Kayne Anderson MLP Investment CO
Form 497
October 13, 2005

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As filed pursuant to Rule 497(c) and (h)
Under the Securities Act of 1933
Registration No. 333-123595

PROSPECTUS

3,000,000 Shares
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

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(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 Fitc 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).

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).

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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.

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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%	

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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

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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.

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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

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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

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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.

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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.

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(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.

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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.

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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	**9/28/2004 - 11/30/2004**
	(unaudited)	
	($ 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	**As of 11/30/2004**
	(unaudited)	
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

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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

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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

	Interest Rate	Maturity Date		Principal Amount (in 000 s)	
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

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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%

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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

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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.

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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.

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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.

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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.

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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,

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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

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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.