

Kayne Anderson MLP Investment CO

Form 497

May 05, 2011

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under the Securities Act of 1933,
as amended, File No. 333-165775**

PROSPECTUS SUPPLEMENT
(To Prospectus dated April 1, 2011)

\$100,000,000

4.95% Series D Mandatory Redeemable Preferred Shares
Liquidation Preference \$25.00 per share
Mandatorily Redeemable June 1, 2018

Kayne Anderson MLP Investment Company (the Company, we, us or our) is a non-diversified, closed-end management investment company. Our investment objective is to obtain a high after-tax total return by investing at least 85% of our total assets in energy-related 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 of natural gas, natural gas liquids, crude oil, refined petroleum products or coal (collectively with MLPs, Midstream Energy Companies).

We are offering 4,000,000 shares of our Series D Mandatory Redeemable Preferred Stock (referred to as Series D Mandatory Redeemable Preferred Shares or Series D MRP Shares) with an aggregate liquidation preference of \$100,000,000 in this prospectus supplement. This prospectus supplement, together with the accompanying prospectus dated April 1, 2011 (the prospectus), sets forth the information that you should know before investing.

Investors in Series D MRP Shares will be entitled to receive cash dividends at an annual rate of 4.95% per annum. Dividends on the Series D MRP Shares will be payable on the first business day of each month, beginning on June 1, 2011 and upon redemption of the Series D MRP Shares. The initial dividend period for the Series D MRP Shares will commence on May 10, 2011 and end on May 31, 2011. Each subsequent dividend period will be a calendar month (or the portion thereof occurring prior to the redemption of such Series D MRP Shares). Dividends with respect to any monthly dividend period will be declared and paid to holders of record of Series D MRP Shares as their names appear on our books and records at the close of business on the 15th day of such dividend period (or if such day is not a business day, the next preceding business day).

We are required to redeem the Series D MRP Shares on June 1, 2018. In addition, Series D MRP Shares are subject to optional and mandatory redemption by us in certain circumstances described in this prospectus supplement.

Application has been made to list the Series D MRP Shares on the New York Stock Exchange (the NYSE) under the symbol KYN Pr D so that trading on such exchange will begin within 30 days after the date of this prospectus supplement, subject to notice of issuance. Prior to the expected commencement of trading on the NYSE, the underwriters do not intend to make a market in the Series D MRP Shares and a market for the Series D MRP Shares is not expected to develop. Consequently, it is anticipated that, prior to the commencement of trading on the NYSE, an

investment in Series D MRP Shares will be illiquid.

We intend to use the net proceeds from the sale of Series D MRP Shares to make investments in portfolio companies, to repay indebtedness and for general corporate purposes. See Prospectus Supplement Summary The Offering.

The Series D MRP 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.

Investing in Series D MRP Shares involves risks. See Risk Factors beginning on page 15 of the prospectus and Risks of Investing in Mandatory Redeemable Preferred Shares beginning on page S-7 of this prospectus supplement.

	Per Share	Total
Initial price to public	\$ 25.00	\$ 100,000,000
Underwriting discount	\$ 0.50	\$ 2,000,000
Proceeds before expenses to the Company	\$ 24.50	\$ 98,000,000

None of the Securities and Exchange Commission, any state securities commission or any other regulatory body has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The Series D MRP Shares will be ready for delivery on or about May 10, 2011.

Joint Book-Running Managers

BofA Merrill Lynch Citi Wells Fargo Securities RBC Capital Markets

May 3, 2011.

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You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. This prospectus supplement and the accompanying prospectus set forth certain information about us that a prospective investor should carefully consider before making an investment in our securities. This prospectus supplement, which describes the specific terms of this offering, also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference in the accompanying prospectus. The accompanying prospectus gives more general information, some of which may not apply to this offering. If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in this prospectus supplement; provided that if any statement in one of these documents is inconsistent with a statement in another document having a later date and incorporated by reference into the accompanying prospectus or prospectus supplement, the statement in the incorporated document having the later date modifies or supersedes the earlier statement. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted or where the person making the offer or sale is not qualified to do so or to any person to whom it is not permitted to make such offer or sale. The information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate only as of the respective dates on their front covers, regardless of the time of delivery of this prospectus supplement, the accompanying prospectus, or the sale of the Series D MRP Shares. Our business, financial condition, results of operations and prospects may have changed since that date.

You should read this prospectus supplement and the accompanying prospectus before deciding whether to invest and retain it for future reference. A statement of additional information, dated April 1, 2011 ("SAI"), as supplemented from time to time, 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 supplement. You may request a free copy of our SAI by calling toll-free at (877) 657-3863, or by writing to us at 717 Texas Avenue, Suite 3100, Houston, Texas 77002. Electronic copies of the accompanying prospectus, our stockholder reports and our SAI are also available on our website (<http://www.kaynefunds.com>). You may also obtain copies of these documents (and other information regarding us) from the SEC's web site (<http://www.sec.gov>).

Capitalized terms used but not defined in this prospectus supplement shall have the meanings given to such terms in the Articles Supplementary setting forth the rights and preferences of the Series D MRP Shares (the "Articles Supplementary"). The Articles Supplementary are available from us upon request.

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the SAI contain forward-looking statements. All statements other than statements of historical facts included in this prospectus that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements including, in particular, the statements about our plans, objectives, strategies and prospects regarding, among other things, our financial condition, results of operations and business. We have identified some of these forward-looking statements with words like believe, may, could, might, forecast, possible, potential, project, will, shall, intend, plan, predict, anticipate, estimate, approximate or continue and other words and terms of similar meaning and the negative of such terms. Such forward-looking statements may be contained in this prospectus supplement as well as in the accompanying prospectus. These forward-looking statements are based on current expectations about future events affecting us and are subject to uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Many factors mentioned in our discussion in this prospectus, including the risks outlined under "Risk Factors," will be important in determining future results. In addition, several factors that could materially affect our actual results are the ability of the MLPs and other Midstream Energy Companies in which we invest to achieve their objectives, our ability to source favorable private investments, the timing and amount of distributions and

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dividends from the MLPs and other Midstream Energy Companies in which we intend to invest, the dependence of our future success on the general economy and its impact on the industries in which we invest and other factors discussed in our periodic filings with the SEC.

Although we believe that the expectations reflected in our forward-looking statements are reasonable, we do not know whether our expectations will prove correct. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. The factors identified above are believed to be important factors, but not necessarily all of the important factors, that could cause our actual results to differ materially from those expressed in any forward-looking statement. Unpredictable or unknown factors could also have material adverse effects on us. Since our actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements, we cannot give any assurance that any of the events anticipated by the forward-looking statements will occur or, if any of them do, what impact they will have on our results of operations and financial condition. All forward-looking statements included in this prospectus supplement, the accompanying prospectus or the SAI, are expressly qualified in their entirety by the foregoing cautionary statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of such documents. We do not undertake any obligation to update, amend or clarify these forward-looking statements or the risk factors contained therein, whether as a result of new information, future events or otherwise, except as may be required under the federal securities laws. We acknowledge that, notwithstanding the foregoing statements, the Private Securities Litigation Reform Act of 1995 does not apply to investment companies such as us.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary does not contain all of the information that you should consider before investing in our mandatory redeemable preferred stock. You should read carefully the entire prospectus supplement, the accompanying prospectus, including the sections entitled Risk Factors beginning on page 15 of the accompanying prospectus and Risks of Investing in Mandatory Redeemable Preferred Shares beginning on page S-7 of this prospectus supplement.

The Company

Kayne Anderson MLP Investment Company, a Maryland corporation, is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). 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. Our currently outstanding shares of common stock are listed on the New York Stock Exchange (NYSE) under the symbol KYN.

We began investment activities in September 2004. As of March 31, 2011, we had net assets applicable to our common stock of approximately \$2.0 billion and total assets of approximately \$3.3 billion.

As of March 31, 2011, we had \$838 million of total leverage outstanding. This leverage is comprised of debt (senior notes and borrowings under our revolving credit facility) and mandatory redeemable preferred stock. We use leverage instruments to enhance the total returns of our stockholders. Under normal market conditions, our policy is to use leverage that represents approximately 30% of total assets. As of March 31, 2011, we had \$620 million in senior unsecured notes outstanding through 11 series of notes with maturity dates ranging from June 2011 to November 2022 (the Senior Notes).

On February 25, 2011, we amended our unsecured revolving credit facility to increase the total commitment amount from \$100 million to \$150 million. The facility matures on June 11, 2013 and outstanding balances accrue interest at a rate equal to one-month LIBOR plus 1.75% based on current ratios. The interest rate as of March 31, 2011 was 3.15%. Amounts repaid under our credit facility will remain available for future borrowings and we may borrow under the facility from time to time in accordance with our investment policies. As of March 31, 2011, we had \$58 million outstanding under this facility.

As of March 31, 2011, we had \$160 million in mandatory redeemable preferred stock outstanding, consisting of three series, Series A, Series B and Series C, with redemption dates ranging from May 2017 to November 2020. The Series A, the Series B, and the Series C mandatory redeemable preferred stock and the Series D MRP Shares are collectively referred to herein as the Preferred Shares.

On April 8, 2011, we issued 5,700,000 shares of our common stock at a price per share equal to \$30.58 pursuant to an underwritten public offering. We received net proceeds from such offering of approximately \$167 million. In connection with the April 8, 2011 common stock offering, we granted the underwriters for such offering an option exercisable through May 19, 2011 to purchase up to an additional 855,000 shares of common stock to cover over-allotments, if any. As of May 3, 2011, the underwriters have not exercised this option.

On April 27, 2011, we reached a conditional agreement with certain investors relating to a private placement of senior notes with a total principal amount of \$230 million, comprised of (i) Series U Notes due 2016 in a principal amount of \$60 million, which will pay interest based on 3-month LIBOR plus 1.45%, (ii) Series V Notes due 2016 in a principal amount of \$70 million, which will pay interest at a fixed rate of 3.71% and (iii) Series W Notes due 2018 in a principal amount of \$100 million, which will pay interest at a

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fixed rate of 4.38%. Closing of the private placement is scheduled to occur in late May 2011 and is subject to investor due diligence, legal documentation and other standard closing conditions.

We have paid distributions to common stockholders every fiscal quarter since inception and intend to continue to pay quarterly distributions to our common stockholders, funded in part by the net distributable income generated from our portfolio investments. The net distributable income generated from our portfolio 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, other payments on securities owned by us, net premiums received from the sale of covered call options and income tax benefits, if any, less current or anticipated operating expenses, income tax expense, if any, and our leverage costs (including dividends on preferred stock issued by us). On April 15, 2011 we paid a quarterly distribution of \$0.49 per share to common stockholders. Payment of future distributions is subject to approval by our Board of Directors, as well as meeting the covenants of our senior debt, the terms of our preferred stock and the asset coverage requirements of the 1940 Act.

Investment Adviser

KA Fund Advisors, LLC (KAFA or the Adviser) is our investment adviser, responsible for implementing and administering our investment strategy. KAFA is a subsidiary of Kayne Anderson Capital Advisors, L.P. (KACALP and together with KAFA, Kayne Anderson) and a SEC-registered investment adviser. As of March 31, 2011, Kayne Anderson and its affiliates managed approximately \$12.6 billion, including approximately \$7.5 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.

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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. We may also invest in debt securities of MLPs and other Midstream Energy Companies with varying maturities of up to 30 years.

We are permitted to invest up to 50% 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 are permitted to 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 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.

As of March 31, 2011, we held \$3.2 billion in equity investments and \$20 million in fixed income investments. Our top 10 largest holdings by issuer as of that date were:

	Company	Sector	Units (in thousands)	Amount (\$ millions)	Percent of Long-Term Investments
1.	Enterprise Products Partners L.P.	Midstream MLP	6,438	\$277.2	8.5%
2.	Magellan Midstream Partners, L.P.	Midstream MLP	3,532	211.4	6.5
3.	Kinder Morgan Management, LLC	MLP Affiliate	3,099	203.3	6.2
4.	Plains All American Pipeline, L.P.	Midstream MLP	2,876	183.3	5.6
5.	MarkWest Energy Partners, LP	Midstream MLP	3,481	168.7	5.2
6.	Williams Partners L.P.	Midstream MLP	3,008	155.8	4.8
7.	Inergy, L.P.	Propane MLP General Partner	3,741	150.0	4.6
8.	Energy Transfer Equity, L.P. (1)	MLP	2,899	130.4	4.0
9.	Copano Energy, LLC	Midstream MLP	3,189	113.5	3.5
10.	Energy Transfer Partners, L.P. (1)	Midstream MLP	2,025	104.8	3.2

(1) Energy Transfer Equity, L.P. is the general partner of Energy Transfer Partners, L.P.

