

Kayne Anderson MLP Investment CO

Form 497

April 08, 2005

PROSPECTUS

\$75,000,000

Auction Rate Preferred Stock

3,000 shares, Series D

Liquidation Preference \$25,000 per share

Kayne Anderson MLP Investment Company is 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 for our investors.

We are offering 3,000 shares of Series D Auction Rate Preferred Stock, \$0.001 par value per share (referred to as Series D Auction Rate Preferred Shares or ARP Shares). ARP Shares have a liquidation preference of \$25,000 per share, plus any accumulated, unpaid dividends. Investors in ARP Shares will be entitled to receive cash dividends at an annual rate that may vary for each dividend period. The dividend rate for the initial period from and including the issue date through April 21, 2005 will be 3.20% per year.

The dividend rate for each subsequent dividend period will be determined by an auction conducted in accordance with the procedures described in this prospectus, and in additional detail in Appendix A to the Statement of Additional Information. Generally, following the initial dividend period, each dividend period will be seven (7) days.

Prior to this offering, there has been no private or public market for ARP Shares. ARP Shares will not be listed on any exchange or quoted on any automated quotation system. Generally, investors may only buy and sell ARP Shares through an order placed at an auction with or through a broker-dealer that has entered into an agreement with the auction agent or in a secondary market that those broker-dealers may maintain. These broker-dealers are not required to maintain a market in ARP Shares, and a secondary market, in the unlikely event that one develops, may not provide investors with liquidity.

(continued on following page)

Investing in ARP Shares involves certain risks. See Risk Factors beginning on page 14.

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
Public offering price	\$25,000	\$75,000,000
Underwriting discounts and commissions	\$ 250	\$ 750,000
Proceeds, before expenses, to us (1)	\$24,750	\$74,250,000

(1) We estimate that we will incur approximately \$336,739 in expenses in connection with this offering.

The underwriters expect to deliver ARP Shares in book-entry form, through the facilities of The Depository Trust Company, to broker-dealers on or about April 12, 2005.

LEHMAN BROTHERS

CITIGROUP

UBS INVESTMENT BANK

April 7, 2005

(continued from previous page)

We are managed by Kayne Anderson Capital Advisors, L.P. (Kayne Anderson), a leading investor in energy-related master limited partnerships, limited liability companies and their affiliates (collectively, MLPs). Since 1984, Kayne Anderson has managed alternative assets with a focus on achieving absolute returns (as opposed to relative performance against a benchmark index) on a risk-adjusted basis through a disciplined investment process. Its investment strategies seek to identify and exploit investment niches that it believes are less well understood and generally not followed by the broader investor community. As of March 1, 2005, Kayne Anderson managed approximately \$3.3 billion, including approximately \$1.6 billion in MLPs and other midstream energy companies.

Generally, we invest in equity securities of (1) MLPs, including preferred, common and subordinated units and general partner interests, (2) owners of interests in MLPs, and (3) other midstream energy companies. Additionally, we may invest in debt securities of MLPs and other midstream energy companies. Once we are fully invested in accordance with our investment objective, under normal market conditions, we intend to invest 50% (but not less than 40%) of our total assets in publicly traded securities of MLPs and other midstream energy companies, and 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.

This offering is conditioned upon the ARP Shares receiving a rating of Aa from Moody's Investors Service, Inc. and AA from Fitch Ratings.

ARP Shares will be senior in liquidation and distribution rights to our common stock. Our common stock is listed on the New York Stock Exchange under the symbol KYN. On March 28, 2005, we issued three series of auction rate notes, each with a maturity of 40 years, having an aggregate principal amount of \$260,000,000 (Kayne Notes). The Kayne Notes represent approximately 22% of our total assets (as of March 31, 2005 as adjusted to reflect the net proceeds of this offering). ARP Shares will be junior in liquidation and distribution rights to the Kayne Notes. In addition, we may issue additional ARP Shares or Kayne Notes in the future. The ARP Shares and Kayne Notes are intended to increase funds available for investment. This practice, which is known as leverage, is speculative and involves significant risks.

ARP Shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

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 April 7, 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 shareholder reports and our SAI, the table of contents of which is on page 72 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 ARP Shares. You should read carefully the entire prospectus, including the documents incorporated by reference into it, particularly the section entitled Risk Factors beginning on page 14 and our SAI and the Articles Supplementary classifying and designating the Series D Auction Rate Preferred Shares (the Articles Supplementary) attached as Appendix A to the SAI, before you decide whether to invest. 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 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; Midstream Energy Companies means (1) MLPs and (2) other companies that, as their principal business, operate midstream energy assets; and the terms Series D Auction Rate Preferred Shares and ARP Shares refers to the 3,000 shares of Series D Auction Rate Preferred Stock offered hereby. Certain key terms relating to the auctions of ARP Shares are set forth on page 2.

What is Kayne Anderson MLP Investment Company?

We are 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 Our Common Stock. 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.

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

What types of leverage do we intend to use?

ARP Shares issued in this offering represent approximately 6% of our total assets (as of March 31, 2005 as adjusted to reflect the net proceeds of this offering). In addition, on March 28, 2005, we issued Kayne Notes in an aggregate principal amount of \$260 million. The Kayne Notes represent approximately 22% of our total assets (as of March 31, 2005 as adjusted to reflect the net proceeds of this offering). After the payment of offering expenses and underwriting discounts, we received approximately \$257 million in net proceeds from the Kayne Notes issuance. We also may leverage through other borrowings, including the issuance of additional Kayne Notes, preferred stock or commercial paper. The timing and terms of any leverage transactions will be determined by our Board of Directors. The use of leverage involves significant risks. See Risk Factors Leverage Risk. Throughout this prospectus, Kayne Notes, commercial paper or other borrowings are collectively referred to as Borrowings.

What securities are we offering?

We are offering an aggregate of 3,000 Series D Auction Rate Preferred Shares at a purchase price of \$25,000 per share plus accumulated dividends, if any, from the Original Issue Date. ARP Shares are being offered by Lehman Brothers Inc., Citigroup Global Markets Inc. and UBS Securities LLC as underwriters. See Underwriting. It is a condition of the underwriters' obligation to purchase ARP Shares that ARP Shares receive a rating of Aa from Moody's Investors Service Inc. (Moody's) and AA from Fitch

Ratings (Fitch). ARP Shares will be senior to our common stock in liquidation and distribution rights, but junior to any Borrowings, including Kayne Notes, in such rights.

We will invest the net proceeds of the offering in accordance with our investment objective and policies. We anticipate that it may take up to three months following completion of this offering until our assets are fully invested in accordance with our investment objective and policies. During this period, we may invest all or a portion of the proceeds of this offering in U.S. government securities, or high quality short-term or long-term debt obligations.

The dividend rate for the initial dividend period from and including the Original Issue Date through April 21, 2005, will be 3.20% per year. The first Auction Date for ARP Shares will be April 21, 2005 and the initial Dividend Payment Date will be April 22, 2005. Subsequent auctions generally will be held every 7 days unless the then current dividend period is a Special Dividend Period, the date that normally would be the Auction Date is not a Business Day, or unforeseen events preclude the holding of an auction.

Who are the key auction participants?

Auction Agent: The Auction Agent administers the auctions to determine the applicable dividend rates.

Beneficial Owners: The Beneficial Owners are the holders of ARP Shares.

Broker-Dealers: The Broker-Dealers are broker-dealers that have entered into an agreement with the Auction Agent to submit orders in an auction for ARP Shares.

Potential Beneficial Owners: Each Potential Beneficial Owner is a Broker-Dealer or a customer of a Broker-Dealer that wishes to purchase ARP Shares in an auction.

What is the auction process?

You may buy, sell or hold ARP Shares through an auction. Beneficial Owners and Potential Beneficial Owners of ARP Shares may participate in auctions only by submitting Orders through broker-dealers who have entered into an agreement with the Auction Agent (a Broker-Dealer) or through a broker-dealer that has entered into a separate agreement with a Broker-Dealer. In general, the types of Orders that may be placed with a Broker-Dealer include: Hold Orders, Sell Orders, Bids to sell and Bids to purchase. The following is a brief summary of the Auction Procedures for both Beneficial Owners and Potential Beneficial Owners. See The Auctions Auction Procedures for more detailed information.

Prior to the Submission Deadline on each Auction Date for ARP Shares, each Beneficial Owner may submit Orders with respect to shares of such series to a Broker-Dealer as follows:

Hold Order indicating the Beneficial Owner's desire to hold ARP Shares without regard to the Applicable Rate for ARP Shares for the next succeeding dividend period of ARP Shares.

Bid to Sell indicating the Beneficial Owner's desire to sell the number of outstanding ARP Shares, if any, held by such Beneficial Owner if the Applicable Rate for ARP Shares for the next succeeding dividend period of ARP Shares shall be less than the rate per annum specified by such Beneficial Owner (also known as a hold at rate order).

Bid to Purchase a current Beneficial Owner or a Potential Beneficial Owner may submit bids offering to purchase a certain amount of outstanding ARP Shares of a series if the Applicable Rate for such series determined on the Auction Date is higher than the rate specified in the Bid. A Bid specifying a rate higher than the Maximum Rate on the Auction Date will not be accepted.

Sell Order indicating the Beneficial Owner's desire to sell the number of outstanding ARP Shares of a series, if any, held by such Beneficial Owner without regard to the Applicable Rate for ARP Shares for the next succeeding dividend period of ARP Shares.

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Orders submitted (or the failure to do so) by Beneficial Owners under certain circumstances will have the effects described below:

A Beneficial Owner of ARP Shares that submits a Bid with respect to ARP Shares to its Broker-Dealer having a rate higher than the Maximum Rate for ARP Shares on the Auction Date will be treated as having submitted a Sell Order with respect to such ARP Shares.

A Beneficial Owner of ARP Shares that fails to submit an Order with respect to such ARP Shares to its Broker-Dealer will be deemed to have submitted a Hold Order with respect to such ARP Shares.

The Auction Procedures include a pro rata allocation of ARP Shares for purchase and sale, which may result in a Beneficial Owner continuing to hold or selling, or a Potential Beneficial Owner purchasing, a number of ARP Shares less than the number of ARP Shares specified in its Order. To the extent the allocation procedures have that result, Broker-Dealers will be required to make appropriate pro rata allocations among their respective customers.

Settlement of purchases and sales will be made on the next Business Day (also a Dividend Payment Date) after the Auction Date through the Securities Depository for the ARP Shares (which initially shall be The Depository Trust Company) in accordance with the Securities Depository's normal procedures.

Sample Auction Process for Preferred Stock

Step 1: The Auction Agent determines how many ARP Shares are being offered by stockholders for sale in the auction.

Step 2: Broker-Dealers submit bids which include the dividend rates and purchase amounts from prospective purchasers. The Auction Agent ranks these bids from the lowest to the highest dividend rate.

Step 3: The Auction Agent fills the purchase orders, starting with the lowest dividend rate bid.

Step 4: The bid that clears the market of the last available ARP Share is declared the new dividend rate.

Step 5: Bids are filled to the extent that ARP Shares are available. All bids below the new dividend rate are filled. Bids at the new dividend rate are filled to the extent that shares are available. Bids above the new dividend rate are not filled.

Step 6: All filled bids will receive dividends at the new dividend rate. However, the new dividend rate must be between the minimum and maximum rates permitted for the ARP Shares.

How will the dividend rates be determined?

If Sufficient Clearing Bids for ARP Shares exist (that is, the aggregate number of ARP Shares subject to Submitted Bids of Potential Beneficial Owners specifying one or more rates between the Minimum Rate (for Standard Dividend Periods or less, only) and the Maximum Rate (for all dividend periods) for ARP Shares exceeds, or is equal to, the number of ARP Shares subject to Submitted Sell Orders), the Applicable Rate for ARP Shares for the next succeeding dividend period will be the lowest rate specified in the Submitted Bids which, taking into account such rate and all lower rates bid by Broker-Dealers as or on behalf of Beneficial Owners and Potential Beneficial Owners, would result in Beneficial Owners and Potential Beneficial Owners owning the aggregate number of ARP Shares available for purchase in the auction.

For Standard Dividend Periods or less only, the Applicable Rate resulting from an auction will not be less than the Minimum Rate. The Applicable Rate for any dividend period commencing during any Default Period, and the Default Rate described under Description of Series D Auction Rate Preferred Stock, initially will be 300% of the Reference Rate. The Reference Rate is the greater of: (1) the applicable AA Composite Commercial Paper Rate (for a dividend period of fewer than 184 days) or the applicable Treasury Index Rate (for a dividend period of 184 days or more), or (2) the applicable London Interbank Offered Rate (LIBOR).

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If Sufficient Clearing Bids for ARP Shares do not exist (other than because all of the outstanding ARP Shares are subject to Submitted Hold Orders), then the Applicable Rate for all ARP Shares for the next succeeding dividend period will be the Maximum Rate for ARP Shares.

How will the maximum dividend rates be determined?

Except during a Default Period, the Applicable Rate for any dividend period for ARP Shares will not be more than the Maximum Rate. The Maximum Rate will depend on the credit rating assigned to ARP Shares and on the duration of the dividend period. The Maximum Rate will be the applicable percentage of the Reference Rate, subject to upward but not downward adjustment in the discretion of the Board of Directors after consultation with the Broker-Dealers. The applicable percentage will be determined based on the lower of the credit ratings assigned on that date to ARP Shares by Moody's and Fitch, as follows:

Moody's Credit Rating	Fitch Credit Rating	Applicable Percentage
Aa3 or above	AA- or above	200%
A3 to A1	A- to A+	250%
Baa3 to Baa1	BBB- to BBB+	275%
Below Baa3	Below BBB-	300%

How will the dividend periods be determined?

Subsequent to the initial dividend period, each dividend period generally will be 7 days in length. The Applicable Rate for a particular dividend period usually will be determined by an auction conducted on the Business Day immediately preceding the start of the dividend period. In most instances, dividends are also payable every 7 days, on the day following the end of the dividend period. Prior to any auction, we may elect, subject to certain limitations, upon giving notice to the Auction Agent and each Broker-Dealer, a Special Dividend Period. A Special Dividend Period is a dividend period consisting of a specified number of days other than 7. A Special Dividend Period will not be effective unless Sufficient Clearing Bids exist at the auction in respect of a Special Dividend Period. If Sufficient Clearing Bids do not exist at the auction, the dividend period commencing on the Business Day succeeding the auction will be a 7 day dividend period. See Description of Series D Auction Rate Preferred Stock Dividends and Dividend Periods Determination of Dividend Rate and The Auctions.

What are the restrictions on dividends, redemption and other payments?

On March 28, 2005, we issued Kayne Notes, which constitute senior securities representing indebtedness (as defined in the 1940 Act). We may not declare any dividend on ARP Shares unless, after giving effect to such dividend, asset coverage with respect to Kayne Notes (and any other Borrowings) is at least 200%. In addition, we would not be permitted to declare any other distribution on or purchase or redeem ARP Shares unless, after giving effect to such distribution, purchase or redemption, asset coverage with respect to Kayne Notes (and any other Borrowings) is at least 300%. Dividends or other distributions on, or redemptions or purchases of, ARP Shares also would be prohibited at any time that an event of default under Kayne Notes (and any other Borrowings) has occurred and is continuing. See Description of Series D Auction Rate Preferred Stock Restrictions on Dividend, Redemption and Other Payments. In addition to Kayne Notes, we may make further use of financial leverage through other Borrowings which constitute senior securities representing indebtedness under the 1940 Act.

What are our asset maintenance requirements?

We must maintain Eligible Assets having an aggregated Discounted Value at least equal to the ARP Shares Basic Maintenance Amount as of each Valuation Date. We also must maintain asset coverage for ARP Shares on a non-discounted basis of at least 200% as of the last business day of each month (the 1940 Act ARP Shares Asset Coverage). See Rating Agency Guidelines. The Discount Factors and guidelines for calculating the Discounted Value of our portfolio for purposes of determining whether the ARP Shares Basic

Maintenance Amount has been satisfied have been established by Moody's and Fitch in connection with our expected receipt from Moody's and Fitch of the Aa and AA Credit Ratings, respectively, with respect to ARP Shares on their Original Issue Date. We estimate that on the Original Issue Date, the 1940 Act ARP Shares Asset Coverage, based on the composition of our portfolio as of March 31, 2005, and after giving effect to the issuance of ARP Shares offered hereby (\$75,000,000), will be approximately 348%.

In addition, we must maintain asset coverage requirements imposed in connection with the Kayne Notes and there may be additional asset coverage requirements imposed in connection with other Borrowings, if any.

When may we redeem ARP Shares?

Although ordinarily we will not redeem ARP Shares, we may be required to redeem ARP Shares if, for example, we do not meet an asset coverage ratio required by law or in order to correct a failure to meet a rating agency's guidelines in a timely manner. We may voluntarily redeem ARP Shares in certain circumstances. See Description of Series D Auction Rate Preferred Stock Redemption.

What is the liquidation preference of ARP Shares?

The liquidation preference of ARP Shares will be \$25,000 per share plus accumulated but unpaid dividends, if any, thereon. See Description of Series D Auction Rate Preferred Stock Liquidation Rights.

What are the voting rights of ARP Shares?

Except as otherwise indicated, holders of ARP Shares have one vote per share and vote together with holders of common stock as a single class.

The 1940 Act requires that the holders of ARP Shares and any other preferred stock voting as a separate class have the right to elect two directors at all times. The holders of outstanding common stock and preferred stock, including ARP Shares, voting together, shall elect the remainder. However, upon our failure to pay dividends on preferred stock in an amount equal to two full years of dividends, the holders of preferred stock have the right to elect, as a class, the smallest number of additional directors as shall be necessary to assure that a majority of the directors has been elected by the holders of preferred stock. The terms of the additional directors shall end when we pay or provide for all accumulated and unpaid dividends. See Description of Series D Auction Rate Preferred Stock Voting Rights.

Risks of Investing in ARP Shares

The following discussion summarizes the principal risks that you should consider before investing in ARP Shares. For additional information about the risks associated with us and ARP Shares, see Risk Factors.

Interest Rate Risk

ARP Shares pay dividends based on short-term interest rates. If short-term interest rates rise, dividends on the ARP Shares may rise so that the amount of dividends due to holders of ARP Shares would exceed the income from our portfolio securities. This might require that we sell portfolio securities at a time when we would otherwise not do so, which may affect adversely our future ability to generate cash flow. In addition, rising market interest rates could impact negatively the value of our investment portfolio, reducing the amount of assets serving as asset coverage.

Auction Risk

You may not be able to sell your ARP Shares at an auction if the auction fails; that is, if there are more ARP Shares offered for sale than there are buyers for those ARP Shares. Also, if you place hold

orders (orders to retain ARP Shares) at an auction only at a specified rate, and the bid rate exceeds the rate set at the auction, you will not retain your ARP Shares. Finally, if you buy ARP Shares or elect to retain ARP Shares without specifying a rate below which you would not wish to buy or continue to hold those ARP Shares, and the auction sets a below-market rate, you may receive a lower rate of return on your ARP Shares than the market rate of interest. See Description of Series D Auction Rate Preferred Stock, The Auctions Auction Procedures, and The Auctions General Broker-Dealer Agreements.

Senior Leverage Risk

ARP Shares will be junior to Kayne Notes and any other Borrowings. Kayne Notes and any other Borrowings may constitute a substantial lien and burden on ARP Shares by reason of their prior claim against our income and against our net assets in liquidation. We may not be permitted to declare dividends or other distributions with respect to ARP Shares unless at the time thereof we meet certain asset coverage requirements and the payment of principal and interest is not in default with respect to Kayne Notes or any other Borrowings.

Ratings and Asset Coverage Risk

While Moody's and Fitch are expected to assign ratings of Aa and AA, respectively, to ARP Shares, the ratings do not eliminate or necessarily mitigate the risks of investing in ARP Shares. A rating may not fully or accurately reflect all of the credit and market risks associated with a security. A rating agency could downgrade ARP Shares, which may make your securities less liquid at an auction or in the secondary market, if any, though probably with higher resulting dividend rates. If a rating agency downgrades the ratings assigned to ARP Shares, we may alter our portfolio or redeem ARP Shares. We may voluntarily redeem ARP Shares under certain circumstances. See Description of Series D Auction Rate Preferred Stock Redemption.

Inflation Risk

Inflation is the reduction in the purchasing power of money resulting from an increase in the price of goods and services. Inflation risk is the risk that the inflation adjusted or real value of your ARP Shares investment or the income from that investment will be worth less in the future than you paid for the ARP Shares. As inflation occurs, the real value of ARP Shares and the dividend payable to holders of ARP Shares declines. See Risk Factors Inflation Risk.

Trading Market Risk

ARP Shares will not be listed on an exchange or quoted on any automated quotation system. Instead, ARP Shares will be eligible for purchase or sale at an auction by submitting orders to a Broker-Dealer, or to a broker-dealer that has entered into a separate agreement with a Broker-Dealer. Auctions will normally be held every 7 days. If you try to sell your ARP Shares between auctions, you may not be able to sell any or all of your ARP Shares, or you may not be able to sell them for the liquidation preference plus accumulated dividends. If we have designated a Special Dividend Period (a dividend period other than 7 days), changes in interest rates could affect the price you would receive if you sold your ARP Shares in the secondary market.

In addition to the auctions, Broker-Dealers and other broker-dealers may maintain a secondary trading market in ARP Shares outside of auctions, but may discontinue this activity at any time. There is no assurance that any secondary market that may develop will provide holders of ARP Shares with liquidity. We are not required to redeem ARP Shares if an auction or an attempted secondary market sale fails. You may transfer ARP Shares outside of auctions only to or through a Broker-Dealer, or a broker-dealer that has entered into a separate agreement with a Broker-Dealer or to us or any of our affiliates, in certain cases. If you sell your ARP Shares to a broker-dealer between auctions, you may receive less than the price you paid for them, especially when market interest rates have risen since the last auction.

Anti-Takeover Provisions

Our Charter, Bylaws and the Maryland General Corporation Law include provisions that could limit the ability of other entities or persons to acquire control of us, to convert us to open-end status, or to change the composition of our Board of Directors. 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.

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.

Portfolio Risks

Our net asset value, our ability to pay dividends on the ARP Shares, and our ability to meet asset coverage requirements depends on the performance of our investment portfolio. The performance of our investment portfolio is subject to a number of risks, including the following:

Energy Sector Risk

We intend to concentrate our investments in MLPs and other Midstream Energy Companies. There are special risks inherent in the energy sector, including supply and demand risk, depletion and exploration risk, regulatory risk, commodity pricing risk, acquisition risk, and catastrophe risk. For a more detailed discussion of these and other related risks, see *Energy Sector Risk* on page 16 and *MLPs and Other Midstream Energy Company Risk* on page 18.

Non-Diversification Risk

We are a non-diversified investment company under the 1940 Act, and we are not a regulated investment company under the U.S. Internal Revenue Code of 1986, as amended (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 may hold.

Liquidity Risk

Certain MLP securities in which we may invest may trade less frequently than those of other companies due to their smaller capitalizations. Investment in securities that are less actively traded or that over time experience decreased trading volume may be difficult to dispose of when we believe it is desirable to do so, may restrict our ability to take advantage of other opportunities, and may be more difficult to value.

Valuation Risk

Under normal market conditions, we intend to invest 50% (but not more than 60%) of our total assets in unregistered or otherwise restricted securities, which are subject to restrictions on resale. The value of such investments ordinarily will be determined based on fair valuations determined by Kayne Anderson pursuant to procedures adopted by our Board of Directors. Restrictions on resale or the absence of a liquid secondary market may affect adversely our ability to determine the net asset value of our common stock. The sale price of securities that are restricted or otherwise not readily marketable may be higher or lower than our most recent valuations. A material decline in the net asset value of our common stock may impair our ability to maintain required levels of asset coverage for ARP Shares or Kayne Notes.

Leverage Risk

Subject to limits imposed by the 1940 Act and the Rating Agency Guidelines, we may increase our leverage above the amount we estimate after giving effect to the Kayne Notes and the issuance of ARP Shares. We intend to use leverage primarily for investment purposes. Our use of leverage can significantly magnify the effect of any losses. There is no assurance that a leveraging strategy will be successful.

See Risk Factors beginning on page 14 and the other information included in or incorporated into this prospectus for information on these and other risk factors, all of which you should carefully consider before deciding whether to invest in ARP Shares.

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 (1) master limited partnerships, including preferred, common and subordinated units and general partner interests, (2) owners of interests in master limited partnerships, and (3) other Midstream Energy Companies. Finally, we also may, from time to time, invest in debt securities of MLPs and other Midstream Energy Companies with varying maturities of up to 30 years.

When we are fully invested in accordance with our investment objective, under normal market conditions, we intend to invest 50% (but not less than 40%) of our total assets in publicly traded securities of MLPs and other Midstream Energy Companies and 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, B- by Standard & Poor's or Fitch, 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 also may use derivative investments to hedge against interest rate and market risks. We also may use short sales to hedge such risks and as part of short sale investment strategies.

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 March 1, 2005, Kayne Anderson managed approximately \$3.3 billion. Kayne Anderson has invested in MLPs and other Midstream Energy Companies since 1998 and currently manages more than \$1.6 billion invested in this sector. 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.

How will ARP Shares be treated for tax purposes?

Distributions with respect to ARP Shares from our earnings and profits allocated to such shares generally will be taxed as ordinary income, but may qualify for the dividends received deduction for corporate stockholders or for treatment as qualified dividend income that is generally subject to reduced rates of federal income taxation for noncorporate stockholders. Distributions in excess of our allocable earnings and profits, if any, will first reduce a stockholder's adjusted tax basis in his or her ARP Shares, and, after such adjusted basis is reduced to zero, will be treated as gain from the sale or exchange of such ARP Shares. Because we will invest a substantial portion of our assets in MLPs, which are expected to generate cash in

excess of our taxable income to stockholders, it is possible that distributions payable on ARP Shares could exceed earnings and profits.

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 income taxes on our taxable income. The types of MLPs in which we invest historically have made cash distributions to limited partners that exceed the amount of taxable income allocable to limited partners, due to a variety of factors, including significant non-cash deductions, such as depreciation. If the cash distributions exceed the taxable income reported in a particular tax year, such excess cash distributions would not be taxed as income to us in that tax year but rather would be treated as a return of capital for federal income tax purposes to the extent of our basis in our MLP units. See "Tax Matters" at page 66.

Will investors in ARP Shares receive stock certificates?

Except as described herein, investors in ARP Shares will not receive certificates representing ownership of their shares. Ownership of ARP Shares will be maintained in book-entry form by the Securities Depository or its nominee for the account of the investor's Agent Member. The investor's Agent Member, in turn, will maintain records of the investor's beneficial ownership of ARP Shares. Accordingly, references in this prospectus to an investor's investment in or purchase, sale or ownership of ARP Shares are to purchases, sales or ownership of those shares by Beneficial Owners. Dividends on ARP Shares will be paid through the Securities Depository on each Dividend Payment Date.

The Securities Depository's normal procedures provide for it to distribute dividends in same-day funds to Agent Members, who are in turn expected to distribute the dividends to the person for whom they are acting as agent in accordance with the instructions of that person. See "Description of Series D Auction Rate Preferred Stock" Dividends and Dividend Periods.

Auction Agent, Transfer Agent, Registrar, Dividend Paying Agent and Redemption Agent

The Bank of New York will serve as Auction Agent, transfer agent, registrar, dividend paying agent and redemption agent with respect to ARP Shares.

Administrator

Bear Stearns Funds Management Inc. (Administrator) provides certain administrative services to us, including but not limited to preparing and maintaining books, records, and tax and financial reports, and monitoring compliance with regulatory requirements.

Custodian

The Custodial Trust Company, an affiliate of our Administrator, is custodian of our securities and other assets.

Fund Accountant

Ultimus Fund Solutions, LLC, is our fund accountant, assisting in the calculation of our net asset value, and maintaining the accounts, books, records and other documents relating to our financial and portfolio transactions.

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 an aggregate of 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 shares of common stock and 1,661,900 shares of common stock, respectively, in connection with partial exercises by the underwriters of their over allotment option. The 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 January 14, 2005, we paid a dividend to our common stockholders in the amount of \$0.25 per share of common stock, which resulted in a reinvestment through our dividend reinvestment program of \$5,400,602 and the issuance of 222,522 additional shares of common stock. On March 14, 2005, we declared a dividend of \$0.41 per share, payable on April 15, 2005 to common stockholders of record on April 5, 2005.

As of April 7, 2005, we had 33,388,422 shares of common stock outstanding and 199,990,000 shares of common 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. There were 10,000 ARP Shares authorized, but none outstanding as of April 7, 2005.

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.

FINANCIAL HIGHLIGHTS

Information contained in the table below under the headings Per Share Operating Performance and Ratios/ Supplemental Data shows the audited operating performance of our common stock from the commencement of our investment activities on September 28, 2004 until November 30, 2004. The information for the period from 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 two (2) months of operations, during which a significant portion of our assets were held in cash pending investment in securities that meet our investment objective and policies. Accordingly, the information presented may not provide a meaningful picture of our operating performance. As of February 28, 2005, substantially all of our assets were invested in MLPs and other Midstream Energy Companies.

	Period from September 28, 2004(6) through November 30, 2004
PER SHARE DATA(1)	
Net asset value, beginning of period	\$ 25.00
Initial public offering expenses and underwriting discounts(2)	(1.30)
Net asset value, after offering expenses and underwriting discounts	\$ 23.70
Income from investment operations	
Net investment income	0.02
Net realized and unrealized gain on investments, securities sold short and options	0.19
	0.21
Net asset value, end of period	\$ 23.91
Per common stock market value, end of period	\$ 24.90
Total investment return based on market value(3)	(0.40)%
SUPPLEMENTAL DATA AND RATIOS(5)	
Net assets, end of period (000 s)	\$792,836
Ratio of expenses to average net assets, before taxes	1.20%(4)
Ratio of expenses, excluding non-recurring organizational expenses, to average net assets	1.08%(4)
Ratio of net investment income to average net assets	0.50%(4)
Net increase in net assets resulting from operations to average net assets	5.30%(4)
Portfolio turnover rate	11.78%(5)

(1) Information presented relates to a share of common stock outstanding for the entire period.

(2) Initial public offering underwriting discounts of \$1.25 per share and offering costs of \$0.05 per share.

(3) Not annualized. We calculate total investment return 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.

(4) Information is annualized for periods less than one full year.

(5) Amount not annualized. Calculated based on the sales of \$16,879,946 of long-term investments divided by the average long-term investment balance of \$143,328,309.

(6) We commenced investment activities on September 28, 2004.

USE OF PROCEEDS

The net proceeds of the offering of ARP Shares will be approximately \$73,913,261 after we pay the underwriting discounts and commissions and estimated offering costs. We will invest the net proceeds of this offering in accordance with our investment objective and policies as soon as practicable. We anticipate that we will be able to invest substantially all of such net proceeds within approximately three months after completion of this offering. Pending such investment, we anticipate investing the proceeds in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations or money market instruments.

CAPITALIZATION

The following table sets forth our capitalization (i) as of February 28, 2005, (ii) as adjusted to give effect to the issuance of \$260,000,000 principal amount of Kayne Notes, which closed on March 28, 2005, and (iii) as adjusted to give effect to the issuance of Kayne Notes and to the issuance of the ARP Shares offered hereby. All amounts below are unaudited.

	As of February 28, 2005	Pro Forma	Pro Forma As Adjusted
SHORT-TERM DEBT:			
Bank Loan Payable	\$ 75,000,000	\$	\$
LONG-TERM DEBT:			
Kayne Notes Series A(1)		85,000,000	85,000,000
Kayne Notes Series B(1)		85,000,000	85,000,000
Kayne Notes Series C(1)		90,000,000	90,000,000
TOTAL DEBT	75,000,000	260,000,000	260,000,000
PREFERRED STOCK:			
Series D Auction Rate Preferred Stock, \$0.001 par value per share, liquidation preference \$25,000 per share (no shares authorized, no shares issued and outstanding, as of February 28, 2005, and 10,000 shares authorized, 3,000 shares issued and outstanding, as adjusted)(1)	\$	\$	\$ 75,000,000
COMMON STOCKHOLDERS EQUITY:			
Common stock, \$0.001 par value per share (33,388,422 shares issued and outstanding, 200,000,000 shares authorized, as of February 28, 2005, and 33,388,422 shares issued and outstanding, 199,990,000 shares authorized, as adjusted)(1)	\$ 33,388	\$ 33,388	\$ 33,388
Paid-in capital	791,427,026	791,427,026	790,340,287
Distributions in excess of net investment income, net of income taxes	(7,217,513)	(7,217,513)	(7,217,513)
Accumulated realized gains on investments and securities sold short, net of income taxes	1,965,378	1,965,378	1,965,378
Net unrealized gains on investments and options, net of income taxes	57,646,679	57,646,679	57,646,679
Net assets applicable to common stock	\$843,854,958	\$843,854,958	\$842,768,219

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

RISK FACTORS

Risk is inherent in all investing. We summarize below some of the risks that you should consider before deciding whether to invest in ARP Shares. For additional information about the risks associated with investing in ARP Shares, see [Our Investments](#) in our SAI.

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.

Interest Rate Risk

Interest rate risk is the risk that equity and debt securities will decline in value because of changes in market interest rates. ARP Shares pay dividends based on short-term interest rates. If short-term interest rates rise, dividend rates on ARP Shares may rise so that the amount of dividends payable to holders of ARP Shares would exceed the income from our portfolio securities. This might require us to sell portfolio securities at a time when we otherwise would not do so, which may affect adversely our future ability to generate cash flow. While we may manage this risk by entering into interest rate transactions, there is no guarantee that we will implement this strategy or that we will be successful in reducing or eliminating interest rate risk. In addition, rising market interest rates could impact negatively the value of our investment portfolio, reducing the amount of assets serving as asset coverage for ARP Shares.

MLP yields are susceptible in the short-term to fluctuations in interest rates and, like treasury bonds, the prices of MLP securities typically increase when interest rates fall and decline when interest rates rise. Because we will principally invest in MLP equity securities, the net asset value and market price of our common stock may decline if interest rates rise. See [Energy Sector Risk](#). A material decline in the net asset value of our common stock may impair our ability to maintain required levels of asset coverage for ARP Shares or Kayne Notes.

Certain debt instruments, particularly below investment grade securities, may contain call or redemption provisions which would allow the issuer of the securities 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 also may elect to refinance its debt instruments with lower yielding debt instruments if the credit standing of the issuer improves. To the extent debt securities in our portfolio are called or redeemed, we may be forced to reinvest in lower yielding securities.

Auction Risk

You may not be able to sell your ARP Shares at an auction if the auction fails; that is, if there are more ARP Shares offered for sale than there are buyers for those shares. Also, if you place hold orders (orders to retain ARP Shares) at an auction only at a specified rate, and that bid rate exceeds the rate set at the auction, you will not retain your ARP Shares. Finally, if you buy shares or elect to retain shares without specifying a rate below which you would not wish to continue to hold those shares, and the auction sets a below-market rate, you may receive a lower rate of return on your shares than the market rate. See [Description of Series D Auction Rate Preferred Stock](#) and [The Auctions Auction Procedures](#).

As noted above, if there are more ARP Shares offered for sale than there are buyers for those ARP Shares in any auction, the auction will fail and you may not be able to sell some or all of your ARP Shares at that time. The relative buying and selling interest of market participants in your ARP Shares and in the auction rate securities market as a whole will vary over time, and such variations may be affected by, among other things, news relating to the issuer, the attractiveness of alternative investments, the perceived risk of owning the security (whether related to credit, liquidity or any other risk), reactions to regulatory actions or

press reports, financial reporting cycles and market sentiment generally. Shifts of demand in response to any one or simultaneous particular events cannot be predicted and may be short-lived or exist for longer periods.

Senior Leverage Risk

Because we have outstanding Kayne Notes, which are senior to ARP Shares, we are prohibited from declaring, paying or making any dividends or distributions on ARP Shares unless we satisfy certain conditions. We are also prohibited from declaring, paying or making any dividends or distributions on common stock unless we satisfy certain conditions. See Description of Series D Auction Rate Preferred Stock Restrictions on Dividend, Redemption and Other Payments.

Kayne Notes (or any other Borrowings) may constitute a substantial burden on ARP Shares by reason of their prior claim against our income and against our net assets in liquidation. We may not be permitted to declare dividends or other distributions, including with respect to ARP Shares, or purchase or redeem shares, including ARP Shares, unless (1) at the time thereof we meet certain asset coverage requirements and (2) there is no event of default under the Kayne Notes (or any other Borrowing) that is continuing. See Description of Series D Auction Rate Preferred Stock Restrictions on Dividend, Redemption and Other Payments. In the event of a default under the Kayne Notes, the holders of Kayne Notes have the right to accelerate the maturity of Kayne Notes and the trustee may institute judicial proceedings against us to enforce the rights of holders of Kayne Notes.

Ratings and Asset Coverage Risk

While Moody's and Fitch are expected to assign ratings of Aa and AA respectively, to ARP Shares, the ratings do not eliminate or necessarily mitigate the risks of investing in ARP Shares. A rating agency could downgrade ARP Shares, which may make your shares less liquid at an auction or in the secondary market, though probably with higher resulting dividend rates. If a rating agency downgrades the ratings assigned to ARP Shares, we may be required to alter our portfolio or redeem ARP Shares. We may voluntarily redeem ARP Shares under certain circumstances. See Rating Agency Guidelines for a description of the asset maintenance tests and other requirements we must meet.

We have issued Kayne Notes, which constitute senior securities representing indebtedness, as defined in the 1940 Act. Accordingly, the value of our total assets, less all our liabilities and indebtedness not represented by such Kayne Notes, must be at least equal to 300% of the aggregate principal value of such Kayne Notes. Upon the issuance of ARP Shares, the value of our total assets, less all our liabilities and indebtedness not represented by senior securities must be at least equal, immediately after the issuance of the ARP Shares, to 200% of the aggregate principal value of any Kayne Notes and the ARP Shares.

Because we expect the ARP Shares to be of investment grade quality, asset coverage or portfolio composition provisions in addition to, and more stringent than, those required by the 1940 Act may be imposed in connection with the issuance of such ratings. Because the Kayne Notes are investment grade quality, asset coverage and portfolio composition provisions in addition to, and more stringent than, those required by the 1940 Act have been imposed in connection with the issuance of the ratings for the Kayne Notes. In addition, restrictions have been imposed by the rating agencies on certain investment practices in which we may otherwise engage. Any lender with respect to any additional Borrowings by us may require additional asset coverage and portfolio composition provisions as well as restrictions on our investment practices.

Inflation Risk

Inflation is the reduction in the purchasing power of money resulting from the increase in the price of goods and services. Inflation risk is the risk that the inflation adjusted or real value of your ARP Shares investment or the income from that investment will be worthless in the future than the amount you originally paid. As inflation occurs, the real value of ARP Shares and distributions declines.

Trading Market Risk

ARP Shares will not be listed on an exchange or quoted on any automated quotation system. Instead, you may buy or sell ARP Shares at an auction by submitting orders to a broker-dealer that has entered into an agreement with the Auction Agent, or to a broker-dealer that has entered into a separate agreement with a Broker-Dealer. Auctions will normally be held every 7 days.

In addition to the auctions, Broker-Dealers and other broker-dealers may maintain a secondary trading market in ARP Shares outside of auctions, but may discontinue this activity at any time. There is no assurance that any secondary market that may develop will provide holders of ARP Shares with liquidity. We are not required to redeem shares either if an auction or an attempted secondary market sale fails because of a lack of buyers. You may transfer ARP Shares outside of auctions only to or through a Broker-Dealer, or a broker-dealer that has entered into a separate agreement with a Broker-Dealer or to us or any of our affiliates, in certain cases. If you try to sell your ARP Shares between auctions, you may not be able to sell any or all of your shares, or you may not be able to sell them for the liquidation preference plus accumulated dividends. You may