levels will be maintained in the future.
- *MLPs operate strategically important assets that typically generate stable cash flows.* MLPs operate in businesses that are necessary for providing consumers with access to energy resources. We believe that due to the fee-based nature and long-term importance of their midstream energy assets, MLPs typically generate stable cash flows throughout economic cycles. Additionally, certain businesses

operated by MLPs are regulated by federal and state authorities that ensure that rates charged are fair and just. In most cases, such regulation provides for highly predictable cash flows.

- *The midstream energy sector has high barriers to entry.* Due to the high cost of constructing midstream energy assets and the difficulty of developing the expertise necessary to comply with the regulations governing the operation of such assets, the barriers to enter the midstream energy sector are high. Therefore, currently existing MLPs with large asset bases and significant operations enjoy a competitive advantage over other entities seeking to enter the sector.
- *Due to a lack of broad institutional following and limited retail focus, the MLP market experiences inefficiencies which can be exploited by a knowledgeable investor.* Historically, there have been potential adverse consequences of MLP ownership for many institutional investors, including registered investment companies. Further, because MLPs generate unrelated business taxable income (''UBTI''), typically they are not held by tax-exempt investors such as pension plans, endowments, employee benefit plans, or individual retirement accounts. Also, income and gains from MLPs are subject to the Foreign Investment in Real Property Tax Act (''FIRPTA''), limiting the investment by non-U.S. investors in the sector. As a result, MLPs are held predominantly by taxable U.S. retail investors. Further, due to the limited public market float for MLP common units and tax-reporting burdens and complexities associated with MLP investments, MLPs appeal only to a segment of such retail investors. Due to this limited, retail-oriented focus, the market for MLPs can experience inefficiencies which can be exploited by a knowledgeable investor.

We believe that the attractive characteristics of MLPs are further supported by the positive dynamics currently affecting the midstream energy sector, including the following:

- *MLPs are well-positioned to capitalize on the ongoing divestitures of midstream energy assets.* As major oil and gas companies continue to focus on international opportunities and core exploration and production activities, such companies continue to sell many of their North American midstream energy assets. Additionally, certain utilities and energy merchants are selling their midstream energy assets, in part to improve their credit profiles. MLPs, as tax pass-through entities, have cost of capital advantages over corporate purchasers. As a result, MLPs have been active acquirors of midstream energy assets over the last several years. We believe this large pool of midstream energy assets should provide MLPs with significant acquisition opportunities to augment their internal growth prospects.
- *Many MLPs have significant available capacity which allows them to benefit disproportionately from a growing economy.* As the overall economy expands, energy demand increases and in certain cases, rates for assets owned by MLPs increase. Many of the MLPs in which we intend to invest have significant additional available operating capacity. As a result, these MLPs benefit from significant economies of scale and can expand production at relatively low cost levels. Small increases in energy demand can result in significant growth in the distributable cash flows for such MLPs. We believe this internal growth is an important component of MLPs' ability to increase distributions.

There are, however, risks related to investments in MLPs, including energy sector risks that affect the business, operations and earnings of MLPs, as well as other Midstream Energy Companies generally, and the risk that the tax we must pay on distributions received from the MLPs in which we invest will be greater than we anticipate, or that the MLPs would incur an entity-level tax and would be able to distribute less to us, each of which would negatively affect the amount of distributions that we can pay to our stockholders. See ''Risk Factors — MLP and other Midstream Energy Company Risk'' and ''— Tax Risks'' beginning on pages 27 and 28 and the other information included in this prospectus for information on these risks.

What are Kayne Anderson's competitive advantages?

We believe that Kayne Anderson is particularly qualified and positioned both to identify appropriate publicly traded market MLP investment opportunities and to source and structure private investments in MLPs due to the following:

Substantial MLP Market Knowledge and Industry Relationships. Through its activities as a leading investor in MLP securities, Kayne Anderson has developed broad expertise and important relationships with industry managers in the MLP sector. We believe that Kayne Anderson's industry knowledge and relationships will enable us to capitalize on opportunities to source investments in MLPs that may not be readily available to other investors. Such investment opportunities include purchasing larger blocks of limited partner interests, often at discounts to market prices, non-controlling general partner interests and positions in companies expected to form an MLP. We believe that Kayne Anderson's substantial MLP market knowledge provides it with the ability to recognize long-term trends in the industry and to identify differences in value among individual MLPs, which abilities benefit our portfolio of public investments in MLPs and other Midstream Energy Companies.

Extensive Transaction Structuring Expertise and Capability. Kayne Anderson has industry-leading experience identifying and structuring investments in MLP securities. This experience, combined with Kayne Anderson's ability to engage in regular dialogue with industry participants and other large holders of MLP securities to better understand the capital needs of prospective portfolio companies, give it an advantage in structuring transactions mutually attractive to us and the portfolio company. Further, our ability to fund a meaningful amount of the capital needs of prospective portfolio companies provides us an advantage over other potential investors with less capital to employ in the sector. These investments may include purchases of subordinated units, restricted common units or general partner interests.

Ability to Trade Efficiently in a Relatively Illiquid Market. We believe that Kayne Anderson's ability to generate favorable returns on public investments in MLPs is aided by its substantial experience actively trading MLPs and similar securities. Through its affiliated broker-dealer, Kayne Anderson maintains its own trading desk, providing it with the ability to understand day-to-day market conditions for MLP securities, which have historically been characterized by lower daily trading volumes than comparable corporate equities. We believe that Kayne Anderson's direct equity market access enables it to make better informed investment decisions and to execute its investment strategy with greater efficiency.

How does an investment in our common stock compare with direct investment in MLPs?

We are intended to be an efficient vehicle for investing in a portfolio comprised principally of MLP equity securities. We believe that an investor in our common stock will benefit from Kayne Anderson's investment experience, market knowledge and relationships, as well as a number of portfolio and tax features that would not be available if such investor were to make investment directly in MLPs, including some or all of the following:

- We provide, through a single investment vehicle, an investment in a portfolio of securities issued by MLPs and other Midstream Energy Companies.
- Under normal market conditions, we intend to invest up to 50% (but not more than 60%) of our total assets in unregistered or otherwise restricted securities of MLPs. We believe that we can make such purchases of securities at discounts or with other beneficial terms. Such investment opportunities are typically only available to a limited number of knowledgeable investors with a large amount of capital available for investment in any particular security or issuer.
- Our common stockholders will receive a single tax reporting statement (on Form 1099) and will only be required to file income tax returns in states in which they would ordinarily file. In contrast, a person who invests directly in MLPs receives a statement of partnership items (on Schedule K-1) from each MLP owned and may be required to file income tax returns in each state in which such MLPs generate income.
- Our common stock dividends are treated as qualifying income for each of our common stockholders that is an investment company (including mutual funds) that have elected to be taxed as regulated investment companies. Subject to certain holding period requirements, corporate investors in our common stock generally will be entitled to dividends-received deduction treatment on our dividends.
- Our common stock dividends will be excluded from treatment as UBTI (except for those stockholders who debt-finance the purchase of our common stock). Accordingly, tax-exempt investors, including pension plans, employee benefit plans and individual retirement accounts, will not have UBTI upon receipt of dividends from us, whereas a tax-exempt limited partner's allocable share of income of an MLP is generally treated as UBTI.

Unlike MLPs, we are obligated to pay federal and state tax with respect to our income, thereby subjecting our income to a double layer of taxation upon distribution to our taxable common stockholders. However, the types of MLPs in which we invest historically have made cash distributions to limited partners that exceed the amount of taxable income allocable to limited partners, due to a variety of factors, including significant non-cash deductions, such as depreciation. If the cash distributions exceed the taxable income reported in a particular tax year, such excess cash distributions would not be taxed as income to us in that tax year but rather would be treated as a non-taxable return of capital to the extent of our basis, and our basis in our MLP units would be decreased by the amount of such excess, which would potentially increase our taxable gain upon any subsequent sale of our MLP units. For federal income tax purposes, unlike individuals, who are generally subject to a maximum long-term capital gains rate of 15% under current law, we will be taxed upon any recognized long-term capital gains at the same rate our ordinary income is taxed (generally 35%). See ''Tax Matters'' at page 70. Like other investment companies, our common stockholders will bear our operating costs, including management fees, custody and administration charges, and the costs of operating as an investment company.

Why do we use financial leverage?

On March 28, 2005, we issued the Senior Notes in an aggregate principal amount of $260 million. The Senior Notes are rated ''Aaa'' and ''AAA'' by Moody's and Fitch, respectively. The aggregate principal amount of the Senior Notes represented approximately 19.5% of our total assets as of August 31, 2005. On April 12, 2005, we issued ARP Shares in the aggregate amount of $75 million. The ARP Shares are rated ''Aa'' and ''AA'' by Moody's and Fitch, respectively. The aggregate amount of ARP Shares represented approximately 5.6% of our total assets as of August 31, 2005. Our common stock is junior in liquidation and distribution rights to the Senior Notes and the ARP Shares.

The issuance of debt and preferred stock, including Senior Notes and ARP Shares, represents the leveraging of our common stock. The issuance of additional common stock offered by this prospectus will enable us to increase the aggregate amount of our leverage. The net asset value of our common stock will be reduced by the fees and issuance costs of any financial leverage. We may make further use of financial leverage through the issuance of additional Senior Notes, ARP Shares or other senior securities.

The Senior Notes, ARP Shares and other borrowings (each a ''Leverage Instrument'' and collectively, the ''Leverage Instruments'') may constitute, in the aggregate, up to 30% of our total assets, which includes assets obtained through such financial leverage. Leverage creates a greater risk of loss, as well as potential for more gain, for our common stock than if leverage is not used. Leverage Instruments have seniority over our common stock. Costs associated with leverage are borne immediately by common stockholders and result in a reduction of the net asset value of our common stock. See ''Use of Leverage'' at page 51.

Because Kayne Anderson's fee is based upon a percentage of our total assets, Kayne Anderson's fee is likely to be higher since we employ leverage. Therefore, Kayne Anderson has a financial incentive to use leverage, which may create a conflict of interest between Kayne Anderson and our common stockholders. There can be no assurance that our leveraging strategy will be successful during any period in which it is used. The use of leverage involves significant risks. See ''Risk Factors — Leverage Risk'' at page 29.

What risk management techniques may we use?

We may, but are not required to, use various hedging and other transactions to seek to manage interest rate and market risks. See ''Risk Factors — Leverage Risk'' at page 29, ''— Derivatives Risk'' at page 33, and ''Kayne Anderson MLP Investment Company — Investment Practices — Hedging and Other Risk Management Transactions'' at page 49 in this prospectus and ''Our Investments — Our Use of Derivatives, Options and Hedging Transactions,'' in our statement of additional information. There is no guarantee we will use these risk management techniques.

THE OFFERING

Common stock offered by us	3,000,000 shares, excluding 440,888 shares of common stock issuable pursuant to the over-allotment option granted to the underwriters.
Common stock to be outstanding after this offering	36,926,098 shares, excluding 440,888 shares of common stock issuable pursuant to the over-allotment option granted to the underwriters.
Use of proceeds	The net proceeds of this offering will be approximately $77,436,500 ($88,864,317 if the underwriters exercise the over-allotment option in full) after payment of the estimated offering expenses and the deduction of the underwriting discount. We will invest the net proceeds of the offering in accordance with our investment objective and policies.
Dividends	We paid dividends to our common stockholders on January 14, 2005, April 15, 2005 and July 15, 2005 in the amounts of $0.25, $0.41 and $0.415 per share, respectively. We intend to continue to pay quarterly dividends to our common stockholders, funded in part by our distributable cash flow. On September 13, 2005, we declared a quarterly dividend of $0.42 per share payable on October 14, 2005 to common stockholders of record on October 5, 2005, with an ex-dividend date of October 3, 2005. Our cash and other income from investments is the amount received by us as cash or paid-in-kind distributions from MLPs or other Midstream Energy Companies, interest payments received on debt securities owned by us and other payments on securities owned by us, less current or anticipated operating expenses, current (but not deferred) taxes on our taxable income, and our leverage costs. Because the cash distributions received from the MLPs in our portfolio are expected to exceed the earnings and profits associated with owning such MLPs, we expect that a significant portion of our future dividends will be treated as a return of capital to stockholders for tax purposes. There is no assurance we will continue to pay regular dividends or that we will do so at a particular rate. Our quarterly dividends will be authorized by our Board of Directors out of funds legally available therefor. See ''Dividends'' at page 39.
Taxation	We have not, and we will not, elect to be treated as a regulated investment company under the Internal Revenue Code. Therefore, we will pay federal and applicable state corporate taxes on our taxable income. The types of MLPs in which we invest historically have made cash distributions to limited partners that exceed the amount of taxable income allocable to limited partners, due to a variety of factors, including significant non-cash deductions, such as depreciation. If the cash distributions exceed the taxable income reported in a particular tax year, such excess cash distributions would not be taxed as income to us in that tax year but rather would be treated as a return of capital for federal income tax

purposes to the extent of our basis in our MLP units. See ''Tax Matters'' at page 70.

Stockholder tax features .... We have paid, and we expect to continue to pay cash distributions to our common stockholders in excess of our taxable income per share. If we distribute cash from current and accumulated earnings and profits as computed for federal income tax purposes, such distributions will generally be taxable to stockholders in the current period as dividend income for federal income tax purposes. Subject to certain holding period requirements, such dividend income generally will qualify for treatment as ''qualified dividend income'' eligible for taxation at reduced rates under current law. If our distributions exceed our current and accumulated earnings and profits as computed for federal income tax purposes, such excess distributions will constitute a non-taxable return of capital to the extent of a common stockholder's basis in our common stock and will result in a reduction of such basis. To the extent such excess exceeds a common stockholder's basis in our common stock, such excess will be taxed as capital gain. We expect that a significant portion of our future distributions will be treated as a return of capital to stockholders for tax purposes. Upon the sale of common stock, a common stockholder generally will recognize capital gain or loss measured by the difference between the sale proceeds received by our common stockholder and our common stockholder's federal income tax basis in our common stock sold, as adjusted to reflect return of capital. See ''Tax Matters'' at page 70.

Risk considerations .... An investment in our common stock involves substantial risks, including the risks summarized below.

Under normal conditions, we intend to invest at least 85% of our assets in the MLPs and other Midstream Energy Companies, which are subject to certain additional risks, such as supply and demand risk, interest rate risk, depletion and exploration risk, commodity pricing risk, acquisition risk, and the risk associated with the hazards inherent in midstream energy industry activities. In addition, the cash flow we receive from our investments is dependent on the amount of cash that each MLP in our portfolio has available for distributions and the tax character of such distributions, which are largely dependent on factors affecting the MLP's operations and factors affecting the energy industry in general.

Although we intend to invest the proceeds of this offering in accordance with our investment objective as soon as practicable, such investments may be delayed if suitable investments are unavailable at the time or if we are unable to secure firm commitments for direct placements.

Shares of closed-end investment companies frequently trade at a discount to their net asset value; accordingly, our common stock may trade at a price that is less than the offering price or at a discount from our net asset value.

Certain of the publicly-traded securities in our portfolio, particularly those with smaller capitalizations, may trade less frequently than other common stocks. Securities with limited trading volumes may display volatile or erratic price movements, and it may be more difficult for us to buy and sell significant amounts of such securities without an unfavorable impact on prevailing market prices. Also, restricted securities in our portfolio 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.

Market prices may not be readily available for some or all of the restricted or unregistered securities in our portfolio. The difficulty in valuing these securities and the absence of an active trading market for these investments may adversely affect our ability to determine our net asset value. Also, we may not be able to realize these securities' true value or may have to delay their sale in order to do so.

Because we select our public investments from a small pool of publicly traded MLPs, a change in the value of the securities of any one of these MLPs could have a significant impact on our portfolio. In addition, we are a non-diversified investment company and we are not subject to any regulatory requirements under the 1940 Act or the Internal Revenue Code on the minimum number or size of securities we hold. As of August 31, 2005, we held investments in 38 issuers.

Interest rate risk is the risk that equity and debt securities will decline in value because of changes in market interest rates. Our portfolio investments may be susceptible in the short-term to fluctuations in interest rates. The prices of MLP securities, and thus our net asset value and the market price of our common stock, may decline when interest rates rise.

We are dependent upon Kayne Anderson's key personnel for our future success and upon their access to certain individuals and investments in the midstream energy industry. In addition, 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.

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. These provisions 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.

See ''Risk Factors'' beginning on page 25 and the other information included in this prospectus for information on these and other risk factors, all of which you should carefully consider before deciding whether to invest in our common stock.

Tax risks	In addition to other risk considerations, an investment in our common stock will involve certain tax risks, including the following: the risk that an MLP is classified as a corporation rather than a partnership for federal income tax purposes, which may reduce our after-tax return and negatively affect the value of our common stock; the risk of changes in tax laws or regulations, or interpretations thereof, which could adversely affect us or the MLPs in which we invest; the risk of increased current tax liability to us due to the fluctuation in the percentage of an MLP's income and gains which is offset by tax deductions and losses; the risk that upon our sale of an MLP security, we will be liable for previously deferred taxes; and the risk of a reduction in the percentage of a distribution offset by tax deductions or an increase in our portfolio turnover, which will reduce that portion of our common stock dividend treated as a tax-deferred return of capital and increase that portion treated as dividend income, resulting in lower after-tax dividends to our common stockholders. See ''Risk Factors — Tax Risks'' at page 28 for more information on these risks.
Dividend reinvestment plan	We have a dividend reinvestment plan for our common stockholders. This is an ''opt out'' dividend reinvestment plan. As a result, if we declare a dividend, then our common stockholders' cash dividends will be automatically reinvested in additional shares of our common stock, unless they specifically elect to receive cash dividends. Common stockholders who receive dividends in the form of stock will be subject to the same federal, state and local tax consequences as common stockholders who elect to receive their dividends in cash. See ''Dividend Reinvestment Plan'' at page 40.
New York Stock Exchange symbol	''KYN''
Trading at a discount	Shares of closed-end investment companies frequently trade at a discount to their net asset value. The possibility that our common stock may trade at a discount to our net asset value is separate and distinct from the risk that our common stock's net asset value may decline. We cannot predict whether our common stock will trade above, at or below its net asset value.
Management arrangements	Kayne Anderson serves as our investment adviser and provides certain administrative services to us. See ''Kayne Anderson MLP Investment Company — About Kayne Anderson'' at page 41 and ''Management — Investment Management Agreement'' at page 58.
Service providers	American Stock Transfer & Trust Company is our transfer agent and dividend paying agent. See ''Transfer Agent and Dividend-Paying Agent'' on page 75. The Custodial Trust Company is custodian of our securities and other assets. Bear Stearns Funds Management Inc. provides certain administrative services to us. Ultimus Fund Solutions, LLC is our fund accountant. See ''Administrator, Custodian and Fund Accountant'' on page 75.

KAYNE ANDERSON MLP INVESTMENT COMPANY

We are a non-diversified, closed-end management investment company registered under the 1940 Act, and formed as a Maryland corporation in June 2004. Our common stock is listed on the NYSE under the symbol ''KYN.'' On September 28, 2004, we issued 30,000,000 shares of common stock, par value $0.001 per share, in an initial public offering. On October 22, 2004 and November 16, 2004, we issued an additional 1,500,000 and 1,661,900 shares of common stock, respectively, in connection with partial exercises by the underwriters of their over-allotment option. The net proceeds of the initial public offering and subsequent exercises of the over-allotment option of common stock were approximately $786 million after the payment of offering expenses and underwriting discounts. On March 28, 2005, we issued the Senior Notes and on April 12, 2005, we issued the ARP Shares. After the payment of offering expenses and underwriting discounts, we received approximately $257 million in net proceeds from the Senior Notes issuance and $74 million in net proceeds from the ARP Shares issuance.

On January 14, 2005, April 15, 2005 and July 15, 2005, we paid dividends to our common stockholders in the amounts of $0.25, $0.41 and $0.415 per share of common stock, respectively. Approximately 65%, 51% and 47% of our stockholders elected to participate in our dividend reinvestment program for the January, April and July 2005 dividends, respectively, which resulted in reinvestments through our dividend reinvestment program of $5,400,602, $7,042,073 and $6,570,925, respectively, and the issuance of 222,522, 288,020 and 249,656 additional shares of common stock, respectively. On September 13, 2005, we declared a quarterly dividend of $0.42 per share payable on October 14, 2005 to common stockholders of record on October 5, 2005, with an ex-dividend date of October 3, 2005.

As of September 30, 2005, we had 33,926,098 shares of common stock outstanding, 199,990,000 shares of common stock authorized, 3,000 shares of preferred stock outstanding, and 10,000 shares of preferred stock authorized, none of which were held by us for our account. We issued 4,000 shares of our common stock in a private placement to provide us with seed capital prior to our initial public offering. Those shares are held by an affiliate of Kayne Anderson Capital Advisors, L.P.

Our principal office is located at 1800 Avenue of the Stars, Second Floor, Los Angeles, California 90067, and our telephone number is (877) 657-3863/ MLP-FUND.

FEES AND EXPENSES

The following table contains information about the costs and expenses that common stockholders will bear directly or indirectly, after giving effect to the issuance of common stock pursuant to this prospectus. The table assumes that we use leverage representing 30% of our total assets. Footnote (7) assumes that our use of leverage is limited to the Senior Notes and the ARP Shares.

Stockholder Transaction Expenses:	
Sales Load Paid by You (as a percentage of offering price)	4.00%
Offering Expenses Borne by Us (as a percentage of pro forma net assets)(1)	0.03%
Dividend Reinvestment Plan Fees	None(2)

Percentage of Net Assets Attributable to Common Stock, after giving effect to the sale of common stock offered in this prospectus (assumes leverage is increased to 30%)

Annual Expenses:	
Management Fees(3)	2.74%
Leverage Costs(4)(7)	1.86%
Other Expenses (exclusive of current and deferred income tax expenses)	0.36%
Annual Expenses (exclusive of current and deferred income tax expenses)	4.96%
Current Income Tax Expense(5)	0.12%
Deferred Income Tax Expense(6)	4.10%
Total Annual Expenses (including current and deferred income tax expenses)	9.18%

(1) We may choose to offer additional Senior Notes or ARP Shares subsequent to this offering of common stock. Offering costs of the ARP Shares are expensed in the year of issuance. Offering costs of the Senior Notes are capitalized and amortized over the life of the Senior Notes (currently, 40 years). If we offer additional ARP Shares, the costs of that offering, estimated to be approximately 1.0% of the total dollar amount of such offering (including the sales load paid to the underwriters in connection with such offering), will be borne immediately by holders of common stock and result in a reduction of net asset value of the common stock. Assuming the issuance of ARP Shares in an amount that will increase our total outstanding leverage to 30% of our capital (after their issuance) these offering costs (including the sales load paid to the underwriters in connection with such offering) are estimated to be approximately $1.3 million, or $0.03 per share of common stock. These offering costs are not included among the expenses shown in the Annual Expense table.

(2) You will pay brokerage charges if you direct American Stock Transfer & Trust Company, as agent for our common stockholders, to sell your common stock held in a dividend reinvestment account.

(3) Represents the basic fee payable to Kayne Anderson (i.e., 1.75%). The Management Fees as a percentage of average net assets attributable to our common stock may be as low as 1.17% or as high as 4.31%, based on our relative investment performance. See ''Management — Investment Management Agreement'' at page 58.

(4) Leverage Costs in the table reflect the offering expense borne by us in connection with issuance of leverage, as well as the weighted average cost to us of the Senior Notes and ARP Shares, expressed as a percentage of our net assets, based on interest rates and dividend rates in effect as of August 31, 2005, which rates were as follows: Senior Notes Series A, 3.53%; Senior Notes Series B, 3.52%; Senior Notes Series C, 3.53%; and ARP Shares, 3.60%. Because interest payment obligations on the Senior Notes and dividend payment obligations on the ARP Shares have been hedged in part by interest rate swap agreements, and the interest payable under the swap agreements currently exceeds the interest payment obligations on the Senior Notes and the dividend payment obligations on the ARP Shares, the estimated Leverage Costs are adjusted for the rates expected to be payable under the interest rate swap agreements.

(5) We pay current income taxes based on our net investment income/(loss) and our realized gains. As this expense is based on the amount of realized gains in the portfolio, which cannot be accurately forecast for the remainder of the fiscal year, the current tax expense in the table above is calculated based on actual income taxes paid as of May 31, 2005. If this expense is annualized, based on the six months ended May 31, 2005 and giving effect to the estimated offering proceeds, the current tax expense would be 0.24%.

(6) We accrue deferred taxes on our unrealized gains. For the most recent fiscal year, which began September 28, 2004 and ended November 30, 2004, our net increase in unrealized gains (before taxes) was $9.5 million and we accrued $3.8 million in deferred taxes on our unrealized gains and deferred tax benefit from organizational expenses. For the six months ended May 31, 2005, our net increase in unrealized gains (before taxes) was $104.7 million and we accrued $40.2 million in deferred taxes on our unrealized gains (also includes the tax impact of amortization of capitalized organizational expenses). As this expense is based on the amount of unrealized gains in the portfolio, which cannot be accurately forecast for the remainder of the fiscal year, the deferred tax expense in the table above is calculated based on actual unrealized gains for the six months ended May 31, 2005, assuming a total income tax rate of 38.5%. If this expense is annualized, based on the six months ended May 31, 2005 and giving effect to the estimated offering proceeds, the deferred tax expense would be 8.19%.

(7) The table presented in this footnote estimates what our annual expenses would be, stated as percentages of our net assets attributable to our common stock but, unlike the table above, assumes that we do not add any additional leverage to the amount currently outstanding. In accordance with these assumptions, our expenses would be estimated as follows:

Percentage of Net Assets Attributable to Common Stock, after giving effect to the sale of common stock offered in this prospectus (assumes no additional leverage)

Annual Expenses:	
Management Fees(1)	2.51%
Leverage Costs(2)	1.40%
Other Expenses (exclusive of current and deferred income tax expenses)	0.33%
Annual Expenses (exclusive of current and deferred income tax expenses)	4.24%
Current Income Tax Expense(3)	0.12%
Deferred Income Tax Expense(4)	4.10%
Total Annual Expenses (including current and deferred income tax expenses)	8.46%

(1) Represents the basic fee payable to Kayne Anderson (i.e., 1.75%). The Management Fees as a percentage of average net assets attributable to our common stock may be as low as 1.08% or as high as 3.95% at August 31, 2005 leverage levels, based on our relative investment performance. See ''Management — Investment Management Agreement'' at page 58.

(2) Leverage Costs in the table reflect the offering expense borne by us in connection with issuance of leverage, as well as the weighted average cost to us of the Senior Notes and ARP Shares, expressed as a percentage of our net assets, based on interest rates and dividend rates in effect as of August 31, 2005, which rates were as follows: Senior Notes Series A, 3.53%; Senior Notes Series B, 3.52%; Senior Notes Series C, 3.53%; and ARP Shares, 3.60%. Because interest payment obligations on the Senior Notes and dividend payment obligations on the ARP Shares have been hedged in part by interest rate swap agreements, and the interest payable under the swap agreements currently exceeds the interest payment obligations on the Senior Notes and the dividend payment obligations on the ARP Shares, the estimated Leverage Costs are adjusted for the rates expected to be payable under the interest rate swap agreements. Offering costs of the ARP Shares are expensed in the year of their issuance. Offering costs of the Senior Notes are capitalized and amortized over the life of the Senior Notes (currently, 40 years).

(3) We pay current income taxes based on our net investment income/(loss) and our realized gains. As this expense is based on the amount of realized gains in the portfolio, which cannot be accurately forecast for the remainder of the fiscal year, the current tax expense in the table above is calculated based on actual income taxes paid as of May 31, 2005. If this expense is annualized, based on the six months ended May 31, 2005 and giving effect to the estimated offering proceeds, the current tax expense would be 0.24%.

(4) We accrue deferred taxes on our unrealized gains. For the most recent fiscal year, which began September 28, 2004 and ended November 30, 2004, our net increase in unrealized gains (before taxes) was $9.5 million and we accrued $3.8 million in deferred taxes on our unrealized gains and deferred tax benefit from organizational expenses. For the six months ended May 31, 2005, our net increase in unrealized gains (before taxes) was $104.7 million and we accrued $40.2 million in deferred taxes on our unrealized gains (also includes the tax impact of amortization of capitalized organizational expenses). As this expense is based on the amount of unrealized gains in the portfolio, which cannot be accurately forecast for the remainder of the fiscal year, the deferred tax expense in the table above is calculated based on actual unrealized gains for the six months ended May 31, 2005, assuming a total income tax rate of 38.5%. If this expense is annualized, based on the six months ended May 31, 2005 and giving effect to the estimated offering proceeds, the deferred tax expense would be 8.19%.

The purpose of the table above and the example below is to help you understand all fees and expenses that you would bear directly or indirectly as a holder of our common stock. The expenses shown in the table under ''Other Expenses'' and ''Total Annual Expenses'' are based on estimated amounts for our first full year of operations and assume that we issue $81,000,000 in common stock in this offering. If we issue fewer shares of common stock in this offering, all other things being equal, these expenses would increase on a per share basis. See ''Management'' at page 54 and ''Dividend Reinvestment Plan'' at page 40.

The following example illustrates the expenses (including the underwriting discount of 4.00%, or $1.08 per share of common stock, and estimated offering expenses of this offering of $323,500, or $0.11 per share of common stock) that you would pay on a $1,000 investment in our common stock, assuming a 6.25% interest and dividend yield on total assets, a 5% annual appreciation in net assets (prior to reinvestment of dividends and distributions) and expenses based on a basic management fee of 1.75%, a 3% annual increase in other operating expenses and a 38.5% tax rate. Based on these assumptions, annual expenses before tax are 5.32% of net assets attributable to our common stock in year 1 and total annual expenses after tax are 8.05% of net assets attributable to our common stock in year 1. The following example also assumes that all dividends and distributions are reinvested at net asset value.

	1 Year	3 Years	5 Years	10 Years
Before tax(1)	$52	$150	$255	$557
After tax(1)(2)	$79	$233	$397	$862

(1) Expenses include basic Management Fee payable to Kayne Anderson (i.e., 1.75%). The Management Fee as a percentage of average net assets attributable to our common stock may be as low as 1.17% or as high as 4.31%, based on our relative investment performance.

(2) Taxes calculated based on an assumed 5% annual appreciation in net assets (prior to reinvestment of dividends and distributions).

THE EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF FUTURE EXPENSES. The example assumes that the estimated ''Other Expenses'' set forth in the Annual Expenses table are accurate and that all dividends and distributions are reinvested at net asset value and that we are engaged in leverage of 30% of total assets, assuming a 3.94% cost of leverage. The cost of leverage is expressed as a blended interest/dividend rate and represents the weighted average of interest payable on Senior Notes and dividends payable on ARP Shares, adjusted to account for our current and expected use of interest rate swaps. ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN. Moreover, our actual rate of return may be greater or less than the hypothetical 5% return shown in the example.

FINANCIAL HIGHLIGHTS

Information contained in the table below under the headings ''Per Share Performance of Common Stock'' and Supplemental Data and Ratios'' shows the operating performance of our common stock from the commencement of our investment activities on September 28, 2004 until November 30, 2004 and December 1, 2004 until May 31, 2005. The information for the period September 28, 2004 (commencement of operations) through November 30, 2004 has been audited by PricewaterhouseCoopers LLP, whose report is contained in our SAI and is available from us upon request. Since we commenced investment activities on September 28, 2004, the table covers approximately eight (8) months of operations. Accordingly, the information presented may not provide a meaningful picture of our operating performance. As of August 31, 2005, approximately 95.3% of our assets were invested in MLPs and other Midstream Energy Companies.

	For the Six Months Ended May 31, 2005 (unaudited)	For the Period September 28, 2004[1] through November 30, 2004
	($ amounts in 000's, except per share data)	
Per Share Performance of Common Stock		
Net asset value, beginning of period	$ 23.91	$ 23.70[2]
Underwriting discounts and offering costs on the issuance of preferred stock	(0.03)	—
Income from investment operations		
Net investment income(loss)	(0.03)[3]	0.02[4]
Net realized and unrealized gain on investments, securities sold short, options and interest rate swap contracts	2.01[3]	0.19[4]
Total income from investment operations	1.98	0.21
Dividends — Preferred Stockholders		
Dividends[5]	(0.01)	—
Dividends — Common Stockholders		
Dividends[6]	(0.05)	—
Distributions[6]	(0.61)	—
Net asset value, end of period	$ 25.19	$ 23.91
Per share of common stock market value, end of period	$ 26.00	$ 24.90
Total investment return based on common stock market value[7]	7.26%	(0.40)%
Total investment return based on net asset value[8]	8.22%	0.89%
Supplemental Data and Ratios		
Net assets applicable to common stockholders, end of period	$848,342	$792,836
Ratio of expenses to average net assets (including current and deferred income tax expenses)[9]	11.84%[10]	4.73%[10]
Ratio of expenses to average net assets (exclusive of current and deferred income tax expenses)[9]	1.76%[10]	1.20%[10]
Ratio of expenses, excluding non-recurring organizational expenses, to average net assets	1.76%[10]	1.08%[10]
Ratio of expenses, excluding taxes and interest expenses, to average net assets	1.26%[10]	—
Ratio of net investment income to average net assets, after taxes	(0.21)%[10]	0.50%[10]
Portfolio turnover rate	13.72%[11]	11.78%[11]
Auction Rate Senior Notes outstanding, end of period	$260,000	—
Auction Rate Preferred Stock, end of period	$ 75,000	—
Borrowings outstanding per share of common stock, end of period	$ 7.72	—
Common stock per share, excluding borrowings, end of period	$ 32.91	—
Asset coverage, per $1,000 of principal amount of Auction Rate Senior Notes Series A, B and C	426.22%	—
Asset coverage, per $25,000 of liquidation value per share of Auction Rate Preferred Stock	353.19%	—
Average amount of borrowings outstanding per share of common stock during the period	$ 3.57[3]	—

(1) Commencement of operations.
(2) Initial public offering price of $25.00 per share less underwriting discounts of $1.25 per share and offering costs of $0.05 per share.
(3) Based on average shares of common stock outstanding of 33,400,589.
(4) Information presented relates to a share of common stock outstanding for the entire period.
(5) The character of dividends made during the year may differ from their ultimate characterization for federal income tax purposes. We are unable to make final determinations as to the character of the dividend until after the calendar year.
(6) The information presented in this line item is a preliminary accounting (or ''book'') estimate of the characterization of a portion of the total dividends paid to common stockholders for the six months ended May 31, 2005 (which total amount was $0.66 per share of common stock) as either a dividend (ordinary income) or a distribution (return of capital). This preliminary estimate for book purposes is based on our operating results during the period. The actual tax characterization of the common stock dividends made during the year will not be determinable until after the end of the calendar year when we can determine our earnings and profits and, therefore, it may differ substantially from the preliminary determination for book purposes.
(7) Not annualized. Total investment return is calculated assuming a purchase of common stock at the market price on the first day and a sale at the current market price on the last day of the period reported. The calculation also assumes reinvestment of dividends and distributions, if any, at actual prices pursuant to our dividend reinvestment plan.
(8) Not annualized. Assumes re-investment of dividends.
(9) For the period from September 28, 2004 through November 30, 2004, our current income tax expense was $0.8 million and we accrued $3.8 million in deferred taxes on our unrealized gains and deferred tax benefit from organizational expenses. For the first six months of this fiscal year, which began on December 1, 2004, we accrued $40.2 million in deferred taxes on our unrealized gains.
(10) Annualized.
(11) Amount not annualized. Calculated based on the sales of $115,606 and $16,880, respectively, of long-term investments divided by the average long-term investment balance of $842,413 and $143,328 respectively.

SELECTED FINANCIAL RESULTS

The tables below review selected statement of operations items, statement of assets and liabilities items and per share net asset value and market value information. As of May 31, 2005, we had invested approximately $1,105 million in securities of MLP and other Midstream Energy Companies out of our total assets of $1,244 million. For the six months ended May 31, 2005, our net investment loss was $0.9 million, or $0.03 per share, and our net realized and unrealized gains (after a provision for income taxes) were $67.3 million, or $2.01 per share. For the fiscal year ended November 30, 2004, our net investment income was $0.6 million, or $0.02 per share, and our net realized and unrealized gains (after a provision for income taxes) were $6.1 million, or $0.19 per share. Our market value per share as of May 31, 2005 together with the dividends we paid to our stockholders on January 14, 2005 and April 15, 2005, represent a total investment return of 6.8% (not annualized) above our initial public offering price of $25.00.

	12/1/2004 - 5/31/2005 (unaudited)	9/28/2004 - 11/30/2004
	($ in 000s, except per share data)	
Selected Statement of Operations Items		
Income		
Dividends and Distributions	$ 21,029	$ 2,210
Return of Capital	(18,212)	(1,670)
Net Dividends and Distributions	2,817	540
Interest	3,008	2,068
Total Investment Income	5,825	2,608
Net Investment Income/(Loss)	(850)	645
Net Realized Gains	2,777	414
Net Change in Unrealized Gains	64,531	5,717
Net Increase in Net Assets Applicable to Common Stockholders from Operations	66,131	6,776

	As of 5/31/2005 (unaudited)	As of 11/30/2004
Selected Statement of Assets and Liabilities Items		
Total Investments	$1,234,071	$804,646
Total Assets	1,244,452	807,797
Total Debt	260,000	—
Preferred Stock	75,000	—
Total Net Assets	848,342	792,836

SCHEDULE OF INVESTMENTS

Our portfolio investments, as of May 31, 2005, are shown in the following schedule. The information in the schedule is unaudited.

Description	No. of Shares/Units	Value
	(amounts in 000's)	
Long-Term Investments — 130.2%		
Equity Investments — 129.3%		
Pipeline MLP(a) — 100.8%		
Atlas Pipeline Partners, L.P.	162	$ 6,770
Buckeye Partners, L.P.	173	7,698
Copano Energy, L.L.C.	86	2,552
Crosstex Energy, L.P.	258	9,463
Enbridge Energy Management, L.L.C.(b)	413	20,347
Enbridge Energy Partners, L.P.	1,943	100,250
Energy Transfer Partners, L.P.	4,556	143,929
Enterprise Products Partners L.P.	5,229	134,397
Enterprise Products Partners L.P.(c)	1,204	30,309
Genesis Energy, L.P.(d)	134	1,263
Hiland Partners, LP(e)	37	1,298
Holly Energy Partners, L.P.	109	4,444
Kaneb Pipe Line Partners, L.P.	614	37,675
Kinder Morgan Energy Partners, L.P.	1	67
Kinder Morgan Management, LLC(b)	2,608	116,230
Magellan Midstream Partners, L.P.	486	15,258
Magellan Midstream Partners, L.P.(c)	3,478	102,697
MarkWest Energy Partners, L.P.	193	9,307
Northern Border Partners, L.P.	620	29,522
Pacific Energy Partners, L.P.	458	14,244
Plains All American Pipeline, L.P.	921	38,885
Sunoco Logistics Partners L.P.	26	955
TC PipeLines, LP	231	7,699
TEPPCO Partners, L.P.	447	18,467
TransMontaigne Partners L.P.(e)	59	1,448
		855,174
Propane MLP — 15.8%		
Ferrellgas Partners, L.P.	1,947	42,845
Inergy, L.P.	34	1,062
Inergy, L.P.(c)	2,947	90,496
		134,403
Shipping MLP — 2.4%		
K-Sea Transportation Partners L.P.	70	2,344
Martin Midstream Partners L.P.	113	3,546
Teekay LNG Partners L.P.(e)	172	4,530
U.S. Shipping Partners L.P.	392	10,035
		20,455

SCHEDULE OF INVESTMENTS — (Continued)

Description	No. of Shares/Units	Value
	(amounts in 000's)	
Coal MLP — 1.1%		
Natural Resource Partners L.P.	33	$ 1,931
Penn Virginia Resource Partners, L.P.	150	7,027
		8,958
Other MLP — 0.1%		
Dorchester Minerals, L.P.	43	929
MLP Affiliates — 7.7%		
Atlas America, Inc.(f)	127	3,968
Crosstex Energy, Inc.	417	19,072
Holly Corporation	90	3,445
Kaneb Services LLC	424	18,266
Kinder Morgan, Inc.	85	6,629
MarkWest Hydrocarbon, Inc.(d)	257	5,619
Resource America, Inc.	40	1,369
TransCanada Corporation	28	687
TransMontaigne Inc.	766	6,345
		65,400
Other Midstream Energy Companies — 1.4%		
Arlington Tankers Ltd.	189	3,710
Diana Shipping Inc.	276	4,272
DryShips Inc.(e)	96	1,783
Nordic American Tanker Shipping Limited	23	932
Ship Finance International Limited	44	851
		11,548
Total Equity Investments (Cost $978,505)		1,096,867

Description	Interest Rate	Maturity Date	Principal Amount (in 000's)	Value
Fixed Income Investments — 0.9%				
Pipeline MLP — 0.7%				
Plains All American Pipeline, L.P.	7.750%	10/15/12	$ 5,000	5,814
MLP Affiliates — 0.2%				
TransMontaigne Inc.	9.125	06/01/10	2,000	2,040
Total Fixed Income Investments (Cost $7,836)				7,854
Total Long-Term Investments (Cost $986,341)				1,104,721
Short-Term Investment — 15.3%				
Repurchase Agreement — 15.3%				
Bear, Stearns & Co. Inc. (Agreement dated 05/31/05 to be repurchased at $129,361), collateralized by $132,819 in U.S. Government and Agency Securities (Cost $129,350)	2.970	06/01/05	129,350	129,350
Total Investments — 145.5% (Cost $1,115,691)				1,234,071

SCHEDULE OF INVESTMENTS — (Continued)

Description	No. of Shares/Units	Value
	(amounts in 000's)	
Liabilities — (36.7)%		
Securities Sold Short — (0.2)%		
Propane MLP — (0.1)%		
AmeriGas Partners, L.P.	8	$ (249)
Suburban Propane Partners, L.P.	25	(825)
		(1,074)
Coal MLP — (0.1)%		
Alliance Resource Partners, L.P.	7	(507)
Total Securities Sold Short (cash proceeds received $1,571)		(1,581)
Auction Rate Senior Notes — (30.7)%		(260,000)
Unrealized Depreciation on Interest Rate Swap Contracts — (0.5)%		(3,991)
Deferred Taxes — (5.2)%		(43,927)
Other Liabilities in Excess of Other Assets — (0.1)%		(1,230)
Total Liabilities		(310,729)
Preferred Stock at Redemption Value — (8.8)%		(75,000)
Net Assets Applicable to Common Stockholders — 100.0%		$ 848,342

(a) Includes Limited Liability Companies or L.L.C.s.

(b) Distributions made are paid in-kind.

(c) Fair valued security. These securities are restricted from public sale. See Notes 2 and 6 in the accompany notes to the financial statements for further details. The Company negotiates certain aspects of the method and timing of the disposition of these investments, including registration rights and related costs.

(d) Security or a portion thereof is segregated as collateral on interest rate swap contracts and securities sold short.

(e) Currently non-income producing; security is expected to pay distributions within the next 12 months.

(f) Security is non-income producing.

Certain of the Company's investments are restricted as to resale and are valued as determined in accordance with procedures established by the Board of Directors. The table below shows the number of units held, the acquisition dates, aggregate costs, fair value as of May 31, 2005, value per unit of such securities, percent of net assets and total assets which the securities comprise.

Partnership	Security	Number of Units (in 000's)	Acquisition Date	Cost ($ in 000's)	Fair Value at 05/31/05 ($ in 000's)	Value Per Unit	Percent of Net Assets	Percent of Total Assets
Enterprise Products Partners, L.P.	Common Units	1,204	04/01/05	$ 30,000	$ 30,309	$25.18	3.6%	2.4%
Inergy, L.P.	Common Units	2,947	12/17/04	75,034	90,496	30.71	10.7	7.3
Magellan Midstream Partners, L.P.	Subordinated Units	3,478	04/13/05	100,007	102,697	29.53	12.1	8.3
				$205,041	$223,502		26.4%	18.0%

SCHEDULE OF INVESTMENTS — (Continued)

At May 31, 2005, the cost basis of investments for Federal income tax purposes was $1,115,691 and the cash received on securities sold short was $1,571. At May 31, 2005, gross unrealized appreciation and depreciation of investments and securities sold short for Federal income tax purposes were as follows ($ amounts in 000's):

Gross unrealized appreciation of investments (including securities sold short)	$120,732
Gross unrealized depreciation of investments (including securities sold short)	(2,362)
Net unrealized appreciation before tax and interest rate swap contracts	118,370
Unrealized depreciation on interest rate swap contracts	(4,144)
Net unrealized appreciation before tax	$114,226
Net unrealized appreciation after tax	$ 70,248

MARKET AND NET ASSET VALUE INFORMATION

Our currently outstanding shares of common stock are, and the common stock offered by this prospectus, subject to notice of issuance, will be, listed on the NYSE. Our common stock commenced trading on the NYSE on September 28, 2004.

Our common stock has a limited trading history and has traded both at a premium and at a discount in relation to its net asset value. Although our common stock recently has been trading at a premium to net asset value, there can be no assurance that this will continue after the offering or that our common stock will not trade at a discount in the future. The continued development of alternatives to us as a vehicle for investment in a portfolio of MLPs, including other publicly traded investment companies and private funds, may reduce or eliminate any tendency of our common stock to trade at a premium in the future. Shares of closed-end investment companies frequently trade at a discount to net asset value. See ''Risk Factors — Market Discount From Net Asset Value Risk'' on page 29.

The following table sets forth for each of the dates indicated the closing market prices for our shares on the NYSE, the net asset value per share and the premium or discount to net asset value per share at which our shares were trading. Net asset value is generally determined on the last business day of each calendar month. See ''Net Asset Value'' on page 61 for information as to the determination of the Company's net asset value.

Date	Market Price	Net Asset Value(1)	Premium/(Discount) to Net Asset Value
September 28, 2004	$25.00	$23.70	5.5%
October 31, 2004	25.08	23.73	5.7
November 30, 2004	24.90	23.91	4.1
December 31, 2004	25.00	24.25	3.1
January 31, 2005	25.00	25.03	(0.1)
February 28, 2005	26.05	25.27	3.1
March 31, 2005	26.22	24.90	5.3
April 30, 2005	26.00	24.92	4.3
May 31, 2005	26.00	25.19	3.2
June 30, 2005	26.75	26.01	2.8
July 31, 2005	27.97	26.86	4.1
August 31, 2005	27.60	26.63	3.6
September 30, 2005	28.06	26.74	4.9

Source of market prices: Reuters Group PLC.

(1) Based on our net asset value calculated on the close of business on the last business day of each prior calendar month.

The last reported sale price, net asset value per share and percentage premium to net asset value per share of our common stock on October 10, 2005 were $27.50, $25.90 and 6.2%, respectively. As of September 30, 2005, we had 33,926,098 shares of common stock outstanding and our net assets were $907.3 million.

USE OF PROCEEDS

The net proceeds of this offering of common stock will be approximately $77,436,500 ($88,864,317 if the underwriters exercise the over-allotment option in full) after we pay the underwriting discounts and commissions and estimated offering costs.

We anticipate that we will be able to invest substantially all of the net proceeds of this offering in accordance with our investment objective and policies within approximately three months after completion of this offering. Pending such investment, we anticipate investing the proceeds in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations or money market instruments.

CAPITALIZATION

The following table sets forth our capitalization (i) as of May 31, 2005 and (ii) as adjusted to give effect to the issuance of the common stock offered hereby (not including the over-allotment option granted to the underwriters). As indicated below, our common stockholders will bear the costs associated with this offering. All amounts below are unaudited.

	Actual	As Adjusted
	($ in 000s, except per share data)	
LONG-TERM DEBT:		
Senior Notes Series A(1)	$ 85,000	$ 85,000
Senior Notes Series B(1)	85,000	85,000
Senior Notes Series C(1)	90,000	90,000
TOTAL DEBT	260,000	260,000
PREFERRED STOCK:		
Series D Auction Rate Preferred Stock, $0.001 par value per share, liquidation preference $25,000 per share (3,000 shares issued and outstanding, 10,000 shares authorized)(1)	75,000	75,000
COMMON STOCKHOLDERS EQUITY:		
Common stock, $0.001 par value per share, 199,990,000 shares authorized (33,676,442 shares issued and outstanding as of May 31, 2005; 36,926,098 shares issued and outstanding as adjusted(2))(1)	34	37
Paid-in capital	797,382	874,816
Distributions in excess of net investment loss, net of income taxes	(22,513)	(22,513)
Accumulated realized gains on investments, securities sold short and interest rate swap contracts, net of income taxes	3,191	3,191
Net unrealized gains on investments, securities sold short and interest rate swap contracts, net of income taxes	70,248	70,248
Net assets applicable to common stockholders	$848,342	$925,779

(1) We do not hold any of these outstanding securities for our account.

(2) This does not include shares that may be issued in connection with the underwriters' over-allotment option.

RISK FACTORS

Risk is inherent in all investing. The following discussion summarizes some of the risks that a potential common stockholder should consider before deciding whether to invest in our common stock offered hereby. For additional information about the risks associated with investing in our common stock, see ''Our Investments'' in our statement of additional information.

Limited Operating History

We are a non-diversified, closed-end management investment company that began operations on September 28, 2004. Being a company with a limited operating history, we are subject to all of the business risks and uncertainties associated with any new business, including the risk that we will not achieve our investment objective and that the value of your investment could decline substantially.

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 the 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 will 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 dividends. We are primarily a long-term investment vehicle and should not be used for short-term trading.

Energy Sector

Certain risks inherent in investing in MLPs and other Midstream Energy Companies include the following:

Supply and Demand Risk. A decrease in the production of natural gas, natural gas liquids, crude oil, coal or other energy commodities or a decrease in the volume of such commodities available for transportation, mining, processing, storage or distribution may adversely impact the financial performance of MLPs and other Midstream Energy Companies. Production declines and volume decreases could be caused by various factors, including catastrophic events affecting production, depletion of resources, labor difficulties, environmental proceedings, increased regulations, equipment failures and unexpected maintenance problems, import supply disruption, increased competition from alternative energy sources or commodity prices. Alternatively, a sustained decline in demand for such commodities could also adversely affect the financial performance of MLPs and other Midstream Energy Companies. Factors which could lead to a decline in demand include economic recession or other adverse economic conditions, higher fuel taxes or governmental regulations, increases in fuel economy, consumer shifts to the use of alternative fuel sources, changes in commodity prices, or weather.

Depletion and Exploration Risk. Many MLPs and other Midstream Energy Companies are either engaged in the production of natural gas, natural gas liquids, crude oil, refined petroleum products or coal, or are engaged in transporting, storing, distributing and processing these items on behalf of shippers. To maintain or grow their revenues, these companies or their customers need to maintain or expand their reserves through exploration of new sources of supply, through the development of existing sources, through acquisitions, or through long-term contracts to acquire reserves. The financial performance of MLPs and other Midstream Energy Companies may be adversely affected if they, or the companies to whom they provide the service, are unable to cost-effectively acquire additional reserves sufficient to replace the natural decline.

Regulatory Risk. MLPs and other Midstream Energy Companies are subject to significant federal, state and local government regulation in virtually every aspect of their operations, including how facilities are constructed, maintained and operated, environmental and safety controls, and the prices they may charge for the products and services they provide. Various governmental authorities have the power to enforce compliance with these regulations and the permits issued under them, and violators are subject to administrative, civil and criminal penalties, including civil fines, injunctions or both. Stricter laws, regulations or enforcement policies could be enacted in the future which would likely increase compliance costs and may adversely affect the financial performance of MLPs and other Midstream Energy Companies.

Commodity Pricing Risk. The operations and financial performance of MLPs and other Midstream Energy Companies may be directly affected by energy commodity prices, especially those MLPs and other Midstream Energy Companies which own the underlying energy commodity. Commodity prices fluctuate for several reasons, including changes in market and economic conditions, the impact of weather on demand, levels of domestic production and imported commodities, energy conservation, domestic and foreign governmental regulation and taxation and the availability of local, intrastate and interstate transportation systems. Volatility of commodity prices, which may lead to a reduction in production or supply, may also negatively impact the performance of MLPs and other Midstream Energy Companies which are solely involved in the transportation, processing, storing, distribution or marketing of commodities. Volatility of commodity prices may also make it more difficult for MLPs and other Midstream Energy Companies to raise capital to the extent the market perceives that their performance may be directly or indirectly tied to commodity prices.

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

Interest Rate Risk. Rising interest rates could adversely impact the financial performance of MLPs and other Midstream Energy Companies by increasing their costs of capital. This may reduce their ability to execute acquisitions or expansion projects in a cost-effective manner.

MLP valuations are based on numerous factors, including sector and business fundamentals, management expertise, and expectations of future operating results. However, MLP yields are also susceptible in the short-term to fluctuations in interest rates and like Treasury bonds, the prices of MLP securities typically decline when interest rates rise. Because we will principally invest in MLP equity securities, our investment in such securities means that the net asset value and market price of our common stock may decline if interest rates rise.

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

Catastrophe Risk. The operations of MLPs and other Midstream Energy Companies are subject to many hazards inherent in the transporting, processing, storing, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, coal, refined petroleum products or other hydrocarbons, or in the exploring, managing or producing of such commodities, including: damage to pipelines, storage tanks or related equipment and surrounding properties caused by hurricanes, tornadoes, floods, fires and other natural disasters or by acts of terrorism; inadvertent damage from construction and farm equipment; leaks of natural gas, natural gas liquids, crude oil, refined petroleum products or other hydrocarbons; fires and explosions. These risks could result in substantial losses due to personal injury or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage and may result in the curtailment or suspension of their related operations. Not all MLPs and other Midstream Energy Companies are fully insured against all risks inherent to their businesses. If a significant accident or event occurs that is not fully insured, it could adversely affect their operations and financial condition.

Terrorism/Market Disruption Risk. The terrorist attacks in the United States on September 11, 2001 had a disruptive effect on the economy and the securities markets. United States military and related action in Iraq is ongoing and events in the Middle East could have significant adverse effects on the U.S. economy and the stock market. Uncertainty surrounding retaliatory military strikes or a sustained military campaign may affect MLP and other Midstream Energy Company operations in unpredictable ways, including disruptions of fuel supplies and markets, and transmission and distribution facilities could be direct targets, or indirect casualties, of an act of terror. The U.S. government has issued warnings that energy assets, specifically the United States' pipeline infrastructure, may be the future target of terrorist organizations. In addition, changes in the insurance markets have made certain types of insurance more difficult, if not impossible, to obtain and have generally resulted in increased premium costs.

MLP Risks. An investment in MLP units involves some risks which differ from an investment in the common stock of a corporation. Holders of MLP units have limited control and voting rights on matters affecting the partnership. In addition, there are certain tax risks associated with an investment in MLP units and conflicts of interest exist between common unit holders and the general partner, including those arising from incentive distribution payments.

MLPs and Other Midstream Energy Company Risk

MLPs and other Midstream Energy Companies are also subject to risks that are specific to the industry they serve.

MLPs and other Midstream Energy Companies that provide crude oil, refined product and natural gas services are subject to supply and demand fluctuations in the markets they serve which will 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.

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

MLPs and other Midstream 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 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, rising interest rates, declines in domestic or foreign production, mining accidents or catastrophic events, health claims and economic conditions, among others.

Cash Flow Risk

A substantial portion of the cash flow received by us is derived from our investment in equity securities of MLPs. The amount of cash that an MLP has available for distributions and the tax character of such distributions are dependent upon the amount of cash generated by the MLP's operations. Cash available for distribution will vary from quarter to quarter and is largely dependent on factors affecting the MLP's operations and factors affecting the energy industry in general. In addition to the risk factors described above, other factors which may reduce the amount of cash an MLP has available for distribution include increased operating costs, maintenance capital expenditures, acquisition costs, expansion, construction or exploration costs and borrowing costs.

Tax Risks

Tax Risk of MLPs. Our ability to meet our investment objective will depend on the level of taxable income and distributions and dividends we receive from the MLP and other Midstream Energy Company 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 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 would be reduced and distributions received by us would be taxed entirely as dividend income. Therefore, treatment of an MLP as a corporation for federal income tax purposes would result in a reduction in the after-tax return to us, likely causing a reduction in the value of our common stock.

Tax Law Change Risk. Changes in tax laws or regulations, or interpretations thereof in the future, could adversely affect us or the MLPs in which we invest. Any such changes could negatively impact our common stockholders. Legislation could also negatively impact the amount and tax characterization of dividends received by our common stockholders. Recently enacted legislation reduces the tax rate on qualified dividend income to the rate applicable to long-term capital gains, which is generally 15% for individuals, provided a holding period requirement and certain other requirements are met. This reduced rate of tax on dividends is currently scheduled to revert to ordinary income rates for taxable years beginning after December 31, 2008 and the 15% federal income tax rate for long-term capital gain is scheduled to revert to 20% for such taxable years.

Deferred Tax Risks of MLPs. As a limited partner in the MLPs in which we invest, we will receive a pro rata share of income, gains, losses and deductions from those MLPs. Historically, a significant portion of income from such MLPs has been offset by tax deductions. We will incur a current tax liability on that portion of an MLP's income and gains that is not offset by tax deductions and losses. The percentage of an MLP's income and gains which is offset by tax deductions and losses will fluctuate over time for various reasons. A significant slowdown in acquisition activity by MLPs held in our portfolio could result in a reduction of accelerated depreciation generated by new acquisitions, which may result in increased current tax liability to us.

We will accrue deferred income taxes for our future tax liability associated with that portion of MLP distributions considered to be a tax-deferred return of capital as well as capital appreciation of our investments. Upon our sale of an MLP security, we may be liable for previously deferred taxes. We will rely to some extent on information provided by MLPs, which is not necessarily timely, to estimate deferred tax liability for purposes of financial statement reporting and determining our net asset value. From time to time we will modify our estimates or assumptions regarding our deferred tax liability as new information becomes available.

Deferred Tax Risks of Investing in our Common Stock. A reduction in the percentage of a distribution offset by tax deductions or an increase in our portfolio turnover will reduce that portion of our common stock dividend treated as a tax-deferred return of capital and increase that portion treated as dividend income, resulting in lower after-tax dividends to our common stockholders. See the ''Tax Matters'' section at page 69 in this prospectus and also in our statement of additional information.

Delay in Use of Proceeds

Although we intend to invest the proceeds of this offering in accordance with our investment objective as soon as practicable, such investments may be delayed if suitable investments are unavailable at the time or if we are unable to secure firm commitments for direct placements. Prior to the time we are fully invested, the proceeds of the offering may temporarily be invested in cash, cash equivalents or other securities. Income we received from these securities would likely be less than returns sought pursuant to our investment objective and policies. See ''Use of Proceeds'' at page 23.

Equity Securities Risk

MLP common units and other equity securities may be subject to general movements in the stock market, and a significant drop in the stock market may depress the price of securities to which we have exposure. MLP units and other equity securities prices fluctuate for several reasons, including changes in the financial condition of a particular issuer (generally measured in terms of distributable cash flow in the case of MLPs), investors' perceptions of MLPs and other Midstream Energy Companies, the general condition of the relevant stock market, or when political or economic events affecting the issuers occur. In addition, the prices of MLP units and other Midstream Energy Company equity securities may be sensitive to rising interest rates given their yield-based nature. Also, while not precise, the price of I-Shares and their volatility tend to correlate to the price of common units.

Certain of the MLPs and other Midstream Energy Companies in which we invest have comparatively smaller capitalizations than other companies. Investing in the securities of smaller MLPs and other Midstream Energy Companies presents some unique investment risks. These MLPs and other Midstream Energy Companies may have limited product lines and markets, as well as shorter operating histories, less experienced management and more limited financial resources than larger MLPs and other Midstream Energy Companies and may be more vulnerable to adverse general market or economic developments. Stocks of smaller MLPs and other Midstream Energy Companies may be less liquid than those of larger MLPs and other Midstream Energy Companies and may experience greater price fluctuations than larger MLPs and other Midstream Energy Companies. In addition, small-cap securities may not be widely followed by the investment community, which may result in reduced demand.

Market Discount From Net Asset Value Risk

Our common stock has a limited trading history and has traded both at a premium and at a discount to our net asset value. The public offering price for the common stock offered by this prospectus represents a 4.2% premium over our per share net asset value on October 10, 2005; however, there is no assurance that this premium will continue after this offering or that our common stock will not again trade at a discount. Shares of closed-end investment companies frequently trade at a discount to their net asset value. This characteristic is a risk separate and distinct from the risk that our net asset value could decrease as a result of our investment activities and may be greater for investors expecting to sell their shares in a relatively short period following completion of this offering. Although the value of our net assets is generally considered by market participants in determining whether to purchase or sell shares, whether investors will realize gains or losses upon the sale of our common stock will depend entirely 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, dividend or distribution levels (which are dependent, in part, on expenses), supply of and demand for our common stock, stability of dividends or distributions, trading volume of our common stock, general market and economic conditions, and other factors beyond our control, we cannot predict whether our common stock will trade at, below or above net asset value or at, below or above the public offering price.

Leverage Risk

The issuance of senior debt securities and preferred stock, including Senior Notes and ARP Shares, represents the leveraging of our common stock. Leverage creates an opportunity for an increased return to our common stockholders, but it is a speculative technique that could adversely affect our common stockholders. Unless the income and capital appreciation, if any, on securities acquired with leverage proceeds or other borrowed funds exceed the costs of the leverage, the use of leverage could cause us to lose money. On March 28, 2005, we issued three series of Senior Notes, auction rate senior notes due in 2045, in an aggregate principal amount of $260,000,000. On April 12, 2005, we issued ARP Shares, auction rate preferred stock with a liquidation preference of $25,000 per share, in an aggregate amount of $75,000,000. As of August 31, 2005, the weighted average interest rate on the Senior Notes was 3.53% and the dividend rate on the ARP Shares was 3.60%. These interest rates and dividend rates do not include the effect of our outstanding interest rate swap agreement as of August 31, 2005 (weighted average rate of 4.42% on a notional amount of $250 million). 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, including outstanding Senior Notes, through higher operating expenses. Our common stockholders also bear management fees, whereas, holders of Senior Notes or any preferred stock that we may issue, 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 debt securities or preferred stock 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 Senior Notes, preferred stock or other senior securities and could reduce cash available for distributions on common stock. The Senior Notes 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 paid on the preferred stock may reduce the returns to our common stockholders or result in fluctuations in the dividends 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.

The funds borrowed pursuant to a leverage borrowing program (such as the Senior Notes, a credit line or commercial paper program), or obtained through the issuance of shares of preferred stock, 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 made by us under a leverage borrowing program are senior to the rights of holders of common stock and preferred stock, with respect to the payment of dividends or upon liquidation. We may not be permitted to declare dividends or other distributions, including 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 leverage borrowing program. In addition, we may not be permitted to pay dividends 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 a leverage borrowing program, 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. Certain types of leverage may result in our being subject to covenants relating to asset coverage and our portfolio composition and may impose special restrictions on our use of various investment techniques or strategies or in our ability to pay dividends and other distributions on common stock in certain instances. We may be subject to certain restrictions on investments imposed by guidelines of one or more rating agencies, which may issue ratings for the preferred stock or other 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.

While we may from time to time consider reducing leverage in response to actual or anticipated changes in interest rates 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 are very difficult to predict accurately. If we were to reduce leverage based on a prediction about future changes to interest rates, and that prediction turned out to be incorrect, the reduction in leverage would likely operate to reduce the income and/or total returns to common stockholders relative to the circumstance if we had not reduced leverage. We may decide that this risk outweighs the likelihood of achieving the desired reduction to volatility in income and the price of our common stock if the prediction were to turn out to be correct, and determine not to reduce leverage as described above.

Finally, the 1940 Act provides certain rights and protections for preferred stockholders which may adversely affect the interests of our common stockholders. See ''Description of Capital Stock — Preferred Stock'' at page 62.

Liquidity Risk

Although common units of MLPs and common stocks of other Midstream Energy Companies trade on the New York Stock Exchange (''NYSE''), American Stock Exchange (''AMEX''), and the NASDAQ Stock Market (''NASDAQ''), certain securities may trade less frequently, particularly those with smaller capitalizations. Securities with limited trading volumes may display volatile or erratic price movements. Also, Kayne Anderson is one of the largest investors in our investment sector. 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 of 1933, as amended (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.

Non-Diversification Risk

We are a non-diversified, closed-end investment company under the 1940 Act and will not be treated as a regulated investment company under the Internal Revenue Code. Accordingly, there are no regulatory requirements under the 1940 Act or the Internal Revenue Code on the minimum number or size of securities we hold. As of August 31, 2005, we held investments in 38 issuers.

Under normal market conditions, we intend to invest at least 50% of our total assets in publicly traded securities of MLPs and other Midstream Energy Companies. There currently are 37 publicly traded MLPs (partnerships) which operate energy assets. We primarily select our investments in publicly traded securities from securities issued by MLPs in this small pool, together with securities issued by newly public MLPs, if any. We also invest in publicly traded securities issued by other Midstream Energy Companies.

As a result of selecting our investments from this small pool of publicly traded securities, a change in the value of the securities of any one of these publicly traded MLPs could have a significant impact on our portfolio. In addition, as there can be a correlation in the valuation of the securities of publicly traded MLPs, a change in value of the securities of one such MLP could negatively influence the valuations of the securities of other publicly traded MLPs that we may hold in our portfolio.

As we may invest up to 15% of our total assets in any single issuer, a decline in value of the securities of such an issuer could significantly impact the value of our portfolio.

Valuation Risk

Market prices may not be readily available for subordinated units, direct ownership of general partner interests, restricted or unregistered securities of certain MLPs or interests in private companies, and 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 Kayne Anderson 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. In addition, we will 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 our portfolio and to estimate associated deferred tax liability for purposes of financial statement reporting and determining our net asset value. From time to time, we will modify our estimates or assumptions regarding our deferred tax liability as new information becomes available. To the extent we modify our estimates or assumptions, our net asset value would likely fluctuate. See ''Net Asset Value'' at page 60.

Interest Rate Risk

Interest rate risk is the risk that securities will decline in value because of changes in market interest rates. The yields of equity and debt securities of MLPs are susceptible in the short-term to fluctuations in interest rates and, like Treasury bonds, the prices of these securities typically decline when interest rates rise. Accordingly, our net asset value and the market price of our common stock may decline when interest rates rise. Further, rising interest rates could adversely impact the financial performance of Energy Companies by increasing their costs of capital. This may reduce their ability to execute acquisitions or expansion projects in a cost-effective manner.

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 their 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.

Portfolio Turnover Risk

We anticipate that our annual portfolio turnover rate will be approximately 25%, but that rate may vary greatly from year to year. Portfolio turnover rate is not considered a limiting factor in Kayne Anderson's execution of investment decisions. The types of MLPs in which we intend to invest have historically made cash distributions to limited partners, the substantial portion of which would not be taxed as income to us in that tax year but rather would be treated as a non-taxable return of capital to the extent of our basis. As a result, most of the tax related to such distribution would be deferred until subsequent sale of our MLP units, at which time we would pay any required tax on gains. Therefore, the sooner we sell such MLP units, the sooner we would be required to pay tax on resulting gains, and the cash available to us to pay dividends to our common stockholders in the year of such tax payment would be less than if such taxes were deferred until a later year. These taxable gains may increase our current and accumulated earnings and profits, resulting in a greater portion of our common stock dividends being treated as income to our common stockholders. In addition, a higher portfolio turnover rate results in correspondingly greater brokerage commissions and other transactional expenses that are borne by us. See ''Kayne Anderson MLP Investment Company — Investment Practices — Portfolio Turnover'' at page 50 and ''Tax Matters'' at page 70.

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 and interest rate indices, and other financial instruments, enter into various interest rate transactions such as swaps, caps, floors or collars or credit transactions and credit default 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, their use 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.

Depending on whether we would be entitled to receive net payments from the counterparty on a swap or cap, 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 or commodity swap or cap transaction reaches its scheduled termination date, there is a risk that we would not be able to obtain a replacement transaction or that the terms of the replacement would not be as favorable as on the expiring transaction. If this occurs, it could have a negative impact on the performance of our common stock. If we fail to maintain any required asset coverage ratios in connection with any use by us of Leverage Instruments, we may be required to redeem or prepay some or all of the Leverage Instruments. Such redemption or prepayment would likely result in our seeking to terminate early all or a portion of any swap or cap transactions. Early termination of a swap could result in a termination payment by or to us. Early termination of a cap could result in a termination payment to us.

We segregate liquid assets against or otherwise cover our future obligations under such swap or cap 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 Leverage Instruments, do not exceed 30% of our total assets. 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 such Leverage Instruments) is at least 300% of the principal amount of such Leverage Instruments. In other words, the principal amount of such Leverage Instruments may not exceed 33$^{1}/_{3}$% of our total assets.

The use of interest rate and commodity swaps and caps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. Depending on market conditions in general, our use of swaps or caps could enhance or harm the overall performance of our common stock. For example, we may use interest rate swaps and caps in connection with any use by us of Leverage Instruments. To the extent there is a decline in interest rates, the value of the interest rate swap or cap could decline, and could result in a decline in the net asset value of our common stock. In addition, if short-term interest rates are lower than our fixed rate of payment on the interest rate swap, the swap will reduce common stock net earnings. Buying interest rate caps could decrease the net earnings of our common stock in the event that the premium paid by us to the counterparty exceeds the additional amount we would have been required to pay had we not entered into the cap agreement.

Interest rate and commodity swaps and caps do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of loss with respect to interest rate and commodity swaps is limited to the net amount of interest payments that we are contractually obligated to make. If the counterparty defaults, we would not be able to use the anticipated net receipts under the swap or cap to offset any declines in the value of our portfolio assets being hedged or the increase in our cost of financial leverage. Depending on whether we would be entitled to receive net payments from the counterparty on the swap or cap, which in turn would depend on the general state of the market rates at that point in time, such a default could negatively impact the performance of our common stock.

Short Sales Risk

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

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

Inflation 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 dividends can decline.

Debt Securities Risks

Debt securities are subject to many of the risks described elsewhere in this section. In addition, they are subject to credit risk, prepayment risk and, depending on their quality, other special risks.

Credit Risk. An issuer of a debt security may be unable to make interest payments and repay principal. We could lose money if the issuer of a debt obligation is, or is perceived to be, unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. The downgrade of a security may further decrease its value.

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 their 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.

Below Investment Grade and Unrated Debt Securities Risk. Below investment grade debt securities in which we may invest are rated from B3 to Ba1 by Moody's, from B– to BB+ by Fitch or Standard & Poor's, or comparably rated by another rating agency. Below investment grade and unrated debt securities generally pay a premium above the yields of U.S. government securities or debt securities of investment grade issuers because they are subject to greater risks than these securities. These risks, which reflect their speculative character, include the following: greater yield and price volatility; greater credit risk and risk of default;

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

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

For a description of the ratings categories of certain rating agencies, see Appendix A to our statement of additional information.

Competition Risk

At the time we completed our initial public offering in September 2004, we were one of the few publicly traded investment companies offering access to a portfolio of MLPs and other Midstream Energy Companies. There are now a limited number of other companies, including other publicly traded investment companies and private funds, which may serve as alternatives to us for investment in a portfolio of MLPs and other Midstream Energy Companies. In addition, recent tax law changes have increased, and future tax law changes may again increase, the ability of mutual funds and other regulated investment companies or other institutions to invest in MLPs. These competitive conditions may positively impact MLPs in which we invest, but may also adversely impact our ability to make desired investments in the MLP market.

Management Risk; Dependence on Key Personnel of Kayne Anderson

Our portfolio is subject to management risk because it is actively managed. Kayne Anderson 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 midstream energy industry. In particular, we depend on the diligence, skill and network of business contacts of our portfolio managers, who evaluate, negotiate, structure, close and monitor our investments. These individuals do not have long-term employment contracts with Kayne Anderson, although they do have equity interests and other financial incentives to remain with Kayne Anderson. For a description of Kayne Anderson, see ''Management — Investment Adviser'' at page 56. 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 Kayne Anderson 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 and its affiliates for their other accounts. Such situations may be based on, among other things, legal or internal restrictions on the combined size of positions that may be taken for us and the other accounts, thereby limiting the size of our position, or the difficulty of liquidating an investment for us and the other accounts where the market cannot absorb the sale of the combined position.

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

Kayne Anderson manages Kayne Anderson Energy Total Return Fund, Inc., a closed end investment company listed on the New York Stock Exchange under the ticker ''KYE,'' and several private investment funds (collectively, ''Affiliated Funds''). Some of the Affiliated Funds have investment objectives that are similar to or overlap with ours. In particular, certain Affiliated Funds invest in MLPs and other Midstream Energy Companies. Further, Kayne Anderson may at some time in the future, manage other investment funds with the same investment objective as ours.

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

Under the 1940 Act, we and our affiliates, including Affiliated Funds, may be precluded from co-investing in private placements of securities. We and Kayne Anderson have applied to the SEC for exemptive relief to permit us to co-invest in Midstream Energy Company private placements with Affiliated Funds or other registered investment companies managed by Kayne Anderson. If our application is granted, we may co-invest in such opportunities with such entities on the basis of the suitability of and capital available for the investment, subject to certain conditions. We cannot assure you that the requested relief will be granted by the SEC. Except as permitted by law, Kayne Anderson will not co-invest its other clients' assets in the private transactions in which we invest. Unless and until we obtain an exemptive order, Kayne Anderson will allocate private investment opportunities among its clients, including us, based on its allocation policies.

The investment management fee paid to Kayne Anderson is based on the value of our assets, as periodically determined. A significant percentage of our assets may be illiquid securities acquired in private transactions for which market quotations will not be readily available. Although we will adopt valuation procedures designed to determine valuations of illiquid securities in a manner that reflects their fair value, there typically is a range of prices that may be established for each individual security. Senior management of

Kayne Anderson, our Board of Directors and its Valuation Committee, and a third-party valuation firm will participate in the valuation of our securities. See ''Net Asset Value'' at page 61.

Certain Affiliations

Kayne Anderson is affiliated with KA Associates, Inc., an NASD 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. In addition, until completion of this offering, we will be precluded from effecting principal transactions with brokers who are members of the syndicate. See ''Underwriting'' at page 73.

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 have also adopted other measures that may make it difficult for a third party to obtain control of us, including provisions of our Charter classifying our Board of Directors in three classes serving staggered three-year terms, and provisions authorizing our Board of Directors to classify or reclassify shares of our stock in one or more classes or series, to cause the issuance of additional shares of our stock, and to amend our Charter, without stockholder approval, to increase or decrease the number of shares of stock that we have 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'' at page 63.

FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus constitute forward-looking statements, which involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, those listed under ''Risk Factors'' in this prospectus and our statement of additional information. In this prospectus, we use words such as ''anticipates,'' ''believes,'' ''expects,'' ''intends'' and similar expressions to identify forward-looking statements.

The forward-looking statements contained in this prospectus include statements as to:

- our operating results;
- our business prospects;
- the impact of investments that we expect to make;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- our ability to source favorable private investments;
- the ability of the MLPs and other Midstream Energy Companies in which we invest to achieve their objectives;
- our expected financings and investments;
- our use of financial leverage;
- our tax status;
- the tax status of the MLPs in which we intend to invest;
- the adequacy of our cash resources and working capital; and
- the timing and amount of distributions and dividends from the MLPs and other Midstream Energy Companies in which we intend to invest.

We have based the forward-looking statements included in this prospectus on information available to us on the date of this prospectus, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including our annual reports. We acknowledge that, notwithstanding the foregoing statement, the safe harbor for forward-looking statements under the Private Securities Litigation Reform Act of 1995 does not apply to us.

DIVIDENDS

We paid dividends to our common stockholders on January 14, 2005, April 15, 2005 and July 15, 2005 in the amounts of $0.25, $0.41 and $0.415 per share, respectively. We intend to continue to pay quarterly dividends to our common stockholders, funded in part by our cash and other income from investments. On September 13, 2005, we declared a quarterly dividend of $0.42 per share payable on October 14, 2005 to common stockholders of record on October 5, 2005, with an ex-dividend date of October 3, 2005. Our cash and other income from investments is the amount received by us as cash or paid-in-kind distributions from MLPs or other Midstream Energy Companies, interest payments received on debt securities owned by us and other payments on securities owned by us, less current or anticipated operating expenses, current (but not deferred) taxes on our taxable income, and our leverage costs. Because the cash distributions received from the MLPs in our portfolio are expected to exceed the earnings and profits associated with owning such MLPs, we expect that a significant portion of our dividends will be paid from sources other than our current or accumulated earnings, income or profits. The portion of the dividend which exceeds our current or accumulated earnings and profits will be treated as a return of capital to the extent of a stockholder's basis in our common stock, then as capital gain. See ''Tax Matters'' at page 70.

Our quarterly dividends are authorized by our Board of Directors out of funds legally available therefor. There is no assurance we will continue to pay regular dividends or that we will do so at a particular rate.

All of our realized capital gains, if any, net of applicable taxes, and any cash and other income from investments not distributed as a dividend will be retained by us. Unless you elect to receive your common stock dividends in cash, they will automatically be reinvested into additional common stock pursuant to our Dividend Reinvestment Plan.

The 1940 Act generally limits our long-term capital gain distributions to one per year, although under some circumstances Section 19(b) and Rule 19b-1 of the 1940 Act allow us up to three distributions per year that we may designate in whole or in part as capital gain distributions. This limitation does not apply to that portion of our distributions that is not characterized as long-term capital gain (e.g., return of capital or distribution of interest income). We intend to apply to the SEC for an exemption from Section 19(b) of the 1940 Act and Rule 19b-1 thereunder permitting us to make periodic distributions of long-term capital gains provided that our distribution policy with respect to our common stock calls for periodic (e.g., quarterly) distributions in an amount equal to a fixed percentage of our average net asset value over a specified period of time or market price per common share at or about the time of distribution or pay-out of a level dollar amount. The exemption also would permit us to make distributions with respect to the ARP Shares and any shares of preferred stock that we may issue in the future in accordance with such shares' terms. We cannot assure you that the requested relief will be granted by the SEC in a timely manner, if at all.

DIVIDEND REINVESTMENT PLAN

If your common stock is registered directly with us or if you hold your common stock with a brokerage firm that participates in our Dividend Reinvestment Plan, unless you elect to receive your dividends or other distributions in cash, they will be automatically reinvested by the Plan Agent, American Stock Transfer & Trust Company, in additional common stock under the Dividend Reinvestment Plan (the ''Plan''). If you elect to receive your dividends or other distributions in cash, you will receive them in cash paid by check mailed directly to you by American Stock Transfer & Trust Company, as dividend paying agent.

If you decide to participate in the Plan, the number of shares of common stock you will receive will be determined as follows:

(1) If our common stock is trading at or above net asset value at the time of valuation, we will issue new shares at a price equal to the greater of (i) our common stock's net asset value on that date or (ii) 95% of the market price of our common stock on that date.

(2) If our common stock is trading below net asset value at the time of valuation, the Plan Agent will receive the dividend or distribution in cash and will purchase common stock in the open market, on the NYSE or elsewhere, for the participants' accounts. It is possible that the market price for our common stock may increase before the Plan Agent has completed its purchases. Therefore, the average purchase price per share paid by the Plan Agent may exceed the market price at the time of valuation, resulting in the purchase of fewer shares than if the dividend or distribution had been paid in common stock issued by us. The Plan Agent will use all dividends and distributions received in cash to purchase common stock in the open market within 30 days of the valuation date except where temporary curtailment or suspension of purchases is necessary to comply with federal securities laws. Interest will not be paid on any uninvested cash payments.

You may withdraw from the Plan at any time by giving written notice to the Plan Agent, or by telephone in accordance with such reasonable requirements as we and the Plan Agent may agree upon. If you withdraw or the Plan is terminated, you will receive a certificate for each whole share in your account under the Plan and you will receive a cash payment for any fraction of a share in your account. If you wish, the Plan Agent will sell your shares and send you the proceeds, minus brokerage commissions.

The Plan Agent maintains all common stockholders' accounts in the Plan and gives written confirmation of all transactions in the accounts, including information you may need for tax records. Common stock in your account will be held by the Plan Agent in non-certificated form. The Plan Agent will forward to each participant any proxy solicitation material and will vote any shares so held only in accordance with proxies returned to us. Any proxy you receive will include all common stock you have received under the Plan.

There is no brokerage charge for reinvestment of your dividends or distributions in common stock. However, all participants will pay a pro rata share of brokerage commissions incurred by the Plan Agent when it makes open market purchases.

Automatically reinvesting dividends and distributions does not mean that you do not have to pay income taxes due upon receiving dividends and distributions. See ''Tax Matters'' at page 70.

If you hold your common stock with a brokerage firm that does not participate in the Plan, you will not be able to participate in the Plan and any dividend reinvestment may be effected on different terms than those described above. Consult your financial advisor for more information.

There is no direct service charge to participants in the Plan; however, we reserve the right to amend or terminate the Plan if in the judgment of the Board of Directors the change is warranted. We also reserve the right to amend the Plan to include a service charge payable by the participants. Additional information about the Plan may be obtained from American Stock Transfer & Trust Company at 59 Maiden Lane, New York, New York 10038.

INVESTMENT OBJECTIVE AND POLICIES

Our investment objective is to obtain high after-tax total return by investing at least 85% of our total assets in public and private investments in MLPs and other Midstream Energy Companies. Our investment objective is considered a fundamental policy and therefore may not be changed without the approval of the holders of a ''majority of the outstanding'' voting securities. When used with respect to our voting securities, a ''majority of the outstanding'' voting securities means (i) 67% or more of the shares present at a meeting, if the holders of more than 50% of the shares are present or represented by proxy, or (ii) more than 50% of the shares, whichever is less. There can be no assurance that we will achieve our investment objective.

The following investment policies are considered non-fundamental and may be changed by the Board of Directors without the approval of the holders of a ''majority of the outstanding'' voting securities, provided that the holders of such voting securities receive at least 60 days' prior written notice of any change:

- For as long as the word ''MLP'' is in our name, it shall be our policy, under normal market conditions, to invest at least 80% of our total assets in MLPs.
- Under normal market conditions, we intend to invest at least 50% of our total assets in publicly traded securities of MLPs and other Midstream Energy Companies.
- Under normal market conditions, we intend to invest up to 50% (but not more than 60%) of our total assets in unregistered or otherwise restricted securities of MLPs and other Midstream Energy Companies. The types of unregistered or otherwise restricted securities that we may purchase include common units, subordinated units, preferred units, and convertible units of, and general partner interests in, MLPs, and securities of other public and private Midstream Energy Companies.
- We may invest up to 15% of our total assets in any single issuer.
- We may invest up to 20% of our total assets in debt securities of MLPs and other Midstream Energy Companies, including below investment grade debt securities rated, at the time of investment, at least B3 by Moody's, B– by Standard & Poor's or Fitch, comparably rated by another rating agency or, if unrated, determined by Kayne Anderson to be of comparable quality. In addition, up to one-quarter of our permitted investments in debt securities (or up to 5% of our total assets) may include unrated debt securities of private companies.
- We may issue or use Leverage Instruments in an aggregate amount up to 30% of our total assets inclusive of such Leverage Instruments.
- We may, but are not required to, use derivative investments and engage in short sales to hedge against interest rate and market risks.

Unless otherwise stated, all investment restrictions apply at the time of purchase and we will not be required to reduce a position due solely to market value fluctuations.

About Kayne Anderson

Kayne Anderson Capital Advisors, L.P. is our investment adviser, responsible for implementing and administering our investment strategy. The business of Kayne Anderson was begun in 1984 by its founders, Richard Kayne and John Anderson, with the same philosophy it follows today of investing for absolute returns (as opposed to relative performance against a benchmark index) on a risk-adjusted basis through a disciplined investment process. Its investment strategies seek to identify and exploit investment niches that it believes are less well understood and generally not followed by the broader investor community. As of August 31, 2005, Kayne Anderson managed approximately $4.8 billion, including approximately $2.5 billion in MLPs and other Midstream Energy Companies Kayne Anderson has invested in MLPs and other Midstream Energy Companies since 1998. We believe that Kayne Anderson's knowledge of and relationships within the MLP market enables it to identify and take advantage of both public and private MLP investment opportunities.

Kayne Anderson's management of our portfolio is led by two of its Senior Managing Directors, Kevin S. McCarthy and J.C. Frey. Mr. McCarthy, our Chief Executive Officer, focuses on our private investments. Mr. Frey focuses on our investments in publicly traded securities of MLPs and other Midstream Energy Companies.

Mr. McCarthy joined Kayne Anderson in June 2004 from UBS Securities LLC where he was global head of energy. In this role, he had senior responsibility for all of UBS' energy investment banking activities, including direct responsibility for securities underwriting and mergers and acquisitions in the MLP industry. Mr. Frey began investing in MLPs on behalf of Kayne Anderson in 1998 and has served as portfolio manager of Kayne Anderson's MLP funds since their inception in 2000.

Messrs. McCarthy and Frey draw on the research and analytical support of David LaBonte, a Senior Managing Director of Kayne Anderson, as well as the experience and expertise of other professionals at Kayne Anderson, including its Chief Executive Officer, Richard Kayne, and its President and Chief Investment Officer, Robert V. Sinnott. Mr. LaBonte recently joined Kayne Anderson from Citigroup's Smith Barney subsidiary, where he was a Managing Director in the U.S. Equity Research Division responsible for providing research coverage of MLPs and other Midstream Energy Companies. Messrs. Kayne and Sinnott have approximately 70 years of combined investment experience and have been principally responsible for executing Kayne Anderson's energy industry investments in general, and its private investments in MLPs, in particular. Other professionals contributing to the management of our portfolio include Richard J. Farber, James C. Baker, Sumit Mathai and Stephen Smith.

We believe that Kayne Anderson is particularly qualified and positioned both to identify appropriate publicly traded market MLP investment opportunities and to source and structure private investments in MLPs due to the following:

Substantial MLP Market Knowledge and Industry Relationships. Through its activities as a leading investor in MLP securities, Kayne Anderson has developed broad expertise and important relationships with industry managers in the MLP sector. We believe that Kayne Anderson's industry knowledge and relationships enable us to capitalize on opportunities to source investments in MLPs that may not be readily available to other investors. Such investment opportunities include purchasing larger blocks of limited partner interests, often at discounts to market prices, non-controlling general partner interests and positions in companies expected to form an MLP. We believe that Kayne Anderson's substantial MLP market knowledge provides it with the ability to recognize long-term trends in the industry and to identify differences in value among individual MLPs, which abilities benefit our portfolio of public investments in MLPs and other Midstream Energy Companies.

Extensive Transaction Structuring Expertise and Capability. Kayne Anderson has industry-leading experience identifying and structuring investments in MLP securities. This experience, combined with Kayne Anderson's ability to engage in regular dialogue with industry participants and other large holders of MLP securities to better understand the capital needs of prospective portfolio companies, give it an advantage in structuring transactions mutually attractive to us and the portfolio company. Further, our ability to fund a meaningful amount of the capital needs of prospective portfolio companies provides us an advantage over other potential investors with less capital to employ in the sector. These investments may include purchases of subordinated units, restricted common units or general partner interests.

Ability to Trade Efficiently in a Relatively Illiquid Market. We believe that Kayne Anderson's ability to generate favorable returns on public investments in MLPs is aided by its substantial experience actively trading MLPs and similar securities. Through its affiliated broker-dealer, Kayne Anderson maintains its own trading desk, providing it with the ability to understand day-to-day market conditions for MLP securities, which have historically been characterized by lower daily trading volumes than comparable corporate equities. We believe that Kayne Anderson's direct equity market access enables it to make better informed investment decisions and to execute its investment strategy with greater efficiency.

Investment Process

Kayne Anderson seeks to identify securities that offer a combination of quality, growth and yield intended to result in superior after-tax total returns over the long term. Kayne Anderson's securities selection process includes a comparison of quantitative, qualitative, and relative value factors developed through its proprietary analysis and valuation models. To determine whether an investment meets its criteria, Kayne Anderson generally looks for, among other things, a strong record of distribution or dividend growth, solid ratios of debt to equity and debt to cash flow, appropriate coverage ratios with respect to distributions to unit holders, attractive incentive distribution structures and a respected management team. Based on these and other considerations, Kayne Anderson assesses an issuer's future business prospects, strategy and expected financial performance in making an investment decision.

A portion of the publicly traded securities in our portfolio is comprised of a set of longer-term core holdings reflecting Kayne Anderson's views of issuer fundamentals based on the application of the selection process described above. The balance of the portfolio's publicly traded securities will consist of shorter-term investments reflecting Kayne Anderson's views of the anticipated impact of near-term catalysts, such as pending equity issuances, pending acquisitions, rating agency actions, research analyst commentary and other issuer-specific developments.

Kayne Anderson has completed numerous transactions with both public and private companies in various forms, including secured debt, convertible preferred and direct equity investments. Its private equity strategy is to assist management owners of growth companies realize their full potential by providing flexible financing to help execute their expansion plans. Kayne Anderson seeks to pursue opportunities to make negotiated direct investments in issuers where its analysis indicates a need for additional capital. It also seeks opportunities to purchase outstanding securities on favorable terms from holders who have a desire, but a limited ability, to monetize their holdings. Kayne Anderson identifies potential private investments through its dialogue with management teams, members of the financial community and energy industry participants with whom Kayne Anderson's investment professionals have long-term relationships. These investments generally include restricted public securities (such as public securities subject to a lock-up period), private securities of public companies with registration rights, private securities of public companies with no conversion or registration rights, and private securities of privately held companies.

Market Opportunity

We invest principally in MLPs. We believe that this strategy offers an opportunity for attractive risk-adjusted returns based on several characteristics of MLPs, including the following:

- *MLPs provide steady distributions with attractive growth profiles.* During the period from January 1, 1998 through December 31, 2004, publicly-traded energy-related master limited partnerships provided an average annual yield of 8.5%. Additionally, during that same time period, distributions from these master limited partnerships increased at a compounded average annual rate of 6.6%. Currently, these master limited partnerships provide a 6.1% average yield. This information is for the energy-related master limited partnerships that were traded publicly as of September 30, 2005 (37 partnerships), and is derived by us from financial industry databases and public filings. We believe that current market conditions are conducive for continued growth in distributions. However, there can be no assurance that these levels will be maintained in the future.

- *MLPs operate strategically important assets that typically generate stable cash flows.* MLPs operate in businesses that are necessary for providing consumers with access to energy resources. We believe that due to the fee-based nature and long-term importance of their midstream energy assets, MLPs typically generate stable cash flows throughout economic cycles. Additionally, certain businesses operated by MLPs are regulated by federal and state authorities that ensure that rates charged are fair and just. In most cases, such regulation provides for highly predictable cash flows.

- *The MLP midstream energy sector has high barriers to entry.* Due to the high cost of constructing midstream energy assets and the difficulty of developing the expertise necessary to comply with the regulations governing the operation of such assets, the barriers to enter the midstream energy sector are high. Therefore, currently existing MLPs with large asset bases and significant operations enjoy a competitive advantage over other entities seeking to enter the sector.

- *Due to a lack of broad institutional following and limited retail focus, the MLP market experiences inefficiencies which can be exploited by a knowledgeable investor.* Historically, there have been potential adverse consequences of MLP ownership for many institutional investors, including regulated investment companies. Further, because MLPs generate unrelated business taxable income (''UBTI''), typically they are not held by tax-exempt investors such as pension plans, endowments, employee benefit plans, or individual retirement accounts. Also, income and gains from MLPs are subject to the Foreign Investment in Real Property Tax Act (''FIRPTA''), limiting the investment by non-U.S. investors in the sector. As a result, MLPs are held predominantly by taxable U.S. retail investors. Further, due to the limited public market float for MLP common units and tax-reporting burdens and complexities associated with MLP investments, MLPs appeal only to a segment of such retail investors. Due to this limited, retail-oriented focus, the market for MLPs can experience inefficiencies which can be exploited by a knowledgeable investor.

We believe that the attractive characteristics of MLPs are further supported by the positive dynamics currently affecting the midstream energy sector, including the following:

- *MLPs are well-positioned to capitalize on the ongoing divestitures of midstream energy assets.* As major oil and gas companies continue to focus on international opportunities and core exploration and production activities, such companies continue to sell many of their North American midstream energy assets. Additionally, certain utilities and energy merchants are selling their midstream energy assets, in part to improve their credit profiles. MLPs, as tax pass-through entities, have cost of capital advantages over corporate purchasers. As a result, MLPs have been active acquirors of midstream energy assets over the last several years. We believe this large pool of midstream energy assets should provide MLPs with significant acquisition opportunities to augment their internal growth prospects.

- *Many MLPs have significant available capacity which allows them to benefit disproportionately from a growing economy.* As the overall economy expands, energy demand increases and in certain cases, rates for assets owned by MLPs increase. Many of the MLPs in which we intend to invest have significant additional available operating capacity. As a result, these MLPs benefit from significant economies of scale and can expand production at relatively low cost levels. Small increases in energy demand can result in significant growth in the distributable cash flows for such MLPs. We believe this internal growth is an important component of MLPs' ability to increase distributions.

How does an investment in our common stock compare with direct investment in MLPs?

We are intended to be an efficient vehicle for investing in a portfolio comprised principally of MLP equity securities. We believe that an investor in our common stock will benefit from Kayne Anderson's investment experience, market knowledge and relationships, as well as a number of portfolio and tax features that would not be available if such investor were to make investment directly in MLPs, including some or all of the following:

- We provide, through a single investment vehicle, an investment in a portfolio of securities issued by MLPs and other Midstream Energy Companies.

- Under normal market conditions, we intend to invest up to 50% (but not more than 60%) of our total assets in private investments in MLPs. We believe that we can make private purchases of securities at discounts or with other beneficial terms. Such investment opportunities are typically only available to a limited number of knowledgeable investors with a large amount of capital available for investment in any particular security or issuer.

- Our common stockholders will receive a single tax reporting statement (on Form 1099) and will only be required to file income tax returns in states in which they would ordinarily file. In contrast, a person who invests directly in MLPs receives a statement of partnership items (on Schedule K-1) from each MLP owned and may be required to file income tax returns in each state in which such MLPs generate income.

- Our common stock dividends are treated as qualifying income for each of our common stockholders that is an investment company (including mutual funds) that have elected to be taxed as regulated investment companies. Subject to certain holding period requirements, corporate investors in our common stock generally will be entitled to dividends-received deduction treatment on our dividends.
- Our common stock dividends will be excluded from treatment as UBTI (except for those stockholders who debt-finance the purchase of our common stock). Accordingly, tax-exempt investors, including pension plans, employee benefit plans and individual retirement accounts, will not have UBTI upon receipt of dividends from us, whereas a tax-exempt limited partner's allocable share of income of an MLP is generally treated as UBTI.

Unlike MLPs, we are obligated to pay federal and state tax with respect to our income, thereby subjecting our income to a double layer of taxation upon distribution to our taxable common stockholders. However, the types of MLPs in which we invest historically have made cash distributions to limited partners that exceed the amount of taxable income allocable to limited partners, due to a variety of factors, including significant non-cash deductions, such as depreciation. If the cash distributions exceed the taxable income reported in a particular tax year, such excess cash distributions would not be taxed as income to us in that tax year but rather would be treated as a non-taxable return of capital to the extent of our basis, and our basis in our MLP units would be decreased by the amount of such excess, which would potentially increase our taxable gain upon any subsequent sale of our MLP units. For federal income tax purposes, unlike individuals, who are generally subject to a maximum long-term capital gains rate of 15% under current law, we will be taxed upon any recognized long-term capital gains at the same rate our ordinary income is taxed (generally 35%). See ''Tax Matters'' at page 70. Like other investment companies, our common stockholders will bear our operating costs, including management fees, custody and administration charges, and the costs of operating as an investment company.

Description of MLPs

Master Limited Partnerships. MLPs are limited partnerships, the partnership units of which are listed and traded on a U.S. securities exchange. To qualify as an MLP, a partnership must receive at least 90% of its income from qualifying sources as set forth in Section 7704(d) of the Internal Revenue Code. These qualifying sources include natural resource-based activities such as the exploration, development, mining, production, processing, refining, transportation, storage and marketing of mineral or natural resources. MLPs generally have two classes of owners, the general partner and limited partners. The general partner is typically owned by a major energy company, an investment fund, the direct management of the MLP or is an entity owned by one or more of such parties. The general partner may be structured as a private or publicly traded corporation or other entity. The general partner typically controls the operations and management of the MLP through an up to 2% equity interest in the MLP plus, in many cases, ownership of common units and subordinated units. Limited partners own the remainder of the partnership, through ownership of common units, and have a limited role in the partnership's operations and management.

MLPs are typically 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 and general partner interests also accrue arrearages in distributions to the extent the MQD is not paid. Once common and general partner interests have been paid, subordinated units receive distributions of up to the MQD; however, subordinated units do not accrue arrearages. Distributable cash in excess of the MQD paid to both common and subordinated units is distributed to both common and subordinated units generally on a pro rata basis. The general partner is also eligible to receive incentive distributions if the general partner operates the business in a manner which results in distributions paid per common unit surpassing specified target levels. As the general partner increases cash distributions to the limited partners, the general partner receives an increasingly higher percentage of the incremental cash distributions. A common arrangement provides that the general partner can reach a tier where it receives 50% of every incremental dollar paid to common and subordinated unit holders. These incentive distributions encourage the general partner to streamline costs, increase capital expenditures and acquire assets in order to increase the partnership's cash flow and raise the quarterly cash distribution in order to reach higher tiers. Such results benefit all security holders of the MLP.

MLPs in which we invest are currently classified by us as pipeline MLPs, propane MLPs and coal MLPs.

- Pipeline MLPs are engaged in (a) the treating, gathering, compression, processing, transmission and storage of natural gas and the transportation, fractionation and storage of natural gas liquids (primarily propane, ethane, butane and natural gasoline); (b) the gathering, transportation, storage and terminalling of crude oil; and (c) the transportation (usually via pipelines, barges, rail cars and trucks), storage and terminalling of refined petroleum products (primarily gasoline, diesel fuel and jet fuel) and other hydrocarbon by-products. MLPs may also operate ancillary businesses including the marketing of the products and logistical services.
- Propane MLPs are engaged in the distribution of propane to homeowners for space and water heating and to commercial, industrial and agricultural customers. Propane serves approximately 3% of the household energy needs in the United States, largely for homes beyond the geographic reach of natural gas distribution pipelines. Volumes are weather dependent and a majority of annual cash flow is earned during the winter heating season (October through March).
- Coal MLPs are engaged in the owning, leasing, managing, production and sale of coal and coal reserves. Electricity generation is the primary use of coal in the United States. Demand for electricity and supply of alternative fuels to generators are the primary drivers of coal demand.

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

Our Portfolio

At any given time, we expect that our portfolio will have some or all of the types of investments described below. A description of our investment policies and restrictions and more information about our portfolio investments are contained in this prospectus and our SAI.

Equity Securities of MLPs. The table below summarizes the features of equity securities of MLPs, including common units, subordinated units, I-Shares and general partner interests, and a further discussion of these securities follows:

	COMMON UNITS	SUBORDINATED UNITS	I-SHARES	GENERAL PARTNER INTERESTS
VOTING RIGHTS	Limited to certain significant decisions; no annual election of directors	Same as common units	No direct MLP voting rights	Typically Board participation; votes on MLP operating strategy and direction
DISTRIBUTION PRIORITY	First right to minimum quarterly distribution (‘MQD’’) specified in partnership agreement; arrearage rights	Second right to MQD; no arrearage rights	Equal in amount and priority to common units but paid in additional I-Shares at current market value of I-Shares	Same as common units; entitled to incentive distribution rights
DISTRIBUTION RATE	Minimum as set in partnership agreement; participate pro rata with subordinated unit holders after MQDs are met	Equal in amount to common units; participate pro rata with common units above the MQD	Equal in amount to common units	Participate pro rata partly with common units and partly with subordinated units up to MQD; entitled to incentive distribution at target levels above MQD
TRADING	Listed on NYSE, AMEX and NASDAQ	Typically not publicly traded	Listed on NYSE	Typically not publicly traded; can be owned by publicly traded entity
TAXES	Ordinary income to the extent of taxable income allocated to holder; tax-free return of capital thereafter to extent of holder’s basis; remainder as capital gain	Same as common units	Full distribution treated as return of capital; since distribution is in shares, total basis is not reduced	Ordinary income to extent that (1) taxable income is allocated to holder (including all incentive distributions) and (2) tax depreciation is insufficient to cover fair market value depreciation owed to limited partners
INVESTORS	Primarily retail	Founders and sponsoring parent entities, corporate general partners of MLPs, entities that sell assets to MLPs, and investors such as us	Primarily institutional	Founders and sponsoring parent entities, corporate general partners of MLPs, entities that sell assets to MLPs, and investors such as us
LIQUIDATION PRIORITY	Intended to receive return of all capital first	Second right to return of capital; pro rata with common units thereafter	Same as common units (indirect right through I-Share issuer)	Pro rata with limited partners
CONVERSION RIGHTS	Not applicable	One-to-one ratio into common units	None	None

MLP common units represent a limited partnership interest in the MLP. Common units are listed and traded on U.S. securities exchanges or over-the-counter, with their value fluctuating predominantly based on prevailing market conditions and the success of the MLP. We intend to purchase common units in market transactions as well as directly from the MLP or other parties in private placements. Unlike owners of common stock of a corporation, owners of common units have limited voting rights and have no ability to annually elect directors. MLPs generally distribute all available cash flow (cash flow from operations less maintenance capital expenditures) in the form of quarterly distributions. Common units along with general partner units, have first priority to receive quarterly cash distributions up to the MQD and have arrearage rights. In the event of liquidation, common units have preference over subordinated units, but not debt or preferred units, to the remaining assets of the MLP.

MLP subordinated units are typically issued by MLPs to their original sponsors, such as their founders, corporate general partners of MLPs, entities that sell assets to the MLP, and investors such as us. We expect to purchase subordinated units directly from these persons as well as newly-issued subordinated units from MLPs themselves. Subordinated units have similar voting rights as common units and are generally not publicly traded. Once the MQD on the common units, including any arrearages, has been paid, subordinated units receive cash distributions up to the MQD prior to any incentive payments to the MLP's general partner. Unlike common units, subordinated units do not have arrearage rights. In the event of liquidation, common units and general partner interests have priority over subordinated units. Subordinated units are typically converted into common units on a one-to-one basis after certain time periods and/or performance targets have been satisfied. Subordinated units are generally valued based on the price of the common units, discounted to reflect the timing or likelihood of their conversion to common units.

MLP subordinated units in which we may invest generally convert to common units at a one-to-one ratio. The purchase or sale price of subordinated units is generally tied to the common unit price less a discount. The size of the discount varies depending on the likelihood of conversion, the length of time remaining to conversion, the size of the block purchased relative to trading volumes, and other factors, including smaller capitalization partnerships or companies potentially having limited product lines, markets or financial resources, lacking management depth or experience, and being more vulnerable to adverse general market or economic development than larger more established companies.

I-Shares represent an ownership interest issued by an affiliated party of an MLP. The MLP affiliate uses the proceeds from the sale of I-Shares to purchase limited partnership interests in the MLP in the form of i-units. I-units have similar features as MLP common units in terms of voting rights, liquidation preference and distributions. However, rather than receiving cash, the MLP affiliate receives additional i-units in an amount equal to the cash distributions received by MLP common units. Similarly, holders of I-Shares will receive additional I-Shares, in the same proportion as the MLP affiliates receipt of i-units, rather than cash distributions. I-Shares themselves have limited voting rights which are similar to those applicable to MLP common units. The MLP affiliate issuing the I-Shares is structured as a corporation for federal income tax purposes. I-Shares are traded on the NYSE.

General partner interests of MLPs are typically retained by an MLP's original sponsors, such as its founders, corporate partners, entities that sell assets to the MLP and investors such as us. A holder of general partner interests can be liable under certain circumstances for amounts greater than the amount of the holder's investment in the general partner interest. General partner interests often confer direct board participation rights and in many cases, operating control, over the MLP. These interests themselves are not publicly traded, although they may be owned by publicly traded entities. General partner interests receive cash distributions, typically 2% of the MLP's aggregate cash distributions, which are contractually defined in the partnership agreement. In addition, holders of general partner interests typically hold incentive distribution rights (''IDRs''), which provide them with a larger share of the aggregate MLP cash distributions as the distributions to limited partner unit holders are increased to prescribed levels. General partner interests generally cannot be converted into common units. The general partner interest can be redeemed by the MLP if the MLP unitholders choose to remove the general partner, typically with a supermajority vote by limited partner unitholders.

Equity Securities of Publicly Traded Midstream Energy Companies. Equity securities of publicly traded Midstream Energy Companies consist of common equity, preferred equity and other securities convertible into equity securities of such companies. Holders of common stock are typically entitled to one vote per share on all matters to be voted on by stockholders. Holders of preferred equity can be entitled to a wide range of voting and other rights, depending on the structure of each separate security. Securities convertible into equity securities of Midstream Energy Companies generally convert according to set ratios into common stock and are, like preferred equity, entitled to a wide range of voting and other rights. We intend to invest in equity securities of publicly traded Midstream Energy Companies primarily through market transactions. We intend to invest in securities of MLP affiliates as part of our investment in Midstream Energy Companies. MLP affiliates include entities that own general partner interests or, in some cases, subordinated units, registered or unregistered common units or other limited partner interests in an MLP.

Securities of Private Companies. Our investments in the debt or equity securities of private companies operating midstream energy assets will typically be made with the expectation that such assets will be contributed to a newly-formed MLP or sold to or merged with, an existing MLP within approximately one to two years.

Debt Securities. The debt securities in which we invest provide for fixed or variable principal payments and various types of interest rate and reset terms, including fixed rate, adjustable rate, zero coupon, contingent, deferred, payment-in-kind and auction rate features. Certain debt securities are ''perpetual'' in that they have no maturity date. Certain debt securities are zero coupon bonds. A zero coupon bond is a bond that does not pay interest either for the entire life of the obligations or for an initial period after the issuance of the obligation. To the extent that we invest in below investment grade or unrated debt securities, such securities will be rated, at the time of investment, at least B– by Standard & Poor's or Fitch Ratings, B3 by Moody's Investors Service, Inc., a comparable rating by at least one other rating agency or, if unrated, determined by Kayne Anderson to be of comparable quality. If a security satisfies our minimum rating criteria at the time of purchase and is subsequently downgraded below such rating, we will not be required to dispose of such security.

Because the risk of default is higher for below investment grade and unrated debt securities than for investment grade securities, Kayne Anderson's research and credit analysis is a particularly important part of managing securities of this type. Kayne Anderson will attempt to identify those issuers of below investment grade and unrated debt securities whose financial condition Kayne Anderson believes is sufficient to meet future obligations or has improved or is expected to improve in the future. Kayne Anderson's analysis focuses on relative values based on such factors as interest or dividend coverage, asset coverage, operating history, financial resources, earnings prospects and the experience and managerial strength of the issuer.

Temporary Defensive Position. During periods in which Kayne Anderson determines that it is temporarily unable to follow our investment strategy or that it is impractical to do so, we may deviate from our investment strategy and invest all or any portion of our net assets in cash or cash equivalents. Kayne Anderson's determination that it is temporarily unable to follow our investment strategy or that it is impractical to do so will generally occur only in situations in which a market disruption event has occurred and where trading in the securities selected through application of our investment strategy is extremely limited or absent. In such a case, our shares may be adversely affected and we may not pursue or achieve our investment objective.

Investment Practices

Hedging and Other Risk Management Transactions. We may, but are not required to, use various hedging and other risk management transactions to seek to manage interest rate and market risks.

We may purchase and sell derivative investments such as exchange-listed and over-the-counter put and call options on securities, equity, fixed income and interest rate indices, and other financial instruments, and enter into various interest rate transactions, such as swaps, caps, floors or collars, or credit transactions and credit default swaps. We also may purchase derivative investments that combine features of these instruments. We generally seek to use these instruments as hedging strategies to seek to manage our effective interest rate exposure, including the effective yield paid on any Leverage Instruments issued or used by us, protect against possible adverse changes in the market value of securities held in or to be purchased for our portfolio, or otherwise protect the value of our portfolio. See ''Risk Factors — Derivatives Risk'' at page 33 in the prospectus and ''Investment Policies'' in our SAI for a more complete discussion of these transactions and their risks.

We may also short sell Treasury securities to hedge our interest rate exposure. When shorting Treasury securities, the loss is limited to the principal amount that is contractually required to be repaid at maturity and the interest expense that must be paid at the specified times.

See ''Risk Factors — Short Sales Risk'' at page 34.

Use of Arbitrage and Other Strategies. We may use various arbitrage and other strategies to try to generate additional return. As part of such strategies, we may engage in paired long-short trades to arbitrage pricing disparities in securities issued by MLPs or between MLPs and their affiliates; write (or sell) covered call options on the securities of MLPs or other securities held in our portfolio; or, purchase call options or enter into swap contracts to increase our exposure to MLPs; or sell securities short. Paired trading consists of taking a long position in one security and concurrently taking a short position in another security within the same company. With a long position, we purchase a stock outright; whereas with a short position, we would sell a security that we do not own and must borrow to meet our settlement obligations. We will realize a profit or incur a loss from a short position depending on whether the value of the underlying stock decreases or increases, respectively, between the time the stock is sold and when we replace the borrowed security. See ''Risk Factors — Short Sales Risk'' at page 34.

We may write (or sell) covered call options on the securities of MLPs or other securities held in our portfolio. We will not write uncovered calls. To increase our exposure to certain issuers, we may purchase call options or use swap agreements. We do not anticipate that these strategies will comprise a substantial portion of our investments. See ''Risk Factors — Derivatives Risk'' at page 33.

We may engage in short sales. Our use of ''naked'' short sales of equity securities (*i.e.*, where we have no opposing long position in the securities of the same issuer) will be limited, so that, (i) measured on a daily basis, the market value of all such short sale positions does not exceed 10% of our total assets, and (ii) at the time of entering into any such short sales, the market value of all such short sale positions immediately following such transaction shall not exceed 5% of our total assets. See ''Risk Factors — Short Sales Risk'' at page 34.

Portfolio Turnover. We anticipate that our annual portfolio turnover rate will be approximately 25%, but that rate may vary greatly from year to year. Portfolio turnover rate is not considered a limiting factor in Kayne Anderson's execution of investment decisions. The types of MLPs in which we intend to invest historically have made cash distributions to limited partners that would not be taxed as income to us in that tax year but rather would be treated as a non-taxable return of capital to the extent of our basis. As a result, the tax related to such distribution would be deferred until subsequent sale of our MLP units, at which time we would pay any required tax on capital gain. Therefore, the sooner we sell such MLP units, the sooner we would be required to pay tax on resulting capital gains, and the cash available to us to pay dividends to our common stockholders in the year of such tax payment would be less than if such taxes were deferred until a later year. In addition, the greater the number of such MLP units that we sell in any year, *i.e.*, the higher our turnover rate, the greater our potential tax liability for that year. These taxable gains may increase our current and accumulated earnings and profits, resulting in a greater portion of our common stock dividends being treated as income to our common stockholders. In addition, a higher portfolio turnover rate results in correspondingly greater brokerage commissions and other transactional expenses that are borne by us. See ''Tax Matters'' at page 70.

USE OF LEVERAGE

We generally will seek to enhance our total returns through the use of financial leverage, which may include the issuance of preferred stock, commercial paper or notes and other forms of borrowing, in an aggregate amount that is not expected to exceed 30% of our total assets, inclusive of such financial leverage. Depending on the type of Leverage Instruments involved, our use of financial leverage may require the approval of our Board of Directors. Leverage creates a greater risk of loss, as well as potential for more gain, for our common stock than if leverage is not used. Our common stock is junior in liquidation and distribution rights to Senior Notes, and would be junior in liquidation and distribution rights to ARP Shares, if issued.

On March 28, 2005, we issued three series of Senior Notes, auction rate senior notes due in 2045, in an aggregate principal amount of $260,000,000. The aggregate principal amount of the Senior Notes represented approximately 19.5% of our total assets as of August 31, 2005. The Senior Notes are rated ''Aaa'' and ''AAA'' by Moody's and Fitch, respectively.

On April 12, 2005, we issued the ARP Shares, auction rate preferred stock with a liquidation preference of $25,000, in an aggregate amount of $75,000,000. The aggregate amount of the ARP Shares represented approximately 5.6% of our total assets as of August 31, 2005. The ARP Shares are rated ''Aa'' and ''AA'' by Moody's and Fitch, respectively.

We expect to invest the net proceeds derived from any use or issuance of Leverage Instruments according to the investment objective and policies described in this prospectus. ARP Shares pay adjustable rate dividends based on shorter-term interest rates, which are redetermined periodically by an auction process. The adjustment period for preferred stock dividends could be as short as one day or as long as a year or more. So long as our portfolio is invested in securities that provide a higher rate of return than the dividend rate or interest rate of the Leverage Instrument after taking our related expenses into consideration, the leverage will cause our common stockholders to receive a higher rate of income than if we were not leveraged.

Leverage creates risk for our common stockholders, including the likelihood of greater volatility of net asset value and market price of the shares, and the risk of fluctuations in dividend rates or interest rates on Leverage Instruments which may affect the return to the holders of our common stock or will result in fluctuations in the dividends paid by us on our common stock. To the extent the return on securities purchased with funds received from the use of leverage exceeds the cost of leverage (including increased expenses to us), our total return will be greater than if leverage had not been used. Conversely, if the return derived from such securities is less than the cost of leverage (including increased expenses to us), our total return will be less than if leverage had not been used, and therefore, the amount available for distribution to our common stockholders will be reduced. In the latter case, Kayne Anderson in its best judgment nevertheless may determine to maintain our leveraged position if it expects that the benefits to our common stockholders of so doing will outweigh the current reduced return. Under normal market conditions, we anticipate that we will be able to invest the proceeds from leverage at a higher rate than the costs of leverage (including increased expenses to us), which would enhance returns to our common stockholders. The fees paid to Kayne Anderson will be calculated on the basis of our total assets including proceeds from Leverage Instruments. During periods in which we use financial leverage, the investment management fee payable to Kayne Anderson may be higher than if we did not use a leveraged capital structure. Consequently, we and Kayne Anderson may have differing interests in determining whether to leverage our assets. Our Board of Directors monitors our use of leverage and this potential conflict. The use of leverage creates risks and involves special considerations. See ''Risk Factors — Leverage Risk'' at page 29.

The Maryland General Corporation Law authorizes us, without prior approval of our common stockholders, to borrow money. In this regard, we may issue notes or other evidence of indebtedness (including bank borrowings or commercial paper) and may secure any such borrowings by mortgaging, pledging or otherwise subjecting as security our assets. In connection with such borrowing, we may be required to maintain minimum average balances with the lender or to pay a commitment or other fee to maintain a line of credit. Any such requirements will increase the cost of borrowing over the stated interest rate. Under the requirements of the 1940 Act, we, immediately after any such borrowings, must have an ''asset coverage'' of at least 300% (33 1/3% of our total assets after borrowings). With respect to such borrowing, asset coverage means the ratio which the value of our total assets, less all liabilities and indebtedness not represented by senior securities (as defined in the 1940 Act), bears to the aggregate amount of such borrowing represented by senior securities issued by us.

The rights of our lenders to receive interest on and repayment of principal of any such borrowings will be senior to those of our common stockholders, and the terms of any such borrowings may contain provisions which limit certain of our activities, including the payment of dividends to our common stockholders in certain circumstances. Under the 1940 Act, we may not declare any dividend or other distribution on any class of our capital stock, or purchase any such capital stock, unless our aggregate indebtedness has, at the time of the declaration of any such dividend or distribution, or at the time of any such purchase, an asset coverage of at least 300% after declaring the amount of such dividend, distribution or purchase price, as the case may be. Further, the 1940 Act does (in certain circumstances) grant our lenders certain voting rights in the event of default in the payment of interest on or repayment of principal. In the event that we elect to be treated as a regulated investment company, such provisions would impair our status as a regulated investment company under the Internal Revenue Code. Subject to our ability to liquidate our relatively illiquid portfolio, we intend to repay the borrowings. Any borrowing will likely be ranked senior or equal to all of our other existing and future borrowings.

Certain types of borrowings may result in us being subject to covenants in credit agreements relating to asset coverage and portfolio composition requirements. We may be subject to certain restrictions on investments imposed by guidelines of one or more rating agencies, which may issue ratings for the 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. It is not anticipated that these covenants or guidelines will impede Kayne Anderson from managing our portfolio in accordance with our investment objective and policies.

Under the 1940 Act, we are not permitted to issue preferred stock unless immediately after such issuance the value of our total assets is at least 200% of the liquidation value of the outstanding preferred stock (*i.e.*, the liquidation value may not exceed 50% of our total assets). In addition, we are not permitted to declare any cash dividend or other distribution on our common stock unless, at the time of such declaration, the value of our total assets is at least 200% of such liquidation value. If we issue preferred stock, we intend, to the extent possible, to purchase or redeem it from time to time to the extent necessary in order to maintain asset coverage on such preferred stock of at least 200%. In addition, as a condition to obtaining ratings on the preferred stock, the terms of any preferred stock issued are expected to include asset coverage maintenance provisions which will require the redemption of the preferred stock in the event of non-compliance by us and may also prohibit dividends and other distributions on our common stock in such circumstances. In order to meet redemption requirements, we may have to liquidate portfolio securities. Such liquidations and redemptions would cause us to incur related transaction costs and could result in capital losses to us. If we have preferred stock outstanding, two of our Directors will be elected by the holders of preferred stock as a class. Our remaining Directors will be elected by holders of our common stock and preferred stock voting together as a single class. In the event we fail to pay dividends on our preferred stock for two years, holders of preferred stock would be entitled to elect a majority of our Directors.

We may also borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which otherwise might require untimely dispositions of our securities. See ''Kayne Anderson MLP Investment Company — Our Portfolio — Temporary Defensive Position'' at page 49.

Effects of Leverage

The interest rates and dividend rates payable by us on the Senior Notes and ARP Shares vary based on auctions normally held every seven (7) days for Senior Notes Series A and Series B, and the Series D ARP Shares, and every twenty-eight (28) days for Senior Notes Series C. As of August 31, 2005, the interest rates payable on the Senior Notes were as follows: Senior Notes Series A, 3.53%; Senior Notes Series B, 3.52%;

Senior Notes Series C, 3.53%. As of August 31, 2005, the dividend rate for the ARP Shares was 3.60%. Under the terms of the outstanding interest rate swap agreements as of August 31, 2005, we are obligated to pay a weighted average rate of 4.42% on a notional amount of $250 million. Assuming that our leverage costs remain as described above including the effect of the outstanding interest rate swaps (an average annual cost of 4.09%), the income generated by our portfolio as of August 31, 2005 (net of our estimated related expenses) must exceed 1.04% in order to cover such payments. These numbers are merely estimates used for illustration; actual dividend or interest rates on the Leverage Instruments will vary frequently and may be significantly higher or lower than the rate estimated above.

The following table is furnished in response to requirements of the SEC. It is designed to illustrate the effect of leverage on common stock total return, assuming investment portfolio total returns (comprised of income and changes in the value of securities held in our portfolio) of minus 10% to plus 10%. These assumed investment portfolio returns are hypothetical figures and are not necessarily indicative of the investment portfolio returns experienced or expected to be experienced by us. See ''Risk Factors'' at page 25. The table further reflects the issuance of Leverage Instruments representing 30% of our total assets, net of expenses, and our current leverage costs of 4.09% (including the effect of the outstanding interest rate swaps). For the purposes of this table it is assumed that the additional Leverage Instruments have a leverage cost of 3.54% (the weighted average cost of our existing Leverage Instruments).

Assumed Portfolio Total Return (Net of Expenses)	(10)%	(5)%	0%	5%	10%
Common Stock Total Return	(17.3)%	(9.6)%	(1.9)%	5.9%	13.6%

Common stock total return is composed of two elements: common stock dividends paid by us (the amount of which is largely determined by our net investment income after paying dividends or interest on our Leverage Instruments) and gains or losses on the value of the securities we own. As required by SEC rules, the table above assumes that we are more likely to suffer capital losses than to enjoy capital appreciation. For example, to assume a total return of 0% we must assume that the distributions we receive on our investments is entirely offset by losses in the value of those securities.

MANAGEMENT

Directors and Officers

Our business and affairs are managed under the direction of our Board of Directors, including supervision of the duties performed by Kayne Anderson. Our Board currently consists of five Directors. As indicated, a majority of our Board consists of Directors that are not ''interested persons'' as defined in Section 2(a)(19) of the 1940 Act. We refer to these individuals as our ''Independent Directors''. The Board of Directors elects our officers, who serve at the Board's discretion. The following table includes information regarding our Directors and officers, and their principal occupations and other affiliations during the past five years. The address for all Directors and officers is 1800 Avenue of the Stars, Second Floor Los Angeles, CA 90067. All of the Directors currently serve on the board of directors of Kayne Anderson Energy Total Return Fund, Inc., a closed-end investment company registered under the 1940 Act that is advised by Kayne Anderson.

Name (Year Born)	Position(s) Held with Registrant	Term of Office/ Time of Service	Principal Occupations During Past Five Years	Other Directorships Held by Director/Officer
			Independent Directors	
Anne K. Costin[(1)] (born 1950)	Director	3-year term/served since July 2004	Ms. Costin is currently an Adjunct Professor in the Finance and Economics Department of Columbia University Graduate School of Business in New York City. As of March 1, 2005, Ms. Costin retired after a 28-year career at Citigroup. From July 2003 to her retirement, she held the position of Managing Director and, for the 3 years prior to July 2003, she held the position of Managing Director and Global Deputy Head of the Project & Structured Trade Finance product group within Citigroup's Investment Banking Division.	Kayne Anderson Energy Total Return Fund, Inc.
Steven C. Good (born 1942)	Director	2-year term/served since July 2004	Mr. Good is a senior partner at Good Swartz Brown & Berns LLP, which offers accounting, tax and business advisory services to middle market private and publicly-traded companies, their owners and their management. Mr. Good founded Block, Good and Gagerman in 1976, which later evolved in stages into Good Swartz Brown & Berns LLP.	Kayne Anderson Energy Total Return Fund, Inc.; Arden Realty, Inc.; OSI Systems, Inc.; and Big Dog Holdings, Inc.
Terrence J. Quinn (born 1951)	Director	3-year term/served since July 2004	Mr. Quinn is Chairman of the Healthcare Group of Triton Pacific Capital Partners, LLC, a private equity investment firm. From 2000 to 2003, Mr. Quinn was a co-founder and managing partner of MTS Health Partners, a private merchant bank providing services to publicly traded and privately held small to mid-sized companies in the healthcare industry.	Kayne Anderson Energy Total Return Fund, Inc.

Name (Year Born)	Position(s) Held with Registrant	Term of Office/ Time of Service	Principal Occupations During Past Five Years	Other Directorships Held by Director/Officer
Gerald I. Isenberg . . . . . . (born 1940)	Director	3-year term/served since June 2005	Since 1995, Mr. Isenberg has served as a Professor at the University of Southern California School of Cinema-Television. Since 2004 he has been a member of the board of trustees of Partners for Development, a non-governmental organization dedicated to developmental work in third-world countries. From 1998 to 2002, Mr. Isenberg was a board member of Kayne Anderson Rudnick Mutual Funds[(2)]. From 1989 to 1995, he was President of Hearst Entertainment Productions, a producer of television movies and programming for major broadcast and cable networks.	Kayne Anderson Energy Total Return Fund, Inc.; Partners for Development.
		Interested Director And Officers		
Kevin S. McCarthy[(3)] . . . (born 1959)	Chairman of the Board of Directors; President and Chief Executive Officer	2-year term as a director, elected annually as an officer/served since July 2004	Mr. McCarthy has served as a Senior Managing Director of Kayne Anderson since June 2004. From November 2000 to May 2004, Mr. McCarthy was at UBS Securities LLC where he was Global Head of Energy. In this role, he had senior responsibility for all of UBS' energy investment banking activities, including direct responsibility for securities underwriting and mergers and acquisitions in the MLP industry. From July 1997 to November 2000, Mr. McCarthy led the energy investment banking activities of PaineWebber Incorporated. From July 1995 to March 1997, he was head of the Energy Group at Dean Witter Reynolds.	Kayne Anderson Energy Total Return Fund, Inc.; Range Resources Corporation.
Ralph Collins Walter . . . (born 1946)	Chief Financial Officer and Treasurer	Elected annually/served since inception	Mr. Walter has served as the Chief Operating Officer and Treasurer of Kayne Anderson since 2000. Before joining Kayne Anderson, he was the Chief Administrative Officer at ABN AMRO Inc., the U.S.-based, investment-banking arm of ABN-AMRO Bank.	Knox College
David J. Shladovsky . . . . (born 1960)	Secretary and Chief Compliance Officer	Elected annually/served since inception	Mr. Shladovsky has served as a Managing Director and General Counsel of Kayne Anderson since 1997.	None
J.C. Frey . . . . (born 1968)	Vice President, Assistant Treasurer, Assistant Secretary	Elected annually/served since June 2005	Mr. Frey has served as a Senior Managing Director of Kayne Anderson since 2004 and as a Managing Director since 2001. Mr. Frey has served as a Portfolio Manager of Kayne Anderson since 2000 and of Kayne Anderson MLP Investment Company since 2004. From 1998 to 2000, Mr. Frey was a Research Analyst at Kayne Anderson.	None

Name (Year Born)	Position(s) Held with Registrant	Term of Office/ Time of Service	Principal Occupations During Past Five Years	Other Directorships Held by Director/Officer
James C. Baker . . . . (born 1972)	Vice President	Elected annually/served since June 2005	Mr. Baker has been a Managing Director of Kayne Anderson since December 2004. From April 2004 to December 2004, he was a Director in Planning and Analysis at El Paso Corporation. Prior to that, Mr. Baker worked in the energy investment banking group at UBS Securities LLC as a Director from 2002 to 2004 and as an Associate Director from 2000 to 2002. Prior to joining UBS in 2000, Mr. Baker was an Associate in the energy investment banking group at PaineWebber Incorporated.	None

(1) Due to her ownership of securities issued by one of the underwriters in this offering, Ms. Costin is expected to be treated as an ''interested person'' of Kayne Anderson MLP Investment Company, as defined in the 1940 Act, during and until the completion of this offering and, in the future, may be treated as an ''interested person'' during subsequent offerings of our securities if the relevant offering is underwritten by the underwriter in which Ms. Costin owns securities.

(2) The investment adviser to the Kayne Anderson Rudnick Mutual Funds, Kayne Anderson Rudnick Investment Management, LLC, may be deemed an affiliate of Kayne Anderson.

(3) Mr. McCarthy is an ''interested person'' of Kayne Anderson MLP Investment Company by virtue of his employment relationship with Kayne Anderson, our investment adviser.

Under our Charter, our Directors are divided into three classes. Each class of Directors will hold office for a three year term. However, the initial directors of the three classes have initial terms of one, two and three years, respectively, and the initial directors will hold office until their successors are duly elected and qualify. At each annual meeting of our stockholders, the successors to the class of Directors whose terms expire at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. Each Director will hold office for the term to which he or she is elected and until his or her successor is duly elected and qualifies. Additional information regarding our Board and its committees, is set forth under ''Management'' in our statement of additional information.

Investment Adviser

Kayne Anderson is our investment adviser. Kayne Anderson also is responsible for managing our business affairs and providing certain clerical, bookkeeping and other administrative services. Kayne Anderson is a California limited partnership and an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended. Kayne Anderson has one general partner, Kayne Anderson Investment Management, Inc., and a number of individual limited partners. Kayne Anderson Investment Management, Inc. is a Nevada corporation controlled by Richard A. Kayne and John E. Anderson. Kayne Anderson's predecessor was established as an independent investment advisory firm in 1984. It has invested in MLPs since 1998.

Kayne Anderson's management of our portfolio is led by two of its Senior Managing Directors, Kevin S. McCarthy and J.C. Frey. Our portfolio managers draw on the research and analytical support of David L. LaBonte, a Senior Managing Director of Kayne Anderson, as well as the experience and expertise of other professionals at Kayne Anderson, including its Chief Executive Officer, Richard Kayne, and its President and Chief Investment Officer, Robert V. Sinnott, as well as Richard J. Farber, James C. Baker and Stephen Smith.

Kevin S. McCarthy is our Chief Executive Officer. He is also the Chief Executive Officer of Kayne Anderson Energy Total Return Fund, Inc. (''KYE'') and a Senior Managing Director of Kayne Anderson. Mr. McCarthy joined Kayne Anderson in June 2004 from UBS Securities LLC where he was global head of energy. From November 2000 to May 2004, he had senior responsibility for all of UBS' energy investment banking activities, including direct responsibility for securities underwriting and mergers and acquisitions in the MLP industry. Mr. McCarthy was with UBS Securities from 2000 to 2004. From July 1997 to November 2000, Mr. McCarthy led the energy investment banking activities of PaineWebber Incorporated. From July 1995 to March 1997, he was head of the Energy Group at Dean Witter Reynolds. He began his investment banking career in 1984. He earned a BA degree in Economics and Geology from Amherst College in 1981, and an MBA degree in Finance from the University of Pennsylvania's Wharton School in 1984.

J.C. Frey is a Senior Managing Director of Kayne Anderson. He serves as portfolio manager of Kayne Anderson's funds investing in MLP securities, including service as a co-portfolio manager, Vice President, Assistant Secretary and Assistant Treasurer of KYE. Mr. Frey began investing in MLPs on behalf of Kayne Anderson in 1998 and has served as portfolio manager of Kayne Anderson's MLP funds since their inception in 2000. Prior to joining Kayne Anderson in 1997, Mr. Frey was a CPA and audit manager in KPMG Peat Marwick's financial services group, specializing in banking and finance clients, and loan securitizations. Mr. Frey graduated from Loyola Marymount University with a BS degree in Accounting in 1990. In 1991, he received a Master's degree in Taxation from the University of Southern California.

Richard A. Kayne is Chief Executive Officer of Kayne Anderson, its affiliated investment adviser, Kayne Anderson Rudnick Investment Management, LLC, and its affiliated broker-dealer, KA Associates, Inc. He began his career in 1966 as an analyst with Loeb, Rhodes & Co. in New York. Prior to forming Kayne Anderson's predecessor in 1984, Mr. Kayne was a principal of Cantor Fitzgerald & Co., Inc., where he managed private accounts, a hedge fund and a portion of firm capital. Mr. Kayne is a trustee of and the former Chairman of the Investment Committee of the University of California at Los Angeles Foundation, and is a trustee and Co-Chairman of the Investment Committee of the Jewish Community Foundation of Los Angeles. He earned a BS degree in Statistics from Stanford University in 1966 and an MBA degree from UCLA's Anderson School of Management in 1968.

Robert V. Sinnott is President, Chief Investment Officer and Senior Managing Director of Energy Investments of Kayne Anderson. Mr. Sinnott is a member of the Board of Directors of Plains All American Pipeline, LP. He joined Kayne Anderson in 1992. From 1986 to 1992, Mr. Sinnott was vice president and senior securities officer of Citibank's Investment Banking Division, concentrating in high-yield corporate buyouts and restructuring opportunities. From 1981 to 1986, he served as director of corporate finance for United Energy Resources, a pipeline company. Mr. Sinnott began his career in the financial industry in 1976 as a vice president and debt analyst for Bank of America in its oil and gas finance department. Mr. Sinnott graduated from the University of Virginia in 1971 with a BA degree in Economics. In 1976, he received an MBA degree in Finance from Harvard University.

David L. LaBonte is a Senior Managing Director of Kayne Anderson, responsible for coordinating and providing research and analytical support in the areas of MLPs and other Midstream Energy Company investments. Mr. LaBonte recently joined Kayne Anderson from Citigroup's Smith Barney unit, where he was a Managing Director in the U.S. Equity Research Division responsible for providing research coverage of MLPs and other Midstream Energy Companies. Mr. LaBonte worked at Smith Barney from 1998 until March 2005. Prior thereto, he was a vice president in the Investment Management Group of Wells Fargo Bank, where he was responsible for research coverage of the natural gas pipeline industry and managing equity and fixed-income portfolios. In 1993, Mr. LaBonte received his BS degree in Corporate Finance from California Polytechnic University-Pomona.

Richard J. Farber is a Senior Managing Director of Kayne Anderson. Mr. Farber is responsible for proprietary trading and hedging, and serves as Portfolio Manager for arbitrage strategies. He also provides analytical support in the MLP area. Mr. Farber joined Kayne Anderson in 1994. From 1990 to 1994, Mr. Farber was vice president of Lehman Brothers' Commodity Risk Management Group, specializing in energy trading. He also worked at Lehman Brothers as an institutional equity trader from 1988 to 1990. From 1985 to 1986, Mr. Farber was employed by Salomon Brothers, Inc. as a mortgage bond analyst. Mr. Farber graduated from Franklin and Marshall College in 1982 with a BA degree in Economics. In 1988, he received his MBA degree in Finance from UCLA's Anderson School of Management.

James C. Baker is a Managing Director of Kayne Anderson, providing analytical support in the MLP area. He also serves as our Vice President and as Vice President of KYE. Prior to joining Kayne Anderson in 2004, Mr. Baker was a Director in the energy investment banking group at UBS Securities LLC. At UBS, he focused on securities underwriting and mergers and acquisitions in the MLP industry. Prior to joining UBS in 2000, Mr. Baker was an Associate in the energy investment banking group at PaineWebber Incorporated. He received a BBA degree in Finance from the University of Texas at Austin in 1995 and an MBA degree in Finance from Southern Methodist University in 1997.

Stephen Smith is a Managing Director of Kayne Anderson. Mr. Smith provides analytical support in the MLP area and is responsible for client relations. Mr. Smith joined Kayne Anderson in 2002. From 2000 to 2002, Mr. Smith was an Associate with Goldman, Sachs, Inc.'s Telecommunications, Media and Entertainment investment banking group. In 1999, he was a summer associate in corporate finance with Salomon Smith Barney while attending graduate business school. From 1997 to 1998, Mr. Smith was an analyst with Kayne Anderson. He received a BBA degree in Marketing and Finance from the University of Texas at Austin in 1993 and an MBA degree in Finance from UCLA's Anderson School of Management in 2000.

Sumit Mathai is a research analyst responsible for MLPs and other Midstream Energy Company securities. Prior to joining Kayne Anderson in 2004, Mr. Mathai was an associate with Citicorp in the Energy Global Relationship Bank and an analyst with Salomon Smith Barney in Energy Investment Banking and Acquisition Finance from 1997 to 2004. In 1997, Mr. Mathai was an analyst with Coastal Power Corporation focusing on greenfield power projects and acquisitions in South Asia. Mr. Mathai received a BA degree in Economics in 1997 and an MBA degree in 2004, both from Rice University.

Our statement of additional information provides information about our portfolio managers' compensation, other accounts managed by them, and their ownership of securities issued by us.

Kayne Anderson's principal office is located at 1800 Avenue of the Stars, Second Floor, Los Angeles, California 90067. For additional information concerning Kayne Anderson, including a description of the services to be provided by Kayne Anderson, see ''— Investment Management Agreement'' below.

Investment Management Agreement

Pursuant to an investment management agreement (the ''Investment Management Agreement'') between us and Kayne Anderson, we pay Kayne Anderson a basic management fee at an annual rate of 1.75% of our average total assets, adjusted upward or downward (by up to 1.00% of our average total assets), depending on the extent to which, if any, our investment performance for the relevant performance period exceeds or trails our ''Benchmark'' over the same period. Our Benchmark is the total return (capital appreciation and reinvested dividends) of the Standard & Poor's 400 Utilities Index plus 600 basis points (6.00%). Our Benchmark for the 12-month period ended September 30, 2005 was 37.2%.

The following table indicates the performance of the Standard & Poor's 400 Utilities Index since its inception in 1995:

Year	Standard & Poor's 400 Utilities Index	Benchmark (Standard & Poor's 400 Utilities Index plus 6.00%)
1995	31.3%	37.3%
1996	9.2%	15.2%
1997	29.6%	35.6%
1998	7.6%	13.6%
1999	(11.7)%	(5.7)%
2000	55.9%	61.9%
2001	(9.3)%	(3.3)%
2002	(11.5)%	(5.5)%
2003	26.2%	32.2%
2004	18.9%	24.9%
Average annual return, 1995 to 2004	14.6%	20.6%

Source: Bloomberg.

(1) Returns for the period shown are annualized estimates.

Calculation of the Performance Adjustment to the Management Fee. Each 0.01% of difference of our performance compared to the performance of the Benchmark is multiplied by a performance adjustment of 0.002%, up to a maximum adjustment of 1.00% (as an annual rate). Thus, an annual excess performance difference of 5.00% or more between our performance and the Benchmark would result in an annual maximum performance adjustment of 1.00%. This formula requires that our performance exceed the performance of the Benchmark before any upward adjustment is made to the management fee. If our performance is below the performance of the Benchmark, the management fee would be adjusted downward.

Here are examples of how the adjustment would work (using annual rates):

Performance of our Portfolio (1)	Benchmark (Standard & Poor's 400 Utilities Index plus 6.00%)	Basic Management Fee	Performance Fee Adjustment	Total Management Fee
20.00% or higher	15.00%	1.75%	1.00%	2.75%
18.00%	15.00%	1.75%	0.60%	2.35%
15.00%	15.00%	1.75%	0.00%	1.75%
12.00%	15.00%	1.75%	(0.60)%	1.15%
10.00% or lower	15.00%	1.75%	(1.00)%	0.75%

(1) We calculate our performance for a given period on a per share basis as a fraction, the numerator of which is the sum of (W) our net asset value at the end of the period minus our net asset value at the beginning of the period, (X) any dividends or distributions paid by us during the period, (Y) taxes paid during or accrued (on a net basis) for the period, and (Z) management fees paid for the period, and the denominator of which is our net asset value at the beginning of the period.

The performance record for the Benchmark is based on the change in value of the Benchmark during the relevant performance period. Until we have completed our first full fiscal year, for purposes of calculating the performance adjustment, our initial net asset value is calculated net of the underwriting discount of our initial public offering of common stock.

Because the performance adjustment is based on a comparison of our performance with the Benchmark, the controlling factor (regarding such adjustment) is not whether our performance is up or down, but whether it is up or down relative to the Benchmark. Moreover, our comparative investment record is based solely on the relevant performance period without regard to the cumulative performance over a longer period. It is possible for high past performance to result in a management fee payment by us that is higher than current performance would otherwise produce.

For the period beginning with the commencement of our operations through the end of our first 12 months of operations (September 30, 2005), on a quarterly fiscal basis we paid Kayne Anderson a minimum management fee calculated at an annual rate of 0.75%. The basic management fee rate of 1.75% plus or minus any performance adjustment was calculated at the end of our first 12 months of operations based on our performance to that date from the commencement of our operations. We then calculated the total management fee based on the average total assets for the prior 12 months, subtracted the minimum management fee, and paid any balance of the management fee to Kayne Anderson. After this initial period, the basic management fee and the performance adjustment will be calculated and paid quarterly beginning with the quarter ending November 30, 2005, using a rolling 12-month performance period. Management fees in excess of those paid will be accrued monthly.

For purposes of calculation of the management fee, the ''average total assets'' for the prior 12 months shall be determined on the basis of the average of our total assets for each month in such period. Total assets for each monthly period are determined by averaging the total assets at the last business day of that month with the total assets at the last business day of the prior month (or as of the commencement of operations for the initial period if a partial month). Our total assets shall be equal to our average monthly gross asset value (which includes assets attributable to or proceeds from our use of preferred stock, commercial paper or notes issuances and other borrowings), minus the sum of our accrued and unpaid dividends on any outstanding common stock and accrued and unpaid dividends on any outstanding preferred stock and accrued liabilities (other than liabilities associated with borrowing or leverage by us and any accrued taxes). Liabilities associated with borrowing or leverage include the principal amount of any borrowings, commercial paper or notes that we issue, the liquidation preference of any outstanding preferred stock, and other liabilities from other forms of borrowing or leverage such as short positions and put or call options held or written by us.

In addition to Kayne Anderson's management fee, we pay all other costs and expenses of our operations, such as compensation of our directors (other than those affiliated with Kayne Anderson), custodian, transfer agency, administrative, accounting and dividend disbursing expenses, legal fees, leverage expenses, expenses of independent auditors, expenses of personnel including those who are affiliates of Kayne Anderson reasonably incurred in connection with arranging or structuring portfolio transactions for us, expenses of repurchasing our securities, expenses of preparing, printing and distributing stockholder reports, notices, proxy statements and reports to governmental agencies, and taxes, if any.

Because Kayne Anderson's fee is based upon a percentage of our total assets, Kayne Anderson's fee is likely to be higher to the extent we employ leverage. As noted, we have issued Senior Notes and ARP Shares forms of leverage, in a combined amount equal to approximately 25.1% of our total assets as of August 31, 2005. Assuming we use leverage in the amount equal to 30% of our total assets (after their issuance), the management fee rates payable to Kayne Anderson may be as low as 1.17% or as high as 4.31% of net assets attributable to common stock. See ''Fees and Expenses'' at page 13.

NET ASSET VALUE

We determine our net asset value as of the close of regular session trading on the NYSE (normally 4:00 p.m. Eastern time) no less frequently than the last business day of each month, and make our net asset value available for publication monthly. Net asset value is computed by dividing the value of all of our assets (including accrued interest and dividends), less all of our liabilities (including accrued expenses, dividends payable, current and deferred and other accrued income taxes, and any borrowings) and the liquidation value of any outstanding preferred stock, by the total number of shares outstanding.

We may hold a substantial amount of securities that are privately issued or illiquid. For these securities, as well as any other portfolio security held by us for which, in the judgement of Kayne Anderson, reliable market quotations are not readily available, the pricing service does not provide a valuation, or provides a valuation that in the judgment of Kayne Anderson is stale or does not represent fair value, valuations will be determined in a manner that most fairly reflects fair value of the security on the valuation date. Unless otherwise determined by our Board of Directors, the following valuation process is used for such securities:

- *Investment Team Valuation.* The applicable investments are initially valued by Kayne Anderson's investment professionals responsible for the portfolio investments.
- *Investment Team Valuation Documentation.* Preliminary valuation conclusions are documented and discussed with senior management of Kayne Anderson. Such valuations generally are submitted to the Valuation Committee (a committee of our Board of Directors) or our Board of Directors on a monthly basis, and stand for intervening periods of time.
- *Valuation Committee.* The Valuation Committee meets on or about the end of each month to consider new valuations presented by Kayne Anderson, if any, which were made in accordance with the Valuation Procedures in such month. Between meetings of the Valuation Committee, a senior officer of Kayne Anderson is authorized to make valuation determinations. The Valuation Committee's valuations stand for intervening periods of time unless the Valuation Committee meets again at the request of Kayne Anderson, our Board of Directors or the Committee itself. The Valuation Committee's valuation determinations are subject to ratification by our Board at its next regular meeting.
- *Valuation Firm.* No less than quarterly, a third-party valuation firm engaged by our Board of Directors reviews the valuation methodologies and calculations employed for these securities.
- *Board of Directors Determination.* Our Board of Directors meets quarterly to consider the valuations provided by Kayne Anderson and the Valuation Committee, if applicable, and ratify valuations for the applicable securities. Our Board of Directors considers the reports, if any, provided by the third-party valuation firm in reviewing and determining in good faith the fair value of the applicable portfolio securities.

Unless otherwise determined by our Board of Directors, securities that are convertible into or otherwise will become publicly traded (*e.g.*, through subsequent registration or expiration of a restriction on trading) are valued through the process described above, using a valuation based on the market value of the publicly traded security less a discount. The discount is initially equal in amount to the discount negotiated at the time the purchase price is agreed to. To the extent that such securities are convertible or otherwise become publicly traded within a time frame that may be reasonably determined, Kayne Anderson may determine an amortization schedule for the discount in accordance with a methodology approved by the Valuation Committee.

We may rely to some extent on information provided by the MLPs, which may not necessarily be timely, to estimate taxable income allocable to the MLP units held in our portfolio and to estimate the associated deferred tax liability. Such estimates will be made in good faith and reviewed in accordance with the valuation process approved by our Board of Directors. From time to time we will modify our estimates and/or assumptions regarding our deferred tax liability as new information becomes available. To the extent we modify our estimates and/or assumptions, our net asset value would likely fluctuate.

For publicly traded securities with a readily available market price, the valuation procedure is as described below. Readily marketable portfolio securities listed on any exchange other than the NASDAQ are valued, except as indicated below, at the last sale price on the business day as of which such value is being determined. If there has been no sale on such day, the securities are valued at the mean of the most recent bid and asked prices on such day. Securities admitted to trade on the NASDAQ are valued at the NASDAQ official closing price. Portfolio securities traded on more than one securities exchange are valued at the last sale price on the business day as of which such value is being determined at the close of the exchange representing the principal market for such securities.

Equity securities traded in the over-the-counter market, but excluding securities admitted to trading on the NASDAQ, are valued at the closing bid prices. Fixed income securities with a remaining maturity of 60 days or more are valued by us using a pricing service. When price quotes are not available, fair market value will be based on prices of comparable securities. Fixed income securities maturing within 60 days are valued on an amortized cost basis.

Any derivative transaction that we enter into may, depending on the applicable market environment, have a positive or negative value for purposes of calculating our net asset value. Any option transaction that we enter into may, depending on the applicable market environment, have no value or a positive value. Exchange traded options and futures contracts will be valued at the closing price in the market where such contracts are principally traded.

Because we are obligated to pay corporate income taxes, we accrue tax liability. As with any other liability, our net asset value is reduced by the accruals of our current and deferred tax liabilities (and any tax payments required in excess of such accruals.) The allocation between current and deferred income taxes is determined based upon the value of assets reported for book purposes compared to the respective net tax bases of assets recognized for federal income tax purposes. It is anticipated that cash distributions from MLPs in which we invest will not equal the amount of our taxable income because of the depreciation and amortization recorded by the MLPs in our portfolio. As a result, a portion of such cash distributions may not be treated by us as income for federal income tax purposes. The relative portion of such distributions not treated as income for tax purposes will vary among the MLPs, and also will vary year by year for each MLP. We will be able to confirm the portion of each distribution recognized as taxable income as we receive annual tax reporting information from each MLP.

DESCRIPTION OF CAPITAL STOCK

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

Capital Stock

Our authorized capital stock consists of 200,000,000 shares of stock, par value $0.001 per share, 199,990,000 of which are classified as common stock and 10,000 of which are classified and designated as Series D Auction Rate Preferred Stock. There are no outstanding options or warrants to purchase our stock. No stock has been authorized for issuance under any equity compensation plans. Under Maryland law, our stockholders generally are not personally liable for our debts or obligations.

Under our Charter, our Board of Directors is authorized to classify and reclassify any unissued shares of stock into other classes or series of stock and authorize the issuance of shares of stock without obtaining stockholder approval. As permitted by the Maryland General Corporation Law, our Charter provides that the Board of Directors, without any action by our stockholders, may amend the Charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue.

Common Stock

As of September 30, 2005, we had 33,926,098 shares of common stock outstanding and 199,990,000 shares of common stock authorized. Our currently outstanding shares of common stock are, and the shares offered in this prospectus will be, listed on the New York Stock Exchange under the symbol ''KYN''.

All shares of our common stock have equal rights as to earnings, assets, dividends and voting and, when they are issued, will be duly authorized, validly issued, fully paid and nonassessable. Dividends may be paid to the holders of our common stock if, as and when authorized by our Board of Directors and declared by us out of funds legally available therefor. Shares of our common stock have no preemptive, appraisal, exchange, conversion or redemption rights and are freely transferable, except where their transfer is restricted by federal and state securities laws or by contract. In the event of our liquidation, dissolution or winding up, each share of our common stock would be entitled to share ratably in all of our assets that are legally available for distribution after we pay all debts and other liabilities and subject to any preferential rights of holders of our preferred stock, if any preferred stock is outstanding at such time. Each share of our common stock is entitled to one vote on all matters submitted to a vote of stockholders, including the election of directors. Except as provided with respect to any other class or series of stock, the holders of our common stock will possess exclusive voting power. There is no cumulative voting in the election of directors, which means that holders of a majority of the outstanding shares of common stock can elect all of our directors, and holders of less than a majority of such shares will be unable to elect any director.

So long as Senior Notes or other senior securities representing indebtedness are outstanding, our common stockholders will not be entitled to receive any distributions from us unless all accrued interest on such senior indebtedness has been paid, and unless our asset coverage (as defined in the 1940 Act) with respect to any outstanding senior indebtedness would be at least 300% after giving effect to such distributions.

Other offerings of common stock, if made, will require approval of the Board of Directors and will be subject to the requirement of the 1940 Act that common stock may not be sold at a price below the then-current net asset value, exclusive of underwriting discounts and commissions, except in limited circumstances including in connection with an offering to existing stockholders.

Preferred Stock

As of September 30, 2005, we had 3,000 shares of preferred stock outstanding, and 10,000 shares of preferred stock authorized. Our currently outstanding shares of preferred stock are not listed on any exchange or quoted on any automated quotation system. The shares generally may only be bought or sold through an auction process. The auctions generally occur every seven (7) days, and determine the dividend rate to be paid for each dividend period.

Our Charter authorizes our Board of Directors to classify and reclassify any unissued shares of stock into other classes or series of stock, including preferred stock, without the approval of the holders of our common stock. Our common stockholders have no preemptive right to purchase any preferred stock that is issued.

Prior to the issuance of shares of any other class or series, our Board of Directors is required by Maryland law and by our Charter to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, the Board of Directors could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. You should note, however, that any issuance of preferred stock must comply with the requirements of the 1940 Act.

Among other requirements, including other voting rights, the 1940 Act requires that the holders of any preferred stock, voting separately as a single class, have the right to elect at least two Directors at all times. The remaining Directors will be elected by holders of our common stock and preferred stock, voting together as a single class. In addition, subject to the prior rights, if any, of the holders of any other class of senior securities outstanding, the holders of any preferred stock have the right to elect a majority of our Directors at any time two years' dividends on any preferred stock are unpaid.

DESCRIPTION OF SENIOR NOTES AND BORROWINGS

Our Charter authorizes us to borrow money without the prior approval of our stockholders. We may issue additional Senior Notes, other notes or other evidence of indebtedness (including bank borrowings or commercial paper) and may secure any such notes or borrowings by mortgaging, pledging or otherwise subjecting as security our assets to the extent permitted by the 1940 Act or rating agency guidelines. Any borrowings, including without limitation the Senior Notes discussed below, will rank senior to our common stock, and any preferred stock that we issue.

On March 28, 2005, we issued three series of Senior Notes in an aggregate principal amount of $260,000,000 pursuant to the provisions of an indenture. The Bank of New York Trust Company, N.A. serves as trustee and transfer agent and The Bank of New York serves as auction agent for the Senior Notes. The Senior Notes Series A and Series B pay interest at rates that vary based on auctions normally held every seven (7) days. The Senior Notes Series C pay interest at rates that vary based on auctions normally held every twenty-eight (28) days. The Senior Notes rank senior to our common stock. Under the 1940 Act, we may only issue one class of senior securities representing indebtedness. So long as Senior Notes are outstanding, additional senior debt securities must rank on a parity with Senior Notes. The Senior Notes may be redeemed prior to their maturity at our option, in whole or in part, under certain circumstances and are subject to mandatory redemption upon our failure to maintain asset coverage requirements with respect to the Senior Notes.

Limitations. Under the requirements of the 1940 Act, immediately after issuing any senior securities representing indebtedness, including Senior Notes, we must have an asset coverage of at least 300%. With respect to any Senior Notes or other senior securities representing indebtedness, asset coverage means the ratio which the value of our total assets, less all liabilities and indebtedness not represented by senior securities, bears to the aggregate amount of senior securities representing indebtedness. We are subject to certain restrictions imposed by guidelines of two rating agencies that issued ratings for the Senior Notes, including restrictions related to asset coverage and portfolio composition. Such restrictions may be more stringent than those imposed by the 1940 Act. Other types of borrowings also may result our being subject to similar covenants in credit agreements.

Distribution Preference. A declaration of a dividend or other distribution on or purchase or redemption of common or preferred stock, is restricted: (i) at any time that an event of default under the Senior Notes or any other Borrowings has occurred and is continuing; or (ii) if after giving effect to such declaration, we would not have eligible portfolio holdings with an aggregated Discounted Value at least equal to any asset coverage requirements associated with such Senior Notes or other Borrowings; or (iii) if we have not redeemed the full amount of Senior Notes or other Borrowings, if any, required to be redeemed by any provision for mandatory redemption. In addition, the terms of any other Borrowings may contain provisions that limit certain of our activities, including the payment of dividends to holders of common and preferred stock, in certain circumstances.

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

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

The Maryland General Corporation Law and our Charter and Bylaws contain provisions that could make it more difficult for a potential acquiror to acquire us by means of a tender offer, proxy contest or otherwise. These provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our Board of Directors. We believe the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because, among other things, the negotiation of such proposals may improve their terms.

Classified Board of Directors. Our Board of Directors is divided into three classes of directors serving staggered three-year terms. The initial terms of the second and third classes will expire in 2006 and 2007, respectively, and the current term for the first class will expire in 2008. Upon expiration of their current terms, directors of each class will be elected to serve for three-year terms and until their successors are duly elected and qualify and each year one class of directors will be elected by the stockholders. A classified board may render a change in control of us or removal of our incumbent management more difficult. We believe, however, that the longer time required to elect a majority of a classified Board of Directors will help to ensure the continuity and stability of our management and policies.

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

Number of Directors; Vacancies; Removal. Our Charter provides that the number of directors will be set only by the Board of Directors in accordance with our Bylaws. Our Bylaws provide that a majority of our entire Board of Directors may at any time increase or decrease the number of directors. However, unless our Bylaws are amended, the number of directors may never be less than the minimum number required by the Maryland General Corporation Law nor more than fifteen. Our Charter provides that, at such time as we have at least three independent directors and our common stock is registered under the Exchange Act, we elect to be subject to the provision of Subtitle 8 of Title 3 of the Maryland General Corporation Law regarding the filling of vacancies on the Board of Directors. Accordingly, at such time, except as may be provided by the Board of Directors in setting the terms of any class or series of preferred stock, any and all vacancies on the Board of Directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is elected and qualifies, subject to any applicable requirements of the 1940 Act.

Our Charter provides that a director may be removed only for cause, as defined in the Charter, and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of directors.

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

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

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

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

OUR STRUCTURE; COMMON STOCK REPURCHASES AND CHANGE IN OUR STRUCTURE

Closed-End Structure

Closed-end funds differ from open-end management investment companies (commonly referred to as ''mutual funds''). Closed-end funds generally list their shares for trading on a securities exchange and do not redeem their shares at the option of the stockholder. In contrast, mutual funds issue securities redeemable at net asset value at the option of the stockholder and typically engage in a continuous offering of their shares. Mutual funds are subject to continuous asset in-flows and out-flows that can complicate portfolio management, whereas closed-end funds generally can stay more fully invested in securities consistent with the closed-end fund's investment objective and policies. Accordingly, closed-end funds have greater flexibility than open-end funds to make certain types of investments, including investments in illiquid securities.

Shares of closed-end investment companies listed for trading on a securities exchange frequently trade at a discount to their net asset value, but in some cases trade at a premium. The market price may be affected by net asset value, dividend or distribution levels (which are dependent, in part, on expenses), supply of and demand for the shares, stability of dividends or distributions, trading volume of the shares, general market and economic conditions and other factors beyond the control of the closed-end fund. The foregoing factors may result in the market price of our common stock being greater than, less than or equal to net asset value. The Board of Directors has reviewed our structure in light of our investment objective and policies and has determined that the closed-end structure is in the best interests of our stockholders. However, the Board of Directors may review periodically the trading range and activity of our shares with respect to our net asset value and may take certain actions to seek to reduce or eliminate any such discount. Such actions may include open market repurchases or tender offers for our common stock at net asset value or our possible conversion to an open-end mutual fund. There can be no assurance that the Board will decide to undertake any of these actions or that, if undertaken, such actions would result in our common stock trading at a price equal to or close to net asset value per share of our common stock. Based on the determination of the Board of Directors in connection with our initial public offering of our common stock that the closed-end structure is desirable in light of our investment objective and policies, it is highly unlikely that the Board would vote to convert us to an open-end investment company.

Repurchase of Common Stock and Tender Offers

In recognition of the possibility that our common stock might trade at a discount to net asset value and that any such discount may not be in the interest of our common stockholders, the Board of Directors, in consultation with Kayne Anderson, from time to time may, but is not required to, review possible actions to reduce any such discount. The Board of Directors also may, but is not required to, consider from time to time open market repurchases of and/or tender offers for our common stock, as well as other potential actions, to seek to reduce any market discount from net asset value that may develop. After any consideration of potential actions to seek to reduce any significant market discount, the Board may, subject to its applicable duties and compliance with applicable state and federal laws, authorize the commencement of a share-repurchase program or tender offer. The size and timing of any such share repurchase program or tender offer will be determined by the Board of Directors in light of the market discount of our common stock, trading volume of our common stock, information presented to the Board of Directors regarding the potential impact of any such share repurchase program or tender offer, general market and economic conditions and applicable law. There can be no assurance that we will in fact effect repurchases of or tender offers for any of our common stock. We may, subject to our investment limitation with respect to borrowings, incur debt to finance such repurchases or a tender offer or for other valid purposes. Interest on any such borrowings would increase our expenses and reduce our net income.

There can be no assurance that repurchases of our common stock or tender offers, if any, will cause our common stock to trade at a price equal to or in excess of its net asset value. Nevertheless, the possibility that a portion of our outstanding common stock may be the subject of repurchases or tender offers may reduce the spread between market price and net asset value that might otherwise exist. Sellers may be less inclined to accept a significant discount in the sale of their common stock if they have a reasonable expectation of being able to receive a price of net asset value for a portion of their common stock in conjunction with an announced repurchase program or tender offer for our common stock.

Although the Board of Directors believes that repurchases or tender offers generally would have a favorable effect on the market price of our common stock, the acquisition of common stock by us will decrease our total assets and therefore will have the effect of increasing our expense ratio and decreasing the asset coverage with respect to any preferred stock outstanding. Because of the nature of our investment objective, policies and portfolio, particularly our investment in illiquid or otherwise restricted securities, it is possible that repurchases of common stock or tender offers could interfere with our ability to manage our investments in order to seek our investment objective. Further, it is possible that we could experience difficulty in borrowing money or be required to dispose of portfolio securities to consummate repurchases of or tender offers for common stock.

Possible Conversion to Open-End Fund Status

Our Charter provides that any proposal for our conversion from a closed-end company to an open-end company requires the approval of our Board of Directors and the stockholders entitled to cast at least 80 percent of the votes entitled to be cast on such matter. However, if such proposal is also approved by at least 80 percent of our continuing directors (in addition to the approval by our Board of Directors), such proposal may be approved by a majority of the votes entitled to be cast on the matter. See ''Description of Capital Stock'' for a discussion of voting requirements applicable to our conversion to an open-end investment company. If we converted to an open-end investment company, we would be required to redeem all preferred stock then outstanding (requiring in turn that we liquidate a portion of our investment portfolio) and our common stock would no longer be listed on the NYSE. Conversion to open-end status could also require us to modify certain investment restrictions and policies. Stockholders of an open-end investment company may require the investment company to redeem their shares at any time (except in certain circumstances as authorized by or permitted under the 1940 Act) at their net asset value, less such redemption charge, if any, as might be in effect at the time of redemption. In order to avoid maintaining large cash positions or liquidating favorable investments to meet redemptions, open-end investment companies typically engage in a continuous offering of their shares. Open-end investment companies are thus subject to periodic asset in-flows and out-flows that can complicate portfolio management. Our Board of Directors may at any time propose our conversion to open-end status, depending upon its judgment regarding the advisability of such action in light of circumstances then prevailing.

TAX MATTERS

The following discussion of federal income tax matters is based on the advice of our counsel, Paul, Hastings, Janofsky & Walker LLP.

This section and the discussion in our statement of additional information summarize the material U.S. federal income tax consequences of owning our shares for U.S. taxpayers. This section is current as of the date of this prospectus. Tax laws and interpretations change frequently, and this summary does not describe all of the tax consequences to all taxpayers. For example, this summary generally does not describe your situation if you are a non-U.S. person, a broker-dealer, or other investor with special circumstances. In addition, this section does not describe your state, local or foreign taxes. As with any investment, you should consult your own tax professional about your particular consequences. Investors should consult their own tax advisors regarding the tax consequences of investing in us.

Federal Income Taxation

We are treated as a corporation for federal income tax purposes. Thus, we are obligated to pay federal income tax on our taxable income. We are also obligated to pay state income tax on our taxable income, either because the states follow the federal treatment or because the states separately impose a tax on us. We invest our assets principally in MLPs, which generally are treated as partnerships for federal income tax purposes. As a partner in the MLPs, we have to report our allocable share of the MLP's taxable income in computing our taxable income. Based upon our review of the historic results of the type of MLPs in which we invest, we expect that the cash flow received by us with respect to our MLP investments will exceed the taxable income allocated to us. There is no assurance that our expectation regarding the tax character of MLP distributions will be realized. If this expectation is not realized, there will be greater tax expense borne by us and less cash available to distribute to stockholders. In addition, we will take into account in our taxable income amounts of gain or loss recognized on the sale of MLP units. Currently, the maximum regular federal income tax rate for a corporation is generally 35%, but we may be subject to a 20% alternative minimum tax on our alternative minimum taxable income to the extent that the alternative minimum tax exceeds our regular income tax. We will accrue deferred tax liabilities associated with unrealized capital gains on our investments.

As a corporation for tax purposes, our earnings and profits are calculated using accounting methods that are different from tax calculation methods. For instance, to calculate our earnings and profits we will use the straight-line depreciation method rather than the accelerated depreciation method. This treatment may, for example, affect our earnings and profits if an MLP in which we invest calculates its income using accelerated depreciation. Our earnings and profits would not be increased solely by the income passed through from the MLP, but we would also have to include in our earnings and profits the amount by which the accelerated depreciation exceeded straight-line depreciation.

Because of the differences in the manner in which earnings and profits and taxable income are calculated, we may make distributions out of earnings and profits, treated as dividends, in years in which we have no taxable income.

In addition, in calculating our alternative minimum taxable income, certain percentage depletion deductions and intangible drilling costs may be treated as items of tax preference. Items of tax preference increase alternative minimum taxable income and increase the likelihood that we may be subject to alternative minimum tax.

We have not, and we will not, elect to be treated as a regulated investment company under the Internal Revenue Code. The Internal Revenue Code generally provides that a regulated investment company does not pay an entity level income tax, provided that it distributes all or substantially all of its income. Thus, the regulated investment company taxation rules have no current application to us or to our stockholders.

Federal Income Taxation of Stockholders

Unlike a holder of a direct interest in MLPs, a stockholder will not include its allocable share of our income, gains, losses or deductions in computing its own taxable income. Our dividends are treated as a taxable dividend to the stockholder to the extent of our current or accumulated earnings and profits. If the distribution exceeds our earnings and profits, the distribution will be treated as a return of capital to our common stockholder to the extent of the stockholder's basis in our common stock, and then as capital gain. Common stockholders will receive a Form 1099 from us (rather than a Schedule K-1 from each MLP if the stockholder had invested directly in the MLPs) and will recognize dividend income only to the extent of our current and accumulated earnings and profits.

Generally, a corporation's earnings and profits are computed based upon taxable income, with certain specified adjustments. As explained above, based upon the historic performance of the MLPs, we anticipate that the distributed cash from an MLP will exceed our share of such MLP's income. Thus, we anticipate that only a portion of distributions of cash and other income from investments will be treated as dividend income to our common stockholders. As a corporation for tax purposes, our earnings and profits will be calculated using (i) straight-line depreciation rather than accelerated depreciation, and cost rather than a percentage depletion method, and (ii) intangible drilling costs and exploration and development costs are amortized over a five-year and ten-year period, respectively. Because of the differences in the manner in which earnings and profits and taxable income are calculated, we may make distributions out of earnings and profits, treated as dividends, in years in which we have no taxable income. To the extent that distributions to a stockholder exceed our earnings and profits, a stockholder's basis in our common stock will be reduced and, if a stockholder has no further basis in our shares, a stockholder will report any excess as capital gain.

The Jobs and Growth Tax Relief Reconciliation Act of 2003 amended the federal income tax law generally to reduce the maximum federal income tax rate of qualified dividend income to the rate applicable to long-term capital gains, which is generally 15% for individuals, provided a holding period requirement and certain other requirements are met. The portion of our distributions of cash and other income from investments treated as a dividend for federal income tax purposes should be treated as qualified dividend income for federal income tax purposes if the stockholder satisfies applicable holding period requirements for our common stock. This reduced rate of tax on dividends is currently scheduled to revert to ordinary income rates for taxable years beginning after December 31, 2008 and the 15% federal income tax rate for long-term capital gain is scheduled to revert to 20% for such taxable years.

If a stockholder participates in our automatic dividend plan, such stockholder will be taxed upon the amount of distributions as if such amount had been received by the participating stockholder and the participating stockholder reinvested such amount in additional common stock.

Investment by Tax-Exempt Investors and Regulated Investment Companies

Employee benefit plans and most other organizations exempt from federal income tax, including individual retirement accounts and other retirement plans, are subject to federal income tax on UBTI. Because we are a corporation for federal income tax purposes, an owner of our common stock will not report on its federal income tax return any of our items of income, gain, loss and deduction. Therefore, a tax-exempt investor will not have UBTI attributable to its ownership or sale of our common stock unless its ownership of our common stock is debt-financed. In general, common stock would be debt-financed if the tax-exempt owner of common stock incurs debt to acquire common stock or otherwise incurs or maintains a debt that would not have been incurred or maintained if that common stock had not been acquired.

As stated above, an owner of our common stock will not report on its federal income tax return any of our items of income, gain, loss and deduction. Instead, the owner will simply report income with respect to our distributions or gain with respect to the sale of our common stock. Thus, ownership of our common stock will only result in income that is qualifying income for a mutual fund. Furthermore, any gain from the sale or other disposition of our common stock will constitute gain from the sale of stock or securities and will qualify for purposes of the 90% test applicable to mutual funds. Finally, our common stock will constitute qualifying assets to mutual funds, which generally must own at least 50% in qualifying assets at the end of each quarter.

Sale of Our Common Stock

Upon sale of our common stock, the selling stockholder generally will recognize capital gain or loss measured by the difference between the sales proceeds received and the stockholder's federal income tax basis of common stock sold, which may be less than the price paid for our common stock as a result of distributions in excess of our earnings and profits (*i.e.,* return(s) of capital). Generally, such capital gain or loss will be long-term capital gain or loss if such common stock were held as a capital asset for more than one year.

Backup Withholding and Information Reporting

Backup withholding of U.S. federal income tax may apply to the distributions on our common stock to be made by us if you fail to timely provide taxpayer identification numbers or if we are so instructed by the Internal Revenue Service (''IRS''). Any amounts withheld from a payment to a U.S. holder under the backup withholding rules are allowable as a refund or credit against the holder's U.S. federal income tax liability, provided that the required information is furnished to the IRS in a timely manner.

State and Local Taxes

Our common stock dividends also may be subject to state and local taxes.

Tax matters are very complicated, and the federal, state and local 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 such investors.

Tax Risks

Investing in our common stock involves certain tax risks, which are fully described in the section ''Risk Factors — Tax Risks'' at page 28.

Use of Tax Matters Section

As required by U.S. Treasury Regulations governing tax practice, you are hereby advised that any written tax advice contained herein was not written or intended to be used (and cannot be used) by any taxpayer for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code.

The advice was prepared to support the promotion or marketing of the transactions or matters addressed by the written advice.

Any person reviewing this discussion should seek advice based on such person's particular circumstances from an independent tax advisor.

UNDERWRITING

Citigroup Global Markets Inc. and UBS Securities LLC are acting as joint book-running managers of the offering and as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus, each underwriter named below has agreed to purchase, and we have agreed to sell to that underwriter, the number of shares set forth opposite the underwriter's name.

Underwriter	Number of shares
Citigroup Global Markets Inc.	1,803,000
UBS Securities LLC	693,000
A.G. Edwards & Sons, Inc.	99,000
RBC Capital Markets Corporation	202,500
Sanders Morris Harris Inc.	202,500
Total	3,000,000

The underwriting agreement provides that the obligations of the underwriters to purchase the shares included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the shares (other than those covered by the over-allotment option described below) if they purchase any of the shares.

The underwriters propose to offer some of the shares directly to the public at the public offering price set forth on the cover page of this prospectus and some of the shares to dealers at the public offering price less a concession not to exceed $0.65 per share. The underwriters may allow, and dealers may reallow, a concession not to exceed $0.10 per share on sales to other dealers. If all of the shares are not sold at the initial offering price, the representatives may change the public offering price and other selling terms.

We have granted to the underwriters an option, exercisable for 45 days from the date of this prospectus, to purchase up to 440,888 additional shares of common stock at the public offering price less the underwriting discount. The underwriters may exercise the option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent the option is exercised, each underwriter must purchase a number of additional shares approximately proportionate to that underwriter's initial purchase commitment.

Certain officers of Kayne Anderson, including certain of our officers and directors, are expected to purchase approximately $2 million of common stock at the public offering price in this offering. We, Kayne Anderson and certain officers of Kayne Anderson, including all of our officers, and our directors who own shares of our common stock and/or purchase shares of our common stock in this offering, have agreed that, for a period of 90 days from the date of this prospectus, we and they will not, without the prior written consent of Citigroup, dispose or hedge any shares of our common stock or any securities convertible into or exchangeable for our common stock. In the event that either (x) during the last 17 days of the 90-day period of the officer/director lock-up agreements referred to above, we issue an earnings release or a press release announcing a significant event or (y) prior to the expiration of such 90 days, we announce that we will release earnings or issue a press release announcing a significant event during the 17-day period beginning on the last day of such 90-day period, the restrictions described above shall continue to apply until the expiration of the 17-day period beginning on the date of the earnings or the press release. Notwithstanding the foregoing, during such 90-day period, we may directly place shares of common stock to institutional investors so long as such institutional investors agree to execute a lock-up agreement that would not expire before the 90-day period referred to above.

Our common stock is, and the shares of common stock sold pursuant to this prospectus will be, listed on the NYSE under the symbol ''KYN.'' The offering price for our common stock offered in this prospectus was determined based on, among other factors, our net asset value on October 10, 2005 ($25.90), and the last sale price of our common stock on the NYSE on October 10, 2005 ($27.50).

The following table shows the underwriting discounts and commissions that we are to pay to the underwriters in connection with the common stock sold pursuant to this prospectus. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares of common stock.

	Paid by Us	
	No Exercise	**Full Exercise**
Per share	$ 1.08	$ 1.08
Total	$3,240,000	$3,716,159

In connection with the offering, Citigroup, on behalf of the underwriters, may purchase and sell shares of common stock in the open market. These transactions may include short sales, syndicate covering transactions and stabilizing transactions. Short sales involve syndicate sales of common stock in excess of the number of shares to be purchased by the underwriters in the offering, which creates a syndicate short position. ''Covered'' short sales are sales of shares made in an amount up to the number of shares represented by the underwriters' over-allotment option. In determining the source of shares to close out the covered syndicate short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. Transactions to close out the covered syndicate short involve either purchases of the common stock in the open market after the distribution has been completed or the exercise of the over-allotment option. The underwriters may also make ''naked'' short sales of shares in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares of common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consists of bids for or purchases of shares in the open market while the offering is in progress.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when Citigroup repurchases shares originally sold by that syndicate member in order to cover syndicate short positions or make stabilizing purchases.

Any of these activities may have the effect of preventing or retarding a decline in the market price of the common stock. They may also cause the price of the common stock to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the NYSE or in the over-the-counter market, or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

We estimate that we will incur approximately $323,500 in expenses in connection with this offering.

Some of the underwriters and their affiliates have engaged in and may, in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us, for which they have received, and will in the future receive, customary fees.

KA Associates, Inc., an affiliate of Kayne Anderson, is a member of the selling group for this offering.

A prospectus in electronic format may be made available by one or more of the underwriters. The representatives may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. The representatives will allocate shares to underwriters that may make Internet distributions on the same basis as other allocations. In addition, shares may be sold by the underwriters to securities dealers who resell shares to online brokerage account holders.

We and Kayne Anderson have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

The respective addresses of the representatives are: Citigroup Global Markets Inc., 388 Greenwich Street, New York, New York 10013 and UBS Securities LLC, 299 Park Avenue, New York, New York 10171.

TRANSFER AGENT AND DIVIDEND-PAYING AGENT

American Stock Transfer & Trust Company (''AST'') acts as our transfer agent and dividend-paying agent. Please send all correspondence to American Stock Transfer & Trust Company, which is located at 59 Maiden Lane, New York, New York 10038. For its services, AST receives a fixed fee per account. We will reimburse AST for certain out-of-pocket expenses, which may include payments by AST to entities, including affiliated entities, that provide sub-stockholder services, recordkeeping and/or transfer agency services to our beneficial owners. The amount of reimbursements for these services per benefit plan participant fund account per year will not exceed the per account fee payable by us to AST in connection with maintaining common stockholder accounts.

ADMINISTRATOR, CUSTODIAN AND FUND ACCOUNTANT

Bear Stearns Funds Management Inc. (''Administrator'') provides certain administrative services for us, including but not limited to preparing and maintaining books, records, and tax and financial reports, and monitoring compliance with regulatory requirements. The Administrator is located at 383 Madison Avenue, 23rd Floor, New York, New York 10179.

The Custodial Trust Company, 101 Carnegie Center, Princeton, New Jersey 08540-6231, an affiliate of our Administrator, is the custodian of our securities and other assets.

Ultimus Fund Solutions, LLC (''Ultimus''), 225 Pictoria Drive, Suite 450, Cincinnati, Ohio 45246, is our fund accountant. Ultimus assists in the calculation of our net asset value and maintains and keeps current the accounts, books, records and other documents relating to our financial and portfolio transactions.

LEGAL OPINIONS

Certain legal matters in connection with our common stock will be passed upon for us by Paul, Hastings, Janofsky & Walker LLP, Los Angeles, California, and for the underwriters by Sidley Austin Brown & Wood LLP, New York, New York. Paul, Hastings, Janofsky & Walker LLP and Sidley Austin Brown & Wood LLP may rely as to certain matters of Maryland law on the opinion of Venable LLP, Baltimore, Maryland.

TABLE OF CONTENTS OF OUR STATEMENT OF ADDITIONAL INFORMATION

PRIVACY NOTICE

Kayne Anderson MLP Investment Company (the ''Company'') considers privacy to be fundamental to our relationship with our stockholders. We are committed to maintaining the confidentiality, integrity and security of the non-public personal information of our stockholders and potential investors. Accordingly, we have developed internal policies to protect confidentiality while allowing stockholders' needs to be met. This notice applies to former as well as current stockholders and potential investors who provide us with nonpublic personal information.

We may collect several types of nonpublic personal information about stockholders or potential investors, including:

- Information from forms that you may fill out and send to us or one of our affiliates or service providers in connection with an investment in the Company (such as name, address, and social security number).

- Information you may give orally to us or one of our affiliates or service providers.

- Information about your transactions with us, our affiliates, or other third parties, such as the amount stockholders have invested in the Company.

- Information about any bank account stockholders or potential investors may use for transfers between a bank account and an account that holds or is expected to hold shares of our stock.

- Information collected through an Internet ''cookie'' (an information collecting device from a web server based on your use of a web site).

We may disclose all of the information we collect, as described above, to certain nonaffiliated third parties such as attorneys, accountants, auditors and persons or entities that are assessing our compliance with industry standards. Such third parties are required to uphold and maintain our privacy policy when handling your nonpublic personal information.

We may disclose information about stockholders or potential investors at their request. We will not sell or disclose your nonpublic personal information to anyone except as disclosed above or as otherwise permitted or required by law.

Within the Company and our affiliates, access to information about stockholders and potential investors is restricted to those personnel who need to know the information to service stockholder accounts. The personnel of the Company and our affiliates have been instructed to follow our procedures to protect the privacy of your information.

We reserve the right to change this privacy notice in the future. Except as described in this privacy notice, we will not use your personal information for any other purpose unless we inform you how such information will be used at the time you disclose it or we obtain your permission to do so.

[This page is not part of the prospectus.]

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3,000,000 Shares

Kayne Anderson

MLP Investment Company

Common Stock

PROSPECTUS

October 12, 2005

Citigroup

UBS Investment Bank

A.G. Edwards

RBC Capital Markets

Sanders Morris Harris