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The Offering

Issuer	Kayne Anderson MLP Investment Company
Series D MRP Shares Offered	4,000,000 Series D MRP Shares, \$25.00 liquidation preference per share (\$100,000,000 aggregate liquidation preference). The Series D MRP Shares are being offered by Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Wells Fargo Securities, LLC, and RBC Capital Markets, LLC (the Underwriters).
Dividend Rate	The monthly dividend rate of the Series D MRP Shares is 4.95% per annum. The dividend rate is subject to adjustment (but will not in any event be lower than 4.95%) in certain circumstances. See Description of Mandatory Redeemable Preferred Shares Dividends and Dividend Periods Fixed Dividend Rate, Description of Mandatory Redeemable Preferred Shares Dividends and Dividend Periods Adjustment to Fixed Dividend Rate Ratings and Description of Mandatory Redeemable Preferred Shares Dividends and Dividend Periods Default Rate Default Period.
Dividend Payments	The holders of Series D MRP Shares will be entitled to receive cash dividends when, as and if, authorized by the Board of Directors and declared by us, out of funds legally available therefor. Dividends on the Series D MRP Shares will be payable on the first business day of each month, beginning on June 1, 2011, and upon redemption of the Series D MRP Shares (each payment date a Dividend Payment Date). The initial dividend period for the Series D MRP Shares will commence on May 10, 2011 and end on May 31, 2011. Each subsequent dividend period will be a calendar month (or the portion thereof occurring prior to the redemption of such Series D MRP Shares) (each dividend period a Dividend Period). Dividends with respect to any Dividend Period will be declared and paid to holders of record of the Series D MRP Shares as their names appear on our books and records at the close of business on the 15th day of such Dividend Period (or if such day is not a business day, the next preceding business day). See Description of Mandatory Redeemable Preferred Shares Dividends and Dividend Periods.
Term Redemption	We are required to redeem all outstanding Series D MRP Shares on June 1, 2018 (the Term Redemption Date) at a redemption price equal to \$25.00 per share plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared but excluding interest thereon) to (but excluding) the Term Redemption Date (the Redemption Price). See Description of Mandatory Redeemable Preferred Shares Redemption Term Redemption.
Mandatory Redemption for Asset Coverage and Series D MRP Shares Basic Maintenance Amount	<i>Asset Coverage.</i> If we fail to maintain asset coverage of at least 225% (the Series D MRP Shares Asset Coverage) as of the close of business on the last day of any month and such failure is not cured as of the close of business on the date that is 30 days following such day, the Series D MRP

Shares will be subject to mandatory

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redemption at the Redemption Price. See Asset Coverage Requirements and Description of Mandatory Redeemable Preferred Shares Redemption Mandatory Redemption.

Series D MRP Shares Basic Maintenance Amount. If we fail to maintain assets in our portfolio that have a value equal to the Series D MRP Shares Basic Maintenance Amount as of the close of business on the last day of any week, and such failure is not cured as of the close of business on the date that is 30 days following such day, the Series D MRP Shares will be subject to mandatory redemption at the Redemption Price. See Asset Coverage Requirements and Description of Mandatory Redeemable Preferred Shares Redemption Mandatory Redemption.

Mandatory Redemption of Series A MRP Shares. To the extent that a redemption of the Series A MRP Shares is required as a result of our failure to maintain either (i) asset coverage of at least 225% or (ii) assets in our portfolio that have a value equal the basic maintenance amount required by the rating agency rating the Series A MRP Shares under its specific rating agency guideline at any time, the Series D MRP Shares will be subject to mandatory redemption at the Redemption Price. See Asset Coverage Requirements and Description of Mandatory Redeemable Preferred Shares Redemption Mandatory Redemption.

Optional Redemption

We may redeem the Series D MRP Shares at any time following the first anniversary of May 10, 2011 (the Original Issue Date) at the Optional Redemption Price per share. On a limited basis, if at any time on or prior to May 10, 2012, the Series D MRP Shares Asset Coverage is greater than 225% but less than or equal to 235% for any 5 business days within a 10 business day period, we may redeem the Series D MRP Shares at 102% of the liquidation preference per share, plus an amount equal to the then accumulated but unpaid dividends thereon. See Description of Mandatory Redeemable Preferred Shares Redemption Optional Redemption.

Use of Proceeds

We estimate that our net proceeds from this offering after deducting the underwriting discount and estimated offering expenses will be approximately \$97.7 million. We intend to use all of the net proceeds of this offering to make investments in portfolio companies, to repay indebtedness and for general corporate purposes. See Use of Proceeds.

NYSE Listing

Application has been made to list the Series D MRP Shares on the NYSE under the symbol KYN Pr D so that trading on such exchange will begin within 30 days after the date of this prospectus supplement, subject to notice of issuance. Prior to the expected commencement of trading on the NYSE, the Underwriters do not intend to make a market in the Series D MRP Shares and a market for the Series D MRP Shares is not expected to develop. Consequently, it is anticipated that, prior to the commencement of trading on the NYSE, an investment in Series D MRP Shares will be illiquid.

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Ratings

There can be no assurance that any rating obtained in connection with the offering of Series D MRP Shares will be maintained at the level originally assigned through the term of the Series D MRP Shares. The dividend rate payable on the Series D MRP Shares will be subject to an increase in the event that the rating of the Series D MRP Shares by Fitch (together with any nationally recognized statistical ratings agency then rating the Series D MRP Shares, a Rating Agency) is downgraded below A (or the equivalent of such rating by another Rating Agency), or if no Rating Agency is then rating the Series D MRP Shares. See Description of Mandatory Redeemable Preferred Shares Dividends and Dividend Periods Adjustment to Fixed Dividend Rate Ratings. The Board of Directors has the right to terminate the designation of Fitch or any other Rating Agency as a Rating Agency for purposes of the Series D MRP Shares. In such event, any rating of such terminated Rating Agency, to the extent it would have been taken into account in any of the provisions of the Series D MRP Shares which are described in this prospectus supplement or included in the Articles Supplementary, will be disregarded, and only the ratings of the then-designated Rating Agency will be taken into account.

Federal Income Tax Matters

Under present law, we believe that the Series D MRP Shares will constitute equity, and thus distributions with respect to the Series D MRP Shares will generally constitute dividends to the extent of our allocable current or accumulated earnings and profits, as calculated for federal income tax purposes. Such dividends generally will be taxable as ordinary income to holders but are expected to be treated as qualified dividend income that is generally subject to reduced rates of federal income taxation for noncorporate investors (for taxable years beginning on or before December 31, 2012) and are also expected to be eligible for the dividends received deduction available to corporate stockholders, in each case provided that certain holding period requirements are met. See Federal Income Tax Matters.

Redemption and Paying Agent

American Stock Transfer & Trust Company

Risk Factors

See Risk Factors and other information included in the accompanying prospectus, as well as Risks of Investing in Mandatory Redeemable Preferred Shares in this prospectus supplement, for a discussion of factors you should carefully consider before deciding to invest in Series D MRP Shares.

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RISKS OF INVESTING IN MANDATORY REDEEMABLE PREFERRED SHARES

Investing in any of our securities involves risk, including the risk that you may receive little or no return on your investment or even that you may lose part or all of your investment. Therefore, before investing in the Series D MRP Share you should consider carefully the following risks, as well as the risk factors set forth under Risk Factors beginning on page 15 of the accompanying prospectus.

Interest Rate Risk

Our Series D MRP Shares pay dividends at a fixed dividend rate. Prices of fixed income investments vary inversely with changes in market yields. The market yields on intermediate term securities comparable to Series D MRP Shares may increase, which would likely result in a decline in the secondary market price of Series D MRP Shares prior to their term redemption.

Secondary Market and Delayed Listing Risk

Because we have no prior trading history for exchange-listed preferred shares, it is difficult to predict the trading patterns of Series D MRP Shares, including the effective costs of trading Series D MRP Shares. Moreover, the Series D MRP Shares will not be immediately tradeable on a stock exchange after the date of the offering and during this time period, an investment in Series D MRP Shares will be illiquid. Even after the Series D MRP Shares are listed on the NYSE as anticipated, there is a risk that the market for Series D MRP Shares may be thinly traded and relatively illiquid compared to the market for other types of securities, with the spread between the bid and asked prices considerably greater than the spreads of other securities with comparable terms and credit ratings.

Early Redemption Risk

We may voluntarily redeem Series D MRP Shares or may be forced to redeem Series D MRP Shares to meet regulatory requirements or asset coverage requirements. Such redemptions may be at a time that is unfavorable to holders of Series D MRP Shares. See Asset Coverage Requirements and Description of Mandatory Redeemable Preferred Shares Redemption.

Reinvestment Risk

Given the multi-year term and potential for early redemption of Series D MRP Shares, holders of Series D MRP Shares may face an increased reinvestment risk, which is the risk that the return on an investment purchased with proceeds from the sale or redemption of Series D MRP Shares may be lower than the return previously obtained from an investment in Series D MRP Shares.

Credit Crisis and Liquidity Risk

General market uncertainty and extraordinary conditions in the credit markets may impact the liquidity of our investment portfolio, which in turn, during extraordinary circumstances, could impact our distributions and/or the liquidity of the Term Redemption Liquidity Account. Furthermore, there may be market imbalances of sellers and buyers of Series D MRP Shares during periods of extreme illiquidity and volatility. Such market conditions may lead to periods of thin trading in any secondary market for the Series D MRP Shares and may make valuation of the Series D MRP Shares uncertain. As a result, the spread between bid and asked prices is likely to increase significantly such that a Series D MRP Shares investor may have greater difficulty selling his or her MRP Shares. Less liquid and

more volatile trading environments could result in sudden and significant valuation increases or declines in market price for MRP Shares.

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USE OF PROCEEDS

We estimate that the net proceeds from the sale of the Series D MRP Shares that we are offering will be approximately \$97.7 million, after payment of the Underwriters' discount and estimated offering expenses.

We intend to use the net proceeds of this offering to make investments in portfolio companies in accordance with our investment objective and policies, to repay indebtedness and for general corporate purposes.

At March 31, 2011, we had outstanding borrowings on the revolving credit facility of \$58 million and the interest rate was 3.15%. Any borrowings under our revolving credit facility will be used to fund investments in portfolio companies and for general corporate purposes. Amounts repaid under our revolving credit facility will remain available for future borrowings. Affiliates of some of the underwriters are lenders under our revolving credit facility and will receive a pro rata portion of the net proceeds from this offering, if any, used to reduce amounts outstanding under our credit facility.

For the portion of the net proceeds from this offering that we intend to use to make investments in portfolio companies, pending such investments, we anticipate investing such proceeds either 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. A delay in the anticipated use of proceeds could lower returns, reduce our distribution to common stockholders and reduce the amount of cash available to make dividend and interest payments on preferred stock and debt securities, respectively.

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The following table sets forth our capitalization: (i) as of February 28, 2011, (ii) as adjusted to give effect to the issuance of 5,700,000 shares of common stock on April 8, 2011 and (iii) as adjusted for this offering to give effect to the issuance of the Series D MRP Shares offered hereby and the issuance of 5,700,000 shares of common stock on April 8, 2011. As indicated below, common stockholders will bear the offering costs associated with this offering.

	As of February 28, 2011 (Unaudited)		As Adjusted for this Offering
	Actual	As Adjusted	
	(\$ in 000s, except per share data)		
Repurchase Agreements, Cash and cash equivalents (1)	\$7,940	\$119,117	\$216,817
Short-Term Debt:			
Revolving credit facility (1)	56,000		
Long-Term Debt (2):			
Senior Notes Series G (3)	75,000	75,000	75,000
Senior Notes Series I (3)	60,000	60,000	60,000
Senior Notes Series K (3)	125,000	125,000	125,000
Senior Notes Series M (3)	60,000	60,000	60,000
Senior Notes Series N (3)	50,000	50,000	50,000
Senior Notes Series O (3)	65,000	65,000	65,000
Senior Notes Series P (3)	45,000	45,000	45,000
Senior Notes Series Q (3)	15,000	15,000	15,000
Senior Notes Series R (3)	25,000	25,000	25,000
Senior Notes Series S (3)	60,000	60,000	60,000
Senior Notes Series T (3)	40,000	40,000	40,000
Total Debt:	\$676,000	\$620,000	\$620,000
Mandatory Redeemable Preferred Stock:			
Series A MRP Shares, \$0.001 par value per share, liquidation preference \$25.00 per share (4,400,000 shares issued and outstanding, 4,400,000 shares authorized) (3)	\$110,000	\$110,000	\$110,000
Series B MRP Shares, \$0.001 par value per share, liquidation preference \$25.00 per share (320,000 shares issued and outstanding, 320,000 shares authorized) (3)	8,000	8,000	8,000
Series C MRP Shares, \$0.001 par value per share, liquidation preference \$25.00 per share (1,680,000 shares issued and outstanding, 1,680,000 shares authorized) (3)	42,000	42,000	42,000
Series D MRP Shares, \$0.001 par value per share, liquidation preference \$25.00 per share (0 shares issued and outstanding, 4,000,000 shares issued and outstanding as adjusted for this offering, 4,000,000 shares authorized) (3) (4)			100,000
Common Stockholders Equity:	\$69	\$74	\$74

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Common stock, \$0.001 par value per share, 193,590,000 shares
authorized (68,713,481 shares issued and outstanding,
74,413,481 shares issued and outstanding, as
adjusted) (3) (4) (5)

Paid-in capital (5)	1,222,777	1,389,949	1,389,949
Accumulated net investment loss, net of income taxes, less dividends	(227,278)	(227,278)	(227,278)
Accumulated realized gains on investments, options, and interest rate swap contracts, net of income taxes	116,882	116,882	116,882
Net unrealized gains on investments and interest rate swap contracts, net of income taxes	861,490	861,490	861,490
Net assets applicable to common Stockholders (6)	\$1,973,940	\$2,141,117	\$2,141,117

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- (1) As described under Use of Proceeds, we intend to use the net proceeds from this offering to make investments in portfolio companies in accordance with our investment objective and policies, to repay indebtedness and for general corporate purposes. Pending such investments, we anticipate either 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.
- (2) On April 27, 2011, we reached a conditional agreement with certain investors relating to a private placement of senior notes with a total principal amount of \$230 million, comprised of (i) Series U Notes due 2016 in a principal amount of \$60 million, which will pay interest based on 3-month LIBOR plus 1.45%, (ii) Series V Notes due 2016 in a principal amount of \$70 million, which will pay interest at a fixed rate of 3.71% and (iii) Series W Notes due 2018 in a principal amount of \$100 million, which will pay interest at a fixed rate of 4.38%. Closing of the private placement is scheduled to occur in late May and is subject to investor due diligence, legal documentation and other standard closing conditions.
- (3) We do not hold any of these outstanding securities for our account.
- (4) The Articles Supplementary provide that (i) 3,990,000 shares of authorized but unissued common stock, (ii) 3,000 shares of authorized but unissued undesignated preferred stock, \$0.001 par value per share and (iii) 7,000 shares of authorized but unissued Series D Auction Rate Preferred Stock shall be classified and designated as an aggregate of 4,000,000 Series D MRP Shares, \$0.001 par value per share. As adjusted for this offering, there will be 189,600,000 shares of common stock authorized.
- (5) In connection with the April 8, 2011 common stock offering, we granted the underwriters for such offering an option exercisable through May 19, 2011 to purchase up to an additional 855,000 shares of common stock to cover over-allotments, if any. As of May 3, 2011, the underwriters have not exercised this option.

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ASSET COVERAGE REQUIREMENTS

The 1940 Act and the Rating Agency rating the Series D MRP Shares impose asset coverage requirements that may limit our ability to engage in certain types of transactions and may limit our ability to take certain actions without confirming with the Rating Agency that such action will not impair the ratings.

We are required to satisfy two separate asset maintenance requirements with respect to outstanding Series D MRP Shares: (1) we must maintain assets in our portfolio that have a value, discounted in accordance with guidelines set forth by the Rating Agency, at least equal to the aggregate liquidation preference of the Series D MRP Shares, plus specified liabilities, payment obligations and other amounts as set forth by the Rating Agency (the Series D MRP Shares Basic Maintenance Amount); and (2) we must satisfy the 1940 Act asset coverage requirements. Further details about the components of the Series D MRP Shares Basic Maintenance Amount can be found in the Articles Supplementary. The Rating Agency may amend its guidelines from time to time.

In order to meet the 1940 Act asset coverage requirements, we must maintain, with respect to our outstanding preferred stock, asset coverage of at least 200%. Notwithstanding the foregoing, we have agreed, while the Series D MRP Shares are outstanding, to maintain asset coverage of at least 225% (the Series D MRP Shares Asset Coverage). We estimate that based on the composition of our portfolio as of April 30, 2011, our asset coverage, after giving effect to this offering, would be:

Value of Company assets less all liabilities and indebtedness not represented by senior securities	\$3,173,996,382		
	=	=	318%
Senior securities representing indebtedness, plus the aggregate liquidation preference of all outstanding Preferred Shares	\$999,000,000		

A copy of the current Rating Agency Guidelines will be provided to any holder of Series D MRP Shares promptly upon written request by such holder to the Company at 717 Texas Avenue, Suite 3100, Houston, Texas 77002. See Rating Agency Guidelines in the accompanying prospectus for a more detailed description of our asset maintenance requirements.

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DESCRIPTION OF MANDATORY REDEEMABLE PREFERRED SHARES

The following is a brief description of the terms of the Series D MRP Shares. This description does not purport to be complete and is subject to and qualified in its entirety by reference to the more detailed description of the Mandatory Redeemable Preferred Shares in the Articles Supplementary, a copy of which is filed as an exhibit to our registration statement.

General

As of March 31, 2011, our authorized capital consisted of 193,590,000 shares of common stock, \$0.001 par value per share; 4,400,000 shares of Series A Mandatory Redeemable Preferred Stock, par value, \$0.001 par value per share (the Series A MRP Shares); 320,000 shares of Series B Mandatory Redeemable Preferred Stock, par value, \$0.001 par value per share (the Series B MRP Shares); 1,680,000 shares of Series C Mandatory Redeemable Preferred Stock, par value, \$0.001 par value per share (the Series C MRP Shares); 7,000 shares of Series D Auction Rate Preferred Stock, \$0.001 par value per share (the ARP Shares); and 3,000 shares of undesignated preferred stock, \$0.001 par value per share. In addition, the Articles Supplementary provide that (i) 3,990,000 shares of common stock, (ii) 7,000 ARP Shares and (iii) 3,000 shares of undesignated preferred stock shall be classified and designated as an aggregate of 4,000,000 shares of Series D Mandatory Redeemable Preferred Stock (the Series D MRP Shares) with the rights, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption as set forth in the Articles Supplementary.

As of March 31, 2011, there were no outstanding options or warrants to purchase our stock. In connection with the April 8, 2011 common stock offering, we granted the underwriters for such offering an option exercisable through May 19, 2011 to purchase up to an additional 855,000 shares of common stock to cover over-allotments, if any. As of May 3, 2011, the underwriters have not exercised this option. No stock has been authorized for issuance under any equity compensation plans.

Under Maryland law, our stockholders generally are not personally liable for our debts or obligations.

Under our Charter, our Board of Directors is authorized to classify and reclassify any unissued shares of stock into other classes or series of stock and authorize the issuance of shares of stock on a parity with the Series A MRP Shares, Series B MRP Shares, Series C MRP Shares and the Series D MRP Shares with preferences, rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption as determined by the Board of Directors without obtaining stockholder approval. As permitted by the Maryland General Corporation Law, our Charter provides that the Board of Directors, without any action by our stockholders, may amend the Charter from time to time to increase or decrease the aggregate number of shares or stock or the number of shares of stock of any class or series that we have authority to issue.

The Series D MRP Shares have a liquidation preference of \$25.00 per share, plus all accumulated but unpaid dividends (whether or not earned or declared) to the date of final distribution. The Series D MRP Shares when issued and sold through this offering (1) will be fully paid and non-assessable, (2) will not be convertible into shares of our common stock or any other security and (3) will have no preemptive rights. The Series D MRP Shares will be subject to optional and mandatory redemption as described below under Redemption.

Holders of Series D MRP Shares will not receive certificates representing their ownership interest in such shares. The Depository Trust Company (DTC) will initially act as Securities Depository with respect to the Series D MRP Shares.

American Stock Transfer & Trust Company will act as the transfer agent, registrar and paying agent (paying agent) for the Series D MRP Shares. Furthermore, the paying agent will send notices to holders of

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Series D MRP Shares of any meeting at which holders of Series D MRP Shares have the right to vote. See Description of Capital Stock Preferred Stock Voting Rights in the accompanying prospectus. However, the paying agent generally will serve merely as our agent, acting in accordance with our instructions.

We will have the right (to the extent permitted by applicable law and our Charter) to purchase or otherwise acquire any Series D MRP Shares, so long as we are current in the payment of dividends on the Series D MRP Shares and on any of our other preferred shares.

Dividends and Dividend Periods

General. Holders of Series D MRP Shares will be entitled to receive cash dividends, when, as and if authorized by the Board of Directors and declared by us, out of funds legally available therefor, on the initial Dividend Payment Date with respect to the initial Dividend Period and, thereafter, on each Dividend Payment Date with respect to a subsequent Dividend Period at the rate per annum (the Dividend Rate) equal to the Applicable Rate (or the Default Rate) for each Dividend Period. The Applicable Rate is computed on the basis of a 360 day year consisting of twelve 30 day months. Dividends so authorized and declared shall be paid to the extent permitted under Maryland law and to the extent available and in preference to and priority over any distribution declared and payable on our common stock. For a description of the tax treatment of distributions paid on the Series D MRP Shares, see Federal Income Tax Matters in this prospectus supplement.

Fixed Dividend Rate. The Applicable Rate is an annual rate of 4.95% for Series D MRP Shares and may be adjusted upon a change in the credit rating of the Series D MRP Shares.

Payment of Dividends and Dividend Periods. Dividends on the Series D MRP Shares will be payable on the first business day of each month, beginning June 1, 2011 and upon redemption of the Series D MRP Shares. The initial Dividend Period for the Series D MRP Shares will commence on May 10, 2011 and end on May 31, 2011 and each subsequent Dividend Period will be a one month period (or the portion thereof occurring prior to the redemption of such Series D MRP Shares). Dividends with respect to any monthly Dividend Period will be declared and paid to holders of record of Series D MRP Shares as their names shall appear on our books and records, at the close of business on the 15th day of such Dividend Period (or if such day is not a business day, the next preceding business day) (each, a Record Date). Dividends payable on any Series D MRP Shares for any period of less than a full monthly Dividend Period, including in connection with the first Dividend Period for such shares or upon any redemption of such shares on any redemption date other than on a Dividend Payment Date, will be computed on the basis of the actual number of days elapsed for any period divided by 360.

Adjustment to Fixed Dividend Rate Ratings. So long as the Series D MRP Shares are rated on any date no less than A by Fitch (or no less than the equivalent of such rating by another Rating Agency), then the Dividend Rate for such series of shares will be equal to the Applicable Rate. If the highest credit rating assigned by Fitch (or any other rating agency) on any date to the then outstanding Series D MRP Shares is equal to one of the ratings set forth in the table below, the Dividend Rate applicable to such outstanding shares for such date will be adjusted by adding the respective enhanced dividend amount (which shall not be cumulative) set forth opposite such rating to the Applicable Rate.

Table of Contents**Dividend Rate Adjustment Schedule**

Fitch Rating	Enhanced Dividend Amount
A–	0.75%
BBB+	1.00%
BBB	1.25%
BBB–	1.50%
BB+ or lower	4.00%

We will at all times use our reasonable best efforts to cause at least one Rating Agency to maintain a current rating on the outstanding Series D MRP Shares. If no Rating Agency is rating the outstanding Series D MRP Shares, the Dividend Rate applicable to the Series D MRP Shares for such date shall be a rate equal to the Applicable Rate plus 4.00%, unless the Dividend Rate is the Default Rate, in which case the Dividend Rate shall remain the Default Rate.

The Board of Directors has the right to terminate the designation of Fitch or any other Rating Agency as a Rating Agency for purposes of the Series D MRP Shares. In such event, any rating of such terminated Rating Agency, to the extent it would have been taken into account in any of the provisions of the Series D MRP Shares which are described in this prospectus supplement or included in the Articles Supplementary, will be disregarded, and only the rating of the then-designated Rating Agency will be taken into account. If a Rating Agency replaces any credit rating used in the determination of the Dividend Rate with a replacement credit rating, references to the replaced credit rating shall thereafter refer to the replacement credit rating. No adjustment to the Dividend Rate shall result in the Dividend Rate being less than the Applicable Rate.

Default Rate Default Period. The Dividend Rate will be the Default Rate in the following circumstances. Subject to the cure provisions below, a Default Period with respect to Series D MRP Shares will commence on a date we fail to deposit irrevocably in trust in same-day funds, with the paying agent by 3:00 p.m., New York City time, (i) the full amount of any dividends on the Series D MRP Shares payable on the Dividend Payment Date (a Dividend Default) or (ii) the full amount of any redemption price payable on such redemption date (a Redemption Default and, together with a Dividend Default, hereinafter referred to as a Default). Subject to the cure provisions in the next paragraph below, a Default Period with respect to a Default shall end on the business day on which, by 12:00 noon New York City time, an amount equal to all unpaid dividends and any unpaid redemption price shall have been deposited irrevocably in trust in same-day funds with the paying agent. In the case of a Dividend Default, the Dividend Rate for each day during the Default Period will be equal to the Default Rate. The Default Rate for any calendar day shall be equal to the Applicable Rate in effect on such day plus five percent (5.00%) per annum.

No Default Period with respect to a Dividend Default or Redemption Default will be deemed to commence if the amount of any dividend or any redemption price due (if such default is not solely due to our willful failure) is deposited irrevocably in trust, in same-day funds with the paying agent by 12:00 noon, New York City time, within three business days after the applicable Dividend Payment Date or redemption date, together with an amount equal to the Default Rate applied to the amount and period of such non-payment based on the number of days comprising such period divided by 360.

Mechanics of Payment of Dividends. Not later than 3:00 p.m., New York City time, on the business day next preceding each Dividend Payment Date, we are required to deposit with the paying agent sufficient funds for the

payment of dividends. We do not intend to establish any reserves for the payment of dividends. All amounts paid to the paying agent for the payment of dividends will be held in trust for the payment of such dividends to the holders of Series D MRP Shares. Dividends will be paid by the paying agent to the holders of Series D MRP Shares as their names appear on our books and records on the Record Date. Dividends that are in arrears for any past Dividend Period may be declared and paid at any time, without

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reference to any regular Dividend Payment Date. Such payments are made to holders of Series D MRP Shares as their names appear on our books and records at the close of business on the 15th day of such Dividend Period (or if such day is not a business day, the next preceding business day) prior to such payment. Any payment of dividends in arrears will first be credited against the earliest accumulated but unpaid dividends. No interest or sum of money in lieu of interest will be payable in respect of any dividend payment or payments on any Series D MRP Shares which may be in arrears. See Default Rate Default Period above.

Upon failure to pay dividends for two years or more, the holders of Series D MRP Shares will acquire certain additional voting rights. See Description of Capital Stock Preferred Stock Voting Rights in the accompanying prospectus. Such rights shall be the exclusive remedy of the holders of Series D MRP Shares upon any failure to pay dividends on Series D MRP Shares.

Redemption

Term Redemption. We are required to redeem all of the Series D MRP Shares on the Term Redemption Date, at the Redemption Price.

Optional Redemption. To the extent permitted under the 1940 Act and Maryland law, we may, at our option, redeem Series D MRP Shares, in whole or in part, out of funds legally available therefor, at any time and from time to time, upon not more than 40 calendar days prior notice. This optional redemption is limited during the first year the Series D MRP Shares are outstanding to situations in which the Series D MRP Shares Asset Coverage is greater than 225%, but less than 235% for any five business days within a 10 business day period. The amount of Series D MRP Shares that may be redeemed during the first year may not exceed an amount that results in a Series D MRP Share Asset Coverage of more than 250% pro forma for such redemption. At any time on or prior to May 10, 2012, subject to the foregoing conditions, we may redeem Series D MRP Shares at a price per share equal to 102% of the liquidation preference per share, plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared but excluding interest thereon) to (but excluding) the date fixed for redemption. After May 10, 2012, subject to the foregoing conditions, we may redeem the Series D MRP Shares at the Optional Redemption Price per share. The Optional Redemption Price shall equal the product of the percentage provided below, as applicable, and the liquidation preference per share, plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared but excluding interest thereon) to (but excluding) the date fixed for redemption:

Time Periods	Percentage
After May 10, 2012 and on or before May 10, 2013	101.0%
After May 10, 2013 and on or before May 10, 2014	100.5%
After May 10, 2014 and on or before the Term Redemption Date	100.0%

If fewer than all of the outstanding Series D MRP Shares are to be redeemed in an optional redemption, we shall allocate the number of shares required to be redeemed pro rata among the holders of Series D MRP Shares in proportion to the number of shares they hold, by lot or by such other method as we shall deem fair and equitable.

We shall not effect any optional redemption unless (i) on the date of such notice and on the date fixed for redemption we have available either (A) cash or cash equivalents or (B) any other Deposit Securities with a maturity or tender date not later than one day preceding the applicable redemption date, or any combination thereof, having an aggregate value not less than the amount, including any applicable premium, due to holders of the Series D MRP Shares by reason of the redemption of the Series D MRP Shares on such date fixed for the redemption and (ii) we would satisfy the Series D MRP Shares Basic Maintenance Amount.

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We also reserve the right to repurchase Series D MRP Shares in market or other transactions from time to time in accordance with applicable law and our Charter and at a price that may be more or less than the liquidation preference of the Series D MRP Shares, but we are under no obligation to do so.

Mandatory Redemption. If, while any Series D MRP Shares are outstanding, we fail to satisfy the Series D MRP Shares Asset Coverage as of the last day of any month or the Series D MRP Shares Basic Maintenance Amount as of any valuation date (any such day, an Asset Coverage Cure Date), and such failure is not cured as of the date that is 30 days from such Asset Coverage Cure Date (any such day, a Cure Date), the Series D MRP Shares will be subject to mandatory redemption out of funds legally available therefor at the Redemption Price; provided, however, that if a redemption of the Series A MRP Shares is required as a result of our failure to maintain either (i) asset coverage of at least 225% or (ii) the basic maintenance amount required by the rating agency rating the Series A MRP Shares under its specific rating agency guideline in effect at such time, a pro rata redemption of the Series D MRP Shares shall also be required. See Rating Agency Guidelines 1940 Act Asset Coverage in the accompanying prospectus, but note that we have agreed, while the Series D MRP Shares are outstanding, to maintain asset coverage of at least 225% instead of 200%.

The number of Series D MRP Shares to be redeemed under these circumstances will be equal to the product of (1) the quotient of the number of outstanding Series D MRP Shares divided by the aggregate number of our outstanding Preferred Shares, including the Series D MRP Shares, and (2) the minimum number of Preferred Shares the redemption of which would result in our satisfying the Series D MRP Shares Asset Coverage or Series D MRP Shares Basic Maintenance Amount, as the case may be, in each case as of the relevant Cure Date (provided that, if there is no such minimum number of shares the redemption of which would have such result, all Series D MRP Shares then outstanding will be redeemed).

We shall allocate the number of shares required to be redeemed to satisfy the Series D MRP Shares Asset Coverage or Series D MRP Shares Basic Maintenance Amount, as the case may be, pro rata among the holders of Series D MRP Shares in proportion to the number of shares they hold, by lot or by such other method as we shall deem fair and equitable, subject to any mandatory redemption provisions.

We are required to effect such a mandatory redemption not later than 40 days after the Cure Date, (the Mandatory Redemption Date), except that if we (1) do not have funds legally available for the redemption of, (2) are not permitted under any agreement or instrument relating to or evidencing indebtedness of the Company to redeem, or (3) are not otherwise legally permitted to redeem, all of the required number of Series D Preferred Stock and any other Preferred Stock that are subject to mandatory redemption (we refer to clauses (1), (2) and (3) of this sentence as the Special Proviso), or we otherwise are unable to effect such redemption on or prior to such Mandatory Redemption Date; then we shall redeem those Series D MRP Shares and any other Preferred Shares on the earliest practical date on which we will have such funds available and is not otherwise prohibited from redeeming pursuant to any agreements or instruments or applicable law, upon notice to record holders of the Preferred Shares that are subject to mandatory redemption and the paying agent. Our ability to make a mandatory redemption may be limited by the provisions of the 1940 Act or Maryland law.

Redemption Procedure. In the event of a redemption, we will file a notice of our intention to redeem any Series D MRP Shares with the SEC under Rule 23c-2 under the 1940 Act or any successor provision, to the extent applicable.

We also shall deliver a notice of redemption to the paying agent and the holders of Series D MRP Shares to be redeemed not more than 40 days prior to the applicable redemption date (Notice of Redemption). The Notice of Redemption will be addressed to the registered owners of the Series D MRP Shares at their addresses appearing on our books or records. Such notice will set forth (1) the redemption date, (2) the number and identity of Series D MRP

Shares to be redeemed, (3) the redemption price (specifying the

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amount of accumulated dividends to be included therein and the amount of the redemption premium, if any), (4) that dividends on the shares to be redeemed will cease to accumulate on such redemption date, and (5) the provision under the Articles Supplementary by which redemption shall be made. No defect in the Notice of Redemption or in the transmittal or mailing thereof will affect the validity of the redemption proceedings, except as required by applicable law.

If less than all of the Series D MRP Shares are redeemed on any date, the shares per holder to be redeemed on such date will be selected by us on a pro rata basis in proportion to the number of shares held by such holder, by lot or by such other method as is determined by us to be fair and equitable.

If Notice of Redemption has been given, then upon the deposit with the paying agent of funds sufficient to effect such redemption, dividends on such shares will cease to accumulate and such shares will be no longer deemed to be outstanding for any purpose and all rights of the holders of the shares so called for redemption will cease and terminate, except the right of the holders of such shares to receive the redemption price, but without any interest or additional amount. Upon written request, we shall be entitled to receive from the paying agent, promptly after the date fixed for redemption, any cash deposited with the paying agent in excess of (1) the aggregate redemption price of the Series D MRP Shares called for redemption on such date and (2) such other amounts, if any, to which holders of Series D MRP Shares called for redemption may be entitled. Any funds so deposited that are unclaimed two years after such redemption date will be paid, to the extent permitted by law, by the paying agent to us upon our request. Subsequent to such payment, holders of Series D MRP Shares called for redemption may look only to us for payment.

To the extent that any redemption for which a Notice of Redemption has been given is not made by reason of the Special Proviso, such redemption shall be made as soon as practicable to the extent such funds become legally available or such redemption is no longer otherwise prohibited. Failure to redeem Series D MRP Shares shall be deemed to exist when we shall have failed, for any reason whatsoever, to deposit with the Paying Agent on or prior to the date fixed for redemption the redemption price with respect to any shares for which such Notice of Redemption has been given in accordance with the Articles Supplementary. Notwithstanding the fact that we may not have redeemed Series D MRP Shares for which a Notice of Redemption has been given, dividends may be declared and paid on Series D MRP Shares and shall include those Series D MRP Shares for which Notice of Redemption has been given but for which deposit of funds has not been made.

So long as any Series D MRP Shares are held of record by the nominee of the Securities Depository, the redemption price for such shares will be paid on the redemption date to the nominee of the Securities Depository. The Securities Depository's normal procedures provide for it to distribute the amount of the redemption price to its agent members who, in turn, are expected to distribute such funds to the persons for whom they are acting as agent.

Notwithstanding the provisions for redemption described above, no Series D MRP Shares may be redeemed unless all dividends in arrears on the outstanding Series D MRP Shares, and any of our shares ranking on a parity with the Series D MRP Shares with respect to the payment of dividends or upon liquidation, have been or are being contemporaneously paid or set aside for payment, except in connection with our liquidation, in which case all Series D MRP Shares and all shares ranking in parity with the Series D MRP Shares must receive proportionate amounts. At any time we may purchase or acquire all the outstanding Series D MRP Shares pursuant to the successful completion of an otherwise lawful purchase or exchange offer made on the same terms to, and accepted by, holders of all outstanding Series D MRP Shares.

Except for the provisions described above, nothing contained in the Articles Supplementary limits any legal right of ours to purchase or otherwise acquire any Series D MRP Shares at any price, whether higher or lower than the price that would be paid in connection with an optional or mandatory redemption, so long as, at the time of any such purchase, there is no arrearage in the payment of dividends on, or the mandatory or optional redemption price with

respect to, any Series D MRP Shares for which Notice of Redemption has been

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given and we are in compliance with the Series D MRP Shares Asset Coverage and the Series D MRP Shares Basic Maintenance Amount after giving effect to such purchase or acquisition on the date thereof. Any shares purchased, redeemed or otherwise acquired by us shall be returned to the status of authorized but unissued shares of common stock. If less than all outstanding Series D MRP Shares are redeemed or otherwise acquired by us, we shall give notice of such transaction to the paying agent, in accordance with the procedures agreed upon by the Board of Directors.

Term Redemption Liquidity Account

On or prior to February 1, 2018 (the "Liquidity Account Initial Date"), we will cause the custodian to segregate, by means of appropriate identification on its books and records or otherwise in accordance with the custodian's normal procedures, from our other assets (the "Term Redemption Liquidity Account") Deposit Securities (each a "Liquidity Account Investment" and collectively, the "Liquidity Account Investments") with an aggregate Market Value equal to at least 110% of the Term Redemption Amount (as defined below) with respect to such Series D MRP Shares.

The "Term Redemption Amount" for Series D MRP Shares is equal to the Redemption Price to be paid on the Term Redemption Date, based on the number of Series D MRP Shares then outstanding, assuming for this purpose that the Dividend Rate in effect at the Liquidity Account Initial Date will be the Dividend Rate in effect until the Term Redemption Date. If, on any date after the Liquidity Account Initial Date, the aggregate Market Value of the Deposit Liquidity Account Investments included in the Term Redemption Liquidity Account for Series D MRP Shares as of the close of business on any business day is less than 110% of the Term Redemption Amount, then we will cause the custodian to take all such necessary actions, including segregating our assets as Liquidity Account Investments, so that the aggregate Market Value of the Liquidity Account Investments included in the Term Redemption Liquidity Account is at least equal to 110% of the Term Redemption Amount not later than the close of business on the next succeeding business day.

We may instruct the custodian on any date to release any Liquidity Account Investments from segregation with respect to the Series D MRP Shares and to substitute therefor other Liquidity Account Investments not so segregated, so long as the assets segregated as Liquidity Account Investments at the close of business on such date have a Market Value equal to 110% of the Term Redemption Amount. We will cause the custodian not to permit any lien, security interest or encumbrance to be created or permitted to exist on or in respect of any Liquidity Account Investments included in the Term Redemption Liquidity Account, other than liens, security interests or encumbrances arising by operation of law and any lien of the custodian with respect to the payment of its fees or repayment for its advances.

The Liquidity Account Investments included in the Term Redemption Liquidity Account may be applied by us, in our sole discretion, towards payment of the Redemption Price. The Series D MRP Shares shall not have any preference or priority claim with respect to the Term Redemption Liquidity Account or any Liquidity Account Investments deposited therein. Upon the deposit by us with the Paying Agent of Liquidity Account Investments having an initial combined Market Value sufficient to effect the redemption of the Series D MRP Shares on the Term Redemption Date, the requirement to maintain the Term Redemption Liquidity Account as described above will lapse and be of no further force and effect.

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FEDERAL INCOME TAX MATTERS

The following is a general summary of certain federal income tax considerations regarding the ownership and disposition of Series D MRP Shares. This discussion is based on the provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), the applicable Treasury regulations promulgated thereunder, judicial authority and current administrative rulings and practice, all of which are subject to change, possibly on a retroactive basis. There can be no assurance that the Internal Revenue Service (the "IRS") will not challenge one or more of the tax consequences described herein, and we have not obtained, nor do we intend to obtain, a ruling from the IRS with respect to such consequences. This discussion does not purport to be complete or to deal with all aspects of federal income taxation that may be relevant to holders in light of their particular circumstances or who are subject to special rules, such as banks, thrift institutions and certain other financial institutions, real estate investment trusts, regulated investment companies, insurance companies, brokers and dealers in securities or currencies, certain securities traders, tax-exempt investors, individual retirement accounts, certain tax-deferred accounts, and foreign investors. Tax matters are very complicated, and the tax consequences of an investment in and holding of Series D MRP Shares will depend on the particular facts of each investor's situation. Investors are urged to consult their own tax advisors with respect to the application to their own circumstances of the general federal income taxation rules described below and with respect to other federal, state, local or foreign tax consequences to them before making an investment in Series D MRP Shares. Unless otherwise noted, this discussion assumes that investors are U.S. persons for federal income tax purposes and hold Series D MRP Shares as capital assets. For more detailed information regarding the federal income tax consequences of investing in our securities see "Tax Matters" in the accompanying prospectus.

If an entity that is classified as a partnership for federal income tax purposes is a beneficial owner of Series D MRP Shares, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Partnerships and other entities that are classified as partnerships for federal income tax purposes and persons holding Series D MRP Shares through a partnership or other entity classified as a partnership for federal income tax purposes are urged to consult their own tax advisors.

Federal Income Tax Treatment of Holders of Series D MRP Shares

Under present law, we believe that the Series D MRP Shares will constitute equity, and thus distributions with respect to the Series D MRP Shares (other than distributions in redemption of Series D MRP Shares subject to Section 302(b) of the Code) will generally constitute dividends to the extent of our allocable current or accumulated earnings and profits, as calculated for federal income tax purposes. Such dividends generally will be taxable as ordinary income to holders but are expected to be treated as "qualified dividend income" that is generally subject to reduced rates of federal income taxation for noncorporate investors (for taxable years ending on or before December 31, 2012) and are also expected to be eligible for the dividends received deduction available to corporate stockholders under Section 243 of the Code. Under federal income tax law, qualified dividend income received by individual and other noncorporate stockholders is taxed at long-term capital gain rates, which currently reach a maximum of 15%. Qualified dividend income generally includes dividends from domestic corporations and dividends from non-U.S. corporations that meet certain criteria. To be treated as qualified dividend income, the stockholder must hold the Series D MRP Shares paying otherwise qualifying dividend income more than 60 days during the 121-day period beginning 60 days before the ex-dividend date. A stockholder's holding period may be reduced for purposes of this rule if the stockholder engages in certain risk reduction transactions with respect to the Series D MRP Shares. The provisions of the Internal Revenue Code applicable to qualified dividend income are effective through 2012. Thereafter, higher federal income tax rates will apply unless further legislative action is taken.

Corporate holders should be aware that certain limitations apply to the availability of the dividends received deduction, including limitations on the aggregate amount of the deduction that may be claimed and limitations based on the holding period of the Series D MRP Shares on which the dividend is paid, which holding period may be reduced if the holder engages in risk reduction transactions with respect to its shares. Corporate holders are urged to consult their own tax advisors regarding the application of these limitations to their particular situation.

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Generally, a corporation's earnings and profits are computed based upon taxable income, with certain specified adjustments. We anticipate that the cash distributions received from MLPs in our portfolio will exceed the earnings and profits associated with owning such MLPs.

Earnings and profits are generally treated, for federal income tax purposes, as first being used to pay distributions on Series D MRP Shares, and then to the extent remaining, if any, to pay distributions on the common stock. Distributions in excess of our earnings and profits, if any, will first reduce a stockholder's adjusted tax basis in his or her Series D MRP Shares and, after the adjusted tax basis is reduced to zero, will constitute capital gains to a stockholder.

Sale, Exchange or Redemption of Series D MRP Shares. The sale or exchange of Series D MRP Shares by holders will generally be a taxable transaction for federal income tax purposes. Holders of shares of stock who sell or exchange such shares will generally recognize gain or loss in an amount equal to the difference between the net proceeds of the sale or exchange and their adjusted tax basis in the shares sold or exchanged. The gain or loss from the sale or exchange of Series D MRP Shares will generally be capital gain or loss. Similarly, a redemption by us (including a redemption resulting from our liquidation), if any, of all the shares actually and constructively held by a stockholder generally will give rise to capital gain or loss under Section 302(b) of the Internal Revenue Code, except to the extent that the redemption proceeds represent declared but unpaid dividends. Other redemptions may also give rise to capital gain or loss, but certain conditions imposed by Section 302(b) of the Internal Revenue Code must be satisfied as to the redeeming stockholder to achieve such treatment. If a redemption by us does not satisfy the conditions imposed by Section 302(b) of the Internal Revenue Code for a redeeming stockholder, the redemption will constitute a distribution on the Series D MRP Shares to the stockholder subject to the rules set forth in the paragraphs above.

Capital gain or loss will generally be long-term capital gain or loss if the shares were held for more than one year and will be short-term capital gain or loss if the disposed shares were held for one year or less. Net long-term capital gain recognized by a noncorporate holder generally will be subject to federal income tax at a lower rate (currently a maximum rate of 15%) than net short-term capital gain or ordinary income (currently a maximum rate of 35%). Under current law, the maximum federal income tax rate on long-term capital gain for noncorporate holders is scheduled to increase to 20% for taxable years after 2012. For corporate holders, capital gain is generally taxed at the same rate as ordinary income, that is, currently at a maximum rate of 35%. A holder's ability to deduct capital losses may be limited.

Backup Withholding. We may be required to withhold, for federal income tax purposes, a portion of all distributions (including redemption proceeds) payable to stockholders who fail to provide us with their correct taxpayer identification number, who fail to make required certifications or who have been notified by the IRS that they are subject to backup withholding (or if we have been so notified). Certain corporate and other stockholders specified in the Internal Revenue Code and the applicable Treasury regulations are exempt from backup withholding. Backup withholding is not an additional tax. Any amounts withheld may be credited against the stockholder's federal income tax liability provided the appropriate information is furnished to the IRS in a timely manner.

Other Taxation

Foreign stockholders, including stockholders who are nonresident alien individuals, may be subject to U.S. withholding tax on certain distributions at a rate of 30% or such lower rates as may be prescribed by any applicable treaty. In addition, recently enacted legislation may impose additional U.S. reporting and withholding requirements on certain foreign financial institutions and other foreign entities with respect to distributions on and proceeds from the sale or disposition of our stock. This legislation will generally be effective for payments made on or after January 1,

2013. Foreign stockholders should consult their tax advisors regarding the possible implications of this legislation as well as the other U.S. federal, state, local and foreign tax consequences of an investment in our stock.

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Table of Contents**UNDERWRITING**

Under the terms and subject to the conditions contained in an underwriting agreement dated the date of this prospectus supplement, the Underwriters named below have severally agreed to purchase, and we have agreed to sell to them, severally, the number of Series D MRP Shares indicated below:

<u>Name</u>	<u>Number of Shares</u>
Merrill Lynch, Pierce, Fenner & Smith Incorporated	1,120,000
Citigroup Global Markets Inc.	1,120,000
Wells Fargo Securities, LLC	1,120,000
RBC Capital Markets, LLC	640,000
Total	4,000,000

The Underwriters are offering the Series D MRP Shares subject to their acceptance of the Series D MRP Shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several Underwriters to pay for and accept delivery of the Series D MRP Shares offered by this prospectus supplement are subject to the approval of certain legal matters by their counsel and to certain other conditions. The Underwriters are obligated to take and pay for all of the Series D MRP Shares offered by this prospectus supplement if any such Series D MRP Shares are taken.

The Underwriters initially propose to offer part of the Series D MRP Shares directly to the public at the public offering price listed on the cover page of this prospectus supplement and to certain dealers at that price less a concession not in excess of \$0.30 per Series D MRP Share under the public offering price. Any Underwriter may allow, and such dealers may reallow, a concession not in excess of \$0.20 per Series D MRP Share to other Underwriters or to certain dealers. After the initial offering of the Series D MRP Shares, the offering price and other selling terms may from time to time be varied by the Underwriters. The underwriting discount of \$0.50 per Series D MRP Share is equal to 2.00% of the public offering price. Investors must pay for any Series D MRP Shares purchased on or before May 10, 2011.

The following table shows the per share and total underwriting discount we will pay to the Underwriters.

	Per Share	Total
Underwriting discount	\$0.50	\$2,000,000

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We estimate that the total expenses of this offering payable by us, not including the underwriting discount, will be approximately \$300,000.

Application has been made to list the Series D MRP Shares, subject to official notice of issuance, on the New York Stock Exchange under the symbol KYN Pr D . Prior to this offering, there has been no public market for Series D MRP Shares. It is anticipated that trading on the New York Stock Exchange will begin within 30 days from the date of this prospectus supplement. During such period, the Underwriters do not intend to make a market in Series D MRP Shares. Consequently, it is anticipated that, prior to the commencement of trading on the New York Stock Exchange, an investment in Series D MRP Shares will be illiquid and holders of Series D MRP Shares may not be able to sell such shares as it is unlikely that a secondary market for Series D MRP Shares will develop. If a secondary market does develop prior to the commencement of trading on the New York Stock Exchange, holders of Series D MRP Shares may be able to sell such shares only at substantial discounts from liquidation preference.

We and our Adviser have each agreed that, without the prior written consent of the Underwriters, we will not, during the period ending 90 days after the date of this prospectus supplement:

offer, pledge, sell, contract, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or arrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of our preferred stock or any securities convertible into or exercisable or exchangeable for shares of our preferred stock; or

enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any shares of our preferred stock,

whether any such transaction described above is to be settled by delivery of Series D MRP Shares or such other securities, in cash or otherwise; or file any registration statement with the SEC relating to the offering of any Series D MRP Shares or any securities convertible into or exercisable or exchangeable for Series D MRP Shares.

In order to facilitate the offering of the Series D MRP Shares, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Series D MRP Shares. Specifically, the Underwriters may over-allot in connection with the offering, creating a short position in the Series D MRP Shares for their own account. In addition, to cover over-allotments or to stabilize the price of the Series D MRP Shares, the Underwriters may bid for, and purchase, Series D MRP Shares in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an Underwriter or a dealer for distributing the Series D MRP Shares in the offering, if the syndicate repurchases previously distributed Series D MRP Shares in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Series D MRP Shares above independent market levels. The Underwriters are not required to engage in these activities and may end any of these activities at any time.

We anticipate that the Underwriters may from time to time act as brokers and dealers in connection with the execution of its portfolio transactions after they have ceased to be Underwriters and, subject to certain restrictions, may act as such brokers while they are Underwriters. From time to time, certain Underwriters have provided, and may continue to provide, investment banking services to us, the Adviser and its affiliates for which they have received, and may receive, customary fees and expenses. The Underwriters may, from time to time, engage in transactions with or perform services for us, the Adviser and its affiliates in the ordinary course of business.

We and the Adviser have agreed to indemnify the Underwriters against certain liabilities relating to this offering, including liabilities under the Securities Act of 1933, as amended, and to contribute to payments

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that the Underwriters may be required to make for those liabilities; provided that such indemnification shall not extend to any liability or action resulting directly from the gross negligence, willful misconduct or bad faith of the Underwriters.

It is expected that delivery of the Series D MRP Shares will be made against payment therefor on or about the date specified on the cover of this prospectus supplement, which is the fifth business day following the date of pricing of the Series D MRP Shares (such settlement cycle being referred to as T+5). Under rule 15c6-1 under the Securities Exchange Act of 1934, as amended (the Exchange Act), trades in the secondary market are required to settle in three business days (such settlement being referred to as T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Series D MRP Shares on the date of this prospectus supplement or the next succeeding business day will be required, by virtue of the fact that the Series D MRP Shares initially will settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Series D MRP Shares who wish to trade the Series D MRP Shares on the date of this prospectus supplement or the next succeeding business day should consult their advisors.

Affiliations

Some of the underwriters and their affiliates may from time to time in the future engage in transactions with us and perform services for us in the ordinary course of their business.

Affiliates of some of the underwriters are lenders under our revolving credit facility and will receive a pro rata portion of the net proceeds from this offering, if any, used to reduce amounts outstanding thereunder. See Use of Proceeds.

The respective addresses of the Underwriters are Merrill Lynch, Pierce, Fenner & Smith Incorporated, One Bryant Park, New York, New York 10036; Citigroup Global Markets Inc., 388 Greenwich Street, New York, New York 10013; Wells Fargo Securities, LLC, 301 S. College Street, Charlotte, North Carolina 28288; and RBC Capital Markets, LLC, Three World Financial Center, 200 Vessy Street, New York, New York 10281.

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LEGAL MATTERS

Certain legal matters in connection with the securities offered hereby will be passed upon for us by Paul, Hastings, Janofsky & Walker LLP, or Paul Hastings, Costa Mesa, California. Paul Hastings may rely as to certain matters of Maryland law on the opinion of Venable LLP, Baltimore, Maryland. Certain legal matters in connection with this offering will be passed upon for the Underwriters by Sidley Austin LLP, New York, New York.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Exchange Act and the 1940 Act and are required to file reports (including our annual and semi-annual reports), proxy statements and other information with the SEC. We voluntarily file quarterly shareholder reports. Our most recent shareholder report filed with the SEC is for the period ended November 30, 2011. These documents are available on the SEC's EDGAR system and can be inspected and copied for a fee at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Additional information about the operation of the public reference room facilities may be obtained by calling the SEC at (202) 551-5850.

This prospectus supplement and the accompanying prospectus do not contain all of the information in our registration statement, including amendments, exhibits, and schedules. Statements in this prospectus supplement and the accompanying prospectus about the contents of any contract or other document are not necessarily complete and in each instance reference is made to the copy of the contract or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by this reference. Additional information about us can be found in our registration statement (including amendments, exhibits, and schedules) on Form N-2 filed with the SEC. The SEC maintains a web site (<http://www.sec.gov>) that contains our registration statement, other documents incorporated by reference, and other information we have filed electronically with the SEC, including proxy statements and reports filed under the Exchange Act.

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**FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED NOVEMBER 30, 2010
AND FINANCIAL HIGHLIGHTS FOR THE PERIOD SEPTEMBER 28, 2004
THROUGH NOVEMBER 30, 2004 AND FOR THE FISCAL YEARS ENDED
NOVEMBER 30, 2005 THROUGH 2010**

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**KAYNE ANDERSON MLP INVESTMENT COMPANY
PORTFOLIO SUMMARY
(UNAUDITED)**

Portfolio Investments by Category *

** As a percentage of total investments.*

Top 10 Holdings by Issuer

Holding	Sector	Percent of Total Investments as of November 30,	
		2010	2009
1. Enterprise Products Partners L.P.	Midstream MLP	9.1%	7.7%
2. Magellan Midstream Partners, L.P.	Midstream MLP	6.7	7.9
3. Kinder Morgan Management, LLC	MLP Affiliate	6.5	6.0
4. Plains All American Pipeline, L.P.	Midstream MLP	5.9	9.1
5. Inergy, L.P.	Propane MLP	5.3	6.8
6. Williams Partners L.P.	Midstream MLP	4.9	3.1
7. MarkWest Energy Partners, L.P.	Midstream MLP	4.9	5.3
	General Partner		
8. Energy Transfer Equity, L.P.	MLP	3.9	4.4
9. Energy Transfer Partners, L.P.	Midstream MLP	3.5	4.8
10. ONEOK Partners, L.P.	Midstream MLP	3.4	2.4

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**KAYNE ANDERSON MLP INVESTMENT COMPANY
MANAGEMENT DISCUSSION
(UNAUDITED)**

Company Overview

Kayne Anderson MLP Investment Company is a non-diversified, closed-end fund formed in September 2004. Our investment objective is to obtain a high after-tax total return by investing at least 85% of our total assets in energy-related master limited partnerships and their affiliates (MLPs) and in other companies that operate assets used in the gathering, transporting, processing, storing, refining, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, refined petroleum products or coal (collectively with MLPs, Midstream Energy Companies).

As of November 30, 2010, we had total assets of \$3.0 billion, net assets applicable to our common stock of \$1.8 billion (net asset value per share of \$26.67), and 68.5 million shares of common stock outstanding.

Our investments are principally in equity securities issued by MLPs, but we may also invest in debt securities of MLPs and debt/equity securities of Midstream Energy Companies. As of November 30, 2010, we held \$2.9 billion in equity investments and \$90.4 million in debt investments.

Results of Operations For the Three Months Ended November 30, 2010

Investment Income. Investment income totaled \$4.7 million and consisted primarily of net dividends and distributions and interest income on our investments. Interest income was \$1.4 million and we received \$38.8 million of cash dividends and distributions, of which \$35.5 million was treated as return of capital during the period. Return of capital was increased by \$1.5 million during the quarter. This increase was related to 2009 tax reporting information that we received in 2010 from the portfolio companies in which we invest. During the quarter, we received \$4.3 million of paid-in-kind dividends, which is not included in investment income, but is reflected as an unrealized gain.

Operating Expenses. Operating expenses totaled \$18.5 million, including \$9.4 million of investment management fees, \$6.5 million of interest expense (including non-cash amortization of debt issuance costs of \$0.3 million), and \$0.8 million of other operating expenses. Management fees are calculated based on the average total assets under management. Preferred stock distributions for the fourth quarter were \$1.7 million (including non-cash amortization of \$0.06 million).

Net Investment Loss. Our net investment loss totaled \$7.9 million and included a deferred income tax benefit of \$5.9 million.

Net Realized Losses. We had net realized losses from our investments of \$9.2 million, net of \$5.3 million of tax benefit. The net loss for the quarter was primarily the result of the disposition of our investments in Clearwater Natural Resources, L.P.

Net Change in Unrealized Gains. We had net unrealized gains of \$234.2 million. The net unrealized gain consisted of \$373.9 million of unrealized gains from investments and a deferred tax expense of \$139.7 million.

Net Increase in Net Assets Resulting from Operations. We had an increase in net assets resulting from operations of \$217.1 million. This increase is composed of a net investment loss of \$7.9 million; net realized losses of \$9.2 million; and net unrealized gains of \$234.2 million, as noted above.

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**KAYNE ANDERSON MLP INVESTMENT COMPANY
MANAGEMENT DISCUSSION
(UNAUDITED)**

Results of Operations For the Year Ended November 30, 2010

Investment Income. Investment income totaled \$19.1 million and consisted primarily of net dividends and distributions and interest income on our investments. Interest income was \$4.2 million and we received \$137.7 million of cash dividends and distributions, of which \$122.8 million was treated as return of capital during the period. Return of capital was increased by \$1.5 million related to 2009 tax reporting information that we received in 2010 from the portfolio companies in which we invest. During the year we received \$14.5 million of paid-in-kind dividends, which is not included in investment income but is reflected as an unrealized gain.

Operating Expenses. Operating expenses totaled \$61.0 million, including \$30.1 million of investment management fees, \$23.8 million of interest expense (including non-cash amortization of debt issuance costs of \$1.2 million), and \$3.3 million of other operating expenses. Management fees are calculated based on the average total assets under management. Preferred stock distributions for the year were \$3.8 million (including non-cash amortization of \$0.1 million).

Net Investment Loss. Our net investment loss totaled \$26.3 million and included a deferred income tax benefit of \$15.6 million.

Net Realized Gains. We had net realized gains from our investments of \$34.3 million, net of \$20.3 million of tax expense.

Net Change in Unrealized Gains. We had net unrealized gains of \$487.2 million. The net unrealized gain consisted of \$775.4 million of unrealized gains from investments and a deferred tax expense of \$288.2 million.

Net Increase in Net Assets Resulting from Operations. We had an increase in net assets resulting from operations of \$495.2 million. This increase is composed of a net investment loss of \$26.3 million; net realized gains of \$34.3 million; and net unrealized gains of \$487.2 million, as noted above.

Distributions to Common Stockholders

We pay quarterly distributions to our common stockholders, funded in part by net distributable income (NDI) generated from our portfolio investments. NDI is the amount of income received by us from our portfolio investments less operating expenses, subject to certain adjustments as described below. NDI is not a financial measure under the accounting principles generally accepted in the United States of America (GAAP). Refer to the Reconciliation of NDI to GAAP section below for a reconciliation of this measure to our results reported under GAAP.

Income from portfolio investments includes (a) cash distributions paid by MLPs, (b) paid-in-kind dividends received from MLPs and MLP affiliates (in particular, the two MLP i-shares), (c) interest income from debt securities and (d) net premiums received from the sale of covered calls.

Operating expenses include (a) management fees paid to our investment adviser, (b) other expenses (mostly attributable to fees paid to other service providers), (c) leverage costs, including interest expense and preferred stock distributions and (d) deferred income tax expense/benefit on net investment income/loss.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
MANAGEMENT DISCUSSION
(UNAUDITED)

Net Distributable Income (NDI)
(amounts in millions, except for per share amounts)

	Three Months Ended November 30, 2010
Distributions and Other Income from Investments	
Dividends and Distributions	\$38.8
Paid-In-Kind Dividends	4.3
Interest Income	1.4
Net Premiums Received from Call Options Written	2.5
 Total Distributions and Other Income from Investments	 47.0
Expenses	
Investment Management Fee	(9.4)
Other Expenses	(0.8)
 Total Management Fee and Other Expenses	 (10.2)
Interest Expense	(6.2)
Preferred Stock Distributions	(1.7)
Income Tax Benefit	5.9
 Net Distributable Income (NDI)	 \$34.8
 Weighted Shares Outstanding	 68.2
NDI per Weighted Share Outstanding	\$0.51

Payment of future distributions is subject to Board of Directors approval, as well as meeting the covenants of our debt agreements and terms of our preferred stock. In determining our quarterly distribution to common stockholders, our Board of Directors considers a number of factors that include, but are not limited to:

NDI generated in the current quarter;

Expected NDI over the next twelve months; and

Realized and unrealized gains generated by the portfolio.

On December 15, 2010, we declared our quarterly distribution of \$0.485 per common share for the period September 1, 2010 through November 30, 2010 for a total of \$33.2 million. The distribution was paid on January 14, 2011 to stockholders of record on January 5, 2011. During the fiscal year we paid distributions of \$1.92 per common

share for a total of \$114.1 million to our common stockholders.

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**KAYNE ANDERSON MLP INVESTMENT COMPANY
MANAGEMENT DISCUSSION
(UNAUDITED)**

Reconciliation of NDI to GAAP

The difference between distributions and other income from investments in the NDI calculation and total investment income as reported in our Statement of Operations is reconciled as follows:

GAAP recognizes that a significant portion of the cash distributions received from MLPs is characterized as a return of capital and therefore excluded from investment income, whereas the NDI calculation includes the return of capital portion of such distributions.

NDI includes the value of dividends paid-in-kind (i.e., stock dividends), whereas such amounts are not included as investment income for GAAP purposes during the period received, but rather are recorded as unrealized gains upon receipt.

Many of our investments in debt securities were purchased at a discount or premium to the par value of such security. When making such investments, we consider the security's yield to maturity which factors in the impact of such discount (or premium). Interest income reported under GAAP includes the non-cash accretion of the discount (or amortization of the premium) based on the effective interest method. When we calculate interest income for purposes of determining NDI, in order to better reflect the yield to maturity, the accretion of the discount (or amortization of the premium) is calculated on a straight-line basis over the remaining term of the debt security.

We may sell covered call option contracts to generate income or to reduce our ownership of certain securities that we hold. In some cases, we are able to repurchase these call option contracts at a price less than the fee that we received, thereby generating a profit. The amount we received from selling call options, less the amount that we pay to repurchase such call option contracts is included in NDI. For GAAP purposes, income from call option contracts sold is not included in investment income. See Note 2 Significant Accounting Policies for a full discussion of the GAAP treatment of option contracts.

The treatment of expenses included in NDI also differs from what is reported in the Statement of Operations as follows:

Expenses for purposes of calculating NDI include distributions paid to preferred stockholders.

The non-cash amortization of capitalized debt issuance costs and preferred stock offering costs related to our financings is included in interest and amortization expense for GAAP purposes, but is excluded from our calculation of NDI. Further, write-offs of capitalized debt issuance costs and preferred stock offering costs are excluded from our calculation of NDI, but are included in interest and amortization expense for GAAP purposes.

NDI also includes recurring payments (or receipts) on interest rate swap contracts (excluding termination payments) whereas for GAAP purposes, these amounts are included in the realized gains/losses section of the Statement of Operations.

Liquidity and Capital Resources

Total leverage outstanding at November 30, 2010 of \$780 million is comprised of \$620 million in senior unsecured notes and \$160 million in mandatory redeemable preferred stock. At November 30, 2010, we

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**KAYNE ANDERSON MLP INVESTMENT COMPANY
MANAGEMENT DISCUSSION
(UNAUDITED)**

did not have any borrowings outstanding under our senior unsecured revolving credit facility (the Credit Facility). Total leverage represented 26% of total assets at November 30, 2010. As of January 27, 2011, we had \$85 million borrowed under our Credit Facility.

The Credit Facility has a \$100 million commitment maturing on June 11, 2013. The interest rate may vary between LIBOR plus 1.75% and LIBOR plus 3.00%, depending on our asset coverage ratios. Outstanding loan balances accrue interest daily at a rate equal to one-month LIBOR plus 1.75% based on current asset coverage ratios. We pay a commitment fee of 0.40% per annum on any unused amounts of the Credit Facility. A full copy of our Credit Facility is available on our website, www.kaynefunds.com.

At November 30, 2010, our asset coverage ratios under the Investment Company Act of 1940, as amended (the 1940 Act), were 420% and 334% for debt and total leverage (debt plus preferred stock), respectively. We currently target an asset coverage ratio with respect to our debt of 375%, but at times may be above or below our target depending on market conditions.

During fiscal 2010, we completed private placements with institutional investors of \$250 million of senior unsecured notes and \$160 million of mandatory redeemable preferred stock. During the year, we also completed the redemption of our series D auction rate preferred stock (\$75 million).

At November 30, 2010, we had \$620 million of senior unsecured notes outstanding with the following maturity dates: \$75 million matures in 2011; \$60 million matures in 2012; \$125 million matures in 2013; \$110 million matures in 2014; \$125 million matures in 2015; \$25 million matures in 2017; \$60 million matures in 2020; and \$40 million matures in 2022. At November 30, 2010 we had \$160 million of mandatory redeemable preferred stock with the following redemption dates: \$118 million redeemable in 2017 and \$42 million redeemable in 2020.

As of November 30, 2010, our leverage consisted of both fixed rate (88%) and floating rate (12%) obligations. At such date, the weighted average interest rate on our leverage was 4.29%.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
SCHEDULE OF INVESTMENTS

NOVEMBER 30, 2010

(amounts in 000 s, except number of option contracts)

Description	No. of Shares/Units	Value
Long-Term Investments 164.2%		
Equity Investments(1) 159.2%		
Midstream MLP(2) 112.3%		
Boardwalk Pipeline Partners, LP	508	\$15,743
Buckeye Partners, L.P.	201	13,697
Chesapeake Midstream Partners, L.P.	1,007	28,690
Copano Energy, L.L.C.	3,350	100,257
Crestwood Midstream Partners LP	1,116	29,676
Crosstex Energy, L.P.	2,761	38,462
DCP Midstream Partners, LP	1,554	54,224
Duncan Energy Partners L.P.	414	12,998
Eagle Rock Energy Partners, L.P.	849	6,799
El Paso Pipeline Partners, L.P.	2,763	91,506
Enbridge Energy Partners, L.P.(3)	1,593	96,944
Energy Transfer Partners, L.P.(3)	2,094	106,126
Enterprise Products Partners L.P.(3)	6,524	274,520
Exterran Partners, L.P.	1,627	39,232
Global Partners LP	1,646	42,524
Holly Energy Partners, L.P.	635	32,493
Magellan Midstream Partners, L.P.	3,394	190,058
Magellan Midstream Partners, L.P. Unregistered (4)	238	13,307
MarkWest Energy Partners, L.P.	3,466	146,703
Martin Midstream Partners L.P.	343	12,608
Niska Gas Storage Partners LLC	847	16,925
ONEOK Partners, L.P.(3)	1,299	102,892
PAA Natural Gas Storage, L.P.	327	7,727
Plains All American Pipeline, L.P. (5)	2,876	176,897
Regency Energy Partners LP	3,796	97,553
Spectra Energy Partners, LP	551	18,696
Sunoco Logistics Partners L.P. (3)	289	23,306
Targa Resources Partners LP	1,260	38,162
TransMontaigne Partners L.P.	714	25,147
Western Gas Partners, LP	1,638	48,786
Williams Partners L.P.	3,149	148,169
		2,050,827
MLP Affiliates(2) 14.3%		
Enbridge Energy Management, L.L.C. (6)	1,087	66,221
Kinder Morgan Management, LLC (6)	3,046	194,920

		261,141
General Partner MLP 11.8%		
Alliance Holdings GP L.P.	1,097	50,045
Energy Transfer Equity, L.P.	2,808	111,096
Penn Virginia GP Holdings, L.P.	2,161	53,882
		215,023
Propane MLP 8.8%		
Inergy, L.P.	2,937	114,606
Inergy, L.P. Unregistered (4)	1,175	45,692
		160,298

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
SCHEDULE OF INVESTMENTS
NOVEMBER 30, 2010
(amounts in 000 s, except number of option contracts)

Description	No. of Shares/Units	Value
Shipping MLP 7.7%		
Capital Product Partners L.P.	2,646	\$22,255
Navios Maritime Partners L.P.	1,685	31,275
Teekay LNG Partners L.P.	1,182	42,961
Teekay Offshore Partners L.P.	1,536	44,270
		140,761
Midstream & Other 1.9%		
CenterPoint Energy, Inc.	50	782
Clearwater Trust (4)(7)(8)	N/A	4,515
Knightsbridge Tankers Ltd	284	6,447
ONEOK, Inc.	196	10,038
Teekay Tankers Ltd.	1,168	13,837
		35,619
Upstream MLP 1.4%		
EV Energy Partners, L.P.	254	9,708
Legacy Reserves LP	605	15,795
		25,503
Coal MLP 1.0%		
Alliance Resource Partners, L.P.	73	4,542
Natural Resource Partners L.P. (3)	241	7,343
Penn Virginia Resource Partners, L.P.	237	6,463
		18,348
Total Equity Investments (Cost \$1,783,520)		2,907,520

	Interest Rate	Maturity Date	Principal Amount
Debt Investments 5.0%			
Midstream 3.0%			

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Crestwood Holdings Partners, LLC	(9)	10/1/16	\$6,250	6,344
Crosstex Energy, L.P.	8.875%	2/15/18	15,000	15,637
El Paso Corporation	7.750	1/15/32	5,000	5,210
Energy Transfer Equity, L.P.	7.500	10/15/20	7,500	7,763
Genesis Energy, L.P.	7.875	12/15/18	14,500	14,373
Niska Gas Storage Partners LLC	8.875	3/15/18	5,000	5,250

54,577

Upstream 1.7%

Atlas Energy Resources, LLC	12.125	8/1/17	9,000	11,790
Atlas Energy Resources, LLC	10.750	2/1/18	5,261	6,412
Breitbart Energy Partners L.P.	8.625	10/15/20	6,375	6,359
Linn Energy, LLC	8.625	4/15/20	2,000	2,120
Linn Energy, LLC	7.750	2/1/21	4,000	4,060

30,741

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
SCHEDULE OF INVESTMENTS
NOVEMBER 30, 2010
(amounts in 000 s, except number of option contracts)

Description	Interest Rate	Maturity Date	Principal Amount	Value
Coal 0.3%				
Penn Virginia Resource Partners, L.P.	8.250%	4/15/18	\$5,000	\$5,087
Total Debt Investments (Cost \$84,362)				90,405
Total Long-Term Investments (Cost \$1,867,882)				2,997,925
Short-Term Investment 0.9%				
Repurchase Agreements 0.9%				
J.P. Morgan Securities Inc. (Agreement dated 11/30/10 to be repurchased at \$16,320), collateralized by \$16,647 in U.S. Treasury securities (Cost \$16,320)	0.130	12/1/10		16,320
Total Investments 165.1% (Cost \$1,884,202)				3,014,245
			No. of Contracts	
Liabilities				
Call Option Contracts Written (10)				
Midstream MLP				
Enbridge Energy Partners, L.P., call option expiring 12/18/10 @ \$60.00			2,000	(200)
Energy Transfer Partners, L.P., call option expiring 12/18/10 @ \$50.00			2,750	(289)
Enterprise Products Partners L.P., call option expiring 12/18/10 @ \$65.00			1,500	(34)
ONEOK Partners, L.P., call option expiring 12/18/10 @ \$80.00			1,500	(90)
Sunoco Logistics Partners L.P., call option expiring 12/18/10 @ \$80.00			1,000	(145)
				(758)
Coal MLP				
Natural Resource Partners L.P., call option expiring 12/18/10 @ \$30.00			800	(64)
Total Call Option Contracts Written (Premiums Received \$1,247)				(822)
Senior Unsecured Notes				(620,000)
Mandatory Redeemable Preferred Stock at liquidation value				(160,000)
Deferred Tax Liability				(390,711)
Other Liabilities				(28,212)

Total Liabilities	(1,199,745)
Other Assets	11,391
Total Liabilities in Excess of Other Assets	(1,188,354)
Net Assets Applicable to Common Stockholders	\$1,825,891

- (1) Unless otherwise noted, equity investments are common units/common shares.
- (2) Includes Limited Liability Companies.
- (3) Security or a portion thereof is segregated as collateral on option contracts written.
- (4) Fair valued securities, restricted from public sale. See Notes 2, 3 and 7.
- (5) The Company believes that it is an affiliate of Plains All American, L.P. See Note 5 Agreements and Affiliations.

See accompanying notes to financial statements.

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**KAYNE ANDERSON MLP INVESTMENT COMPANY
SCHEDULE OF INVESTMENTS
NOVEMBER 30, 2010
(amounts in 000 s, except number of option contracts)**

- (6) Distributions are paid-in-kind.
- (7) Security is not currently paying cash distributions but is expected to pay cash distributions within the next 12 months.
- (8) On September 28, 2010, the Bankruptcy Court finalized the plan of reorganization of Clearwater Natural Resources, L.P. (Clearwater). As part of the plan of reorganization, the Company received an interest in the Creditors Trust of Miller Bros. Coal, LLC (Clearwater Trust) consisting of cash and a coal royalty interest as consideration for its unsecured loan to Clearwater. The Company did not receive any consideration for its equity investment in Clearwater or CNR GP Holdco, LLC. The Company believes it is an affiliate of the Clearwater Trust. See Notes 3, 5 and 7.
- (9) Floating rate first lien senior secured term loan. Security pays interest at a rate of LIBOR + 850 basis points, with a LIBOR floor of 2% (10.50% as of November 30, 2010).
- (10) Security is non-income producing.

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
STATEMENT OF ASSETS AND LIABILITIES

NOVEMBER 30, 2010

(amounts in 000 s, except share and per share amounts)

ASSETS

Investments at fair value:

Non-affiliated (Cost \$1,789,197)	\$2,816,513
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Affiliated (Cost \$78,685)	181,412
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Repurchase agreements (Cost \$16,320)	16,320
---------------------------------------	--------

Total investments (Cost \$1,884,202)	3,014,245
--------------------------------------	-----------

Cash	545
------	-----

Deposits with brokers	1,081
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Receivable for securities sold	900
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Interest, dividends and distributions receivable	1,785
--	-------

Deferred debt issuance and preferred stock offering costs and other assets, net	7,080
---	-------

Total Assets	3,025,636
---------------------	------------------

LIABILITIES

Payable for securities purchased	5,644
----------------------------------	-------

Investment management fee payable	9,365
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Accrued directors' fees and expenses	54
--------------------------------------	----

Call option contracts written (Premiums received \$1,247)	822
---	-----

Accrued expenses and other liabilities	13,149
--	--------

Deferred tax liability	390,711
------------------------	---------

Senior Unsecured Notes	620,000
------------------------	---------

Mandatory Redeemable Preferred Stock, \$25.00 liquidation value per share (6,400,000 shares issued and outstanding)	160,000
---	---------

Total Liabilities	1,199,745
--------------------------	------------------

NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS	\$1,825,891
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NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS CONSIST OF

Common stock, \$0.001 par value (68,471,401 shares issued and outstanding, 199,990,000 shares authorized)	\$68
---	------

Paid-in capital	1,227,330
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Accumulated net investment loss, net of income taxes, less dividends	(195,858)
--	-----------

Accumulated realized gains on investments, options, and interest rate swap contracts, net of income taxes	85,462
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Net unrealized gains on investments and options, net of income taxes	708,889
--	---------

NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS	\$1,825,891
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NET ASSET VALUE PER COMMON SHARE	\$26.67
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See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
STATEMENT OF OPERATIONS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2010
(amounts in 000 \$)

INVESTMENT INCOME**Income**

Dividends and distributions:

Non-affiliated investments \$126,929

Affiliated investments 10,801

Total dividends and distributions 137,730

Return of capital (122,822)

Net dividends and distributions 14,908

Interest 4,189

Total Investment Income 19,097

Expenses

Investment management fees 30,104

Administration fees 948

Professional fees 690

Custodian fees 279

Reports to stockholders 286

Directors' fees and expenses 224

Insurance 186

Other expenses 741

Total Expenses Before Interest Expense, Preferred Distributions and Taxes 33,458

Interest expense and amortization of debt issuance costs 23,789

Distributions on mandatory redeemable preferred stock and amortization of offering costs 3,777

Total Expenses Before Taxes 61,024

Net Investment Loss Before Taxes (41,927)

Deferred tax benefit 15,585

Net Investment Loss (26,342)**REALIZED AND UNREALIZED GAINS/(LOSSES)****Net Realized Gains/(Losses)**

Investments Non-affiliated 136,875

Investments Affiliated (83,028)

Options 1,475

Payments on interest rate swap contracts (664)

Deferred tax expense (20,318)

Net Realized Gains	34,340
Net Change in Unrealized Gains	
Investments Non-affiliated	651,936
Investments Affiliated	121,993
Options	1,307
Interest rate swap contracts	205
Deferred tax expense	(288,257)
Net Change in Unrealized Gains	487,184
Net Realized and Unrealized Gains	521,524
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	495,182
Distributions on Auction Rate Preferred Stock	(177)
NET INCREASE IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM OPERATIONS	\$495,005

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
STATEMENT OF CHANGES IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS
(amounts in 000 s, except share amounts)

	For the Fiscal Year Ended November 30,	
	2010	2009
OPERATIONS		
Net investment loss, net of tax (1)	\$(26,342)	\$(15,388)
Net realized gains/(losses), net of tax	34,340	(18,431)
Net change in unrealized gains, net of tax	487,184	369,027
Net Increase in Net Assets Resulting from Operations	495,182	335,208
DIVIDENDS/DISTRIBUTIONS TO AUCTION RATE PREFERRED STOCKHOLDERS (1)(2)		
Dividends	(177)	
Distributions return of capital		(539)
Dividends/Distributions to Preferred Stockholders	(177)	(539)
DIVIDENDS/DISTRIBUTIONS TO COMMON STOCKHOLDERS (2)		
Dividends	(49,829)	
Distributions return of capital	(64,293)	(89,586)
Dividends/Distributions to Common Stockholders	(114,122)	(89,586)
CAPITAL STOCK TRANSACTIONS		
Proceeds from common stock offerings of 15,846,650 and 6,223,700 shares of common stock, respectively	396,211	126,030
Underwriting discounts and offering expenses associated with the issuance of common stock	(15,169)	(5,524)
Issuance of 1,045,210 and 1,179,655 shares of common stock from reinvestment of distributions, respectively	25,689	21,532
Net Increase in Net Assets Applicable to Common Stockholders from Capital Stock Transactions	406,731	142,038
Total Increase in Net Assets Applicable to Common Stockholders	787,614	387,121
NET ASSETS ATTRIBUTABLE TO COMMON STOCKHOLDERS		
Beginning of year	1,038,277	651,156
End of year	\$1,825,891	\$1,038,277

- (1) Distributions on the Company's mandatory redeemable preferred stock are treated as an operating expense under GAAP and are included in the calculation of net investment loss. See Note 2 - Significant Accounting Policies. Distributions in the amount of \$3,644 paid to mandatory redeemable preferred stockholders for the fiscal year ended November 30, 2010 were characterized as dividend income for such holders. This characterization is based on the Company's earnings and profits.
- (2) The information presented in each of these items is a characterization of a portion of the total dividends and distributions paid to auction rate preferred stockholders and common stockholders for the fiscal years ended November 30, 2010 and 2009 as either dividends (ordinary income) or distributions (return of capital). This characterization is based on the Company's earnings and profits.

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2010
(amounts in 000 s)

CASH FLOWS FROM OPERATING ACTIVITIES

Net increase in net assets resulting from operations	\$495,182
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Net deferred tax expense	292,990
Return of capital distributions	122,822
Net realized gains	(54,658)
Unrealized gains	(775,441)
Amortization of bond discount, net	7
Purchase of investments	(1,117,089)
Proceeds from sale of investments	414,822
Purchase of short-term investments, net	(9,980)
Increase in deposits with brokers	(528)
Increase in receivable for securities sold	(130)
Increase in interest, dividends and distributions receivable	(891)
Decrease in income tax receivable	63
Amortization of deferred debt issuance costs	1,240
Amortization of mandatory redeemable preferred stock issuance costs	133
Increase in other assets, net	(14)
Increase in payable for securities purchased	116
Increase in investment management fee payable	4,385
Increase in accrued directors' fees and expenses	10
Increase in option contracts written, net	752
Increase in accrued expenses and other liabilities	4,877
Net Cash Used in Operating Activities	(621,332)

CASH FLOWS FROM FINANCING ACTIVITIES

Issuance of shares of common stock, net of offering costs	381,043
Proceeds from issuance of senior unsecured notes	250,000
Proceeds from issuance on mandatory redeemable preferred stock	160,000
Redemption of auction rate preferred stock	(75,000)
Offering costs associated with the mandatory redeemable preferred stock	(2,282)
Offering costs associated with revolving credit facility	(1,183)
Offering costs associated with issuance of senior unsecured notes	(2,090)
Cash distributions paid to auction rate preferred stockholders	(177)
Cash distributions paid to common stockholders	(88,434)
Net Cash Provided by Financing Activities	621,877

NET INCREASE IN CASH	545
CASH BEGINNING OF YEAR	

CASH END OF YEAR

\$545

Supplemental disclosure of cash flow information:

Non-cash financing activities not included herein consist of reinvestment of distributions of \$25,689 pursuant to the Company's dividend reinvestment plan. During the fiscal year ended November 30, 2010, the Company received federal and state income tax refunds of \$76 and interest paid was \$21,642.

The Company received \$14,489 paid-in-kind dividends during the fiscal year ended November 30, 2010. See Note 2 Significant Accounting Policies.

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
FINANCIAL HIGHLIGHTS
(amounts in 000 s, except share and per share amounts)

	For the Fiscal Year Ended November 30,						For the Period September 2004 thru November 2004
	2010	2009	2008	2007	2006	2005	
Value of Common							
Value, end of period	\$20.13	\$14.74	\$30.08	\$28.99	\$25.07	\$23.91	\$23.91
Change (4)	(0.44)	(0.33)	(0.73)	(0.73)	(0.62)	(0.17)	
and							
Gain/(loss)	8.72	7.50	(12.56)	3.58	6.39	2.80	
Gain/(loss)							
Losses	8.28	7.17	(13.29)	2.85	5.77	2.63	
Value of Preferred							
Change (5)				(0.10)		(0.05)	
Value of Preferred							
Change in return of		(0.01)	(0.10)		(0.10)		
Change in							
Change in Auction		(0.01)	(0.10)	(0.10)	(0.10)	(0.05)	
Change in							
Dividends (5)	(0.84)			(0.09)		(0.13)	
Change in return of	(1.08)	(1.94)	(1.99)	(1.84)	(1.75)	(1.37)	
Change in							
Change in Common	(1.92)	(1.94)	(1.99)	(1.93)	(1.75)	(1.50)	
Change in							
Change in discounts							
Change in costs on the							
Change in auction rate							
Change in							(0.03)
Change in							
Change in	0.16	0.12		0.26		0.11	
Change in	0.02	0.05	0.04	0.01			

ures issued ent of							
stock	0.18	0.17	0.04	0.27		0.08	
ue, end of	\$26.67	\$20.13	\$14.74	\$30.08	\$28.99	\$25.07	\$2
e per share stock, end	\$28.49	\$24.43	\$13.37	\$28.27	\$31.39	\$24.33	\$2
ment return mmon stock e (6)	26.0%	103.0%	(48.8)%	(4.4)%	37.9%	3.7%	
tal Data (8)							
pplicable to ckholders,							
d	\$1,825,891	\$1,038,277	\$651,156	\$1,300,030	\$1,103,392	\$932,090	\$792
enses to							
t Assets							
t fees	2.1%	2.1%	2.2%	2.3%	3.2%	1.2%	
ses	0.2	0.4	0.3	0.2	0.2	0.3	
	2.3	2.5	2.5	2.5	3.4	1.5	
ense and on							
edeemable							
ck	1.9	2.5	3.4	2.3	1.7	0.8	
expense	20.5	25.4	(9)	3.5	13.8	6.4	
ses	24.7%	30.4%	5.9%	8.3%	18.9%	8.7%	
investment) to average	(1.8)%	(2.0)%	(2.8)%	(2.3)%	(2.4)%	(0.7)%	
/(decrease)							
to common resulting							
ons to							
assets	34.6%	43.2%	(51.2)%	7.3%	21.7%	10.0%	
over rate	18.7%	28.9%	6.7%	10.6%	10.0%	25.6%	
assets	\$1,432,266	\$774,999	\$1,143,192	\$1,302,425	\$986,908	\$870,672	\$72
cured Notes							
end of	620,000	370,000	304,000	505,000	320,000	260,000	
redit facility				97,000	17,000		
end of							

Preferred							
of period		75,000	75,000	75,000	75,000	75,000	
Redeemable							
stock, end of	160,000						
Shares of							
stock							
Percentage of total	60,762,952	46,894,632	43,671,666	41,134,949	37,638,314	34,077,731	33,163,111
Percentage of total	420.3%	400.9%	338.9%	328.4%	449.7%	487.3%	
Percentage of total							
Debt and							
stock) (11)	334.1%	333.3%	271.8%	292.0%	367.8%	378.2%	
Amount of							
per share of							
stock during							
(2)	\$7.70	\$6.79	\$11.52	\$12.14	\$8.53	\$5.57	

See accompanying notes to financial statements.

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**KAYNE ANDERSON MLP INVESTMENT COMPANY
FINANCIAL HIGHLIGHTS**

(amounts in 000 s, except share and per share amounts)

- (1) Commencement of operations.
- (2) Based on average shares of common stock outstanding.
- (3) 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.
- (4) Distributions on the Company's mandatory redeemable preferred stock are treated as an operating expense under GAAP and are included in the calculation of net investment loss. See Note 2 Significant Accounting Policies. Distributions paid to mandatory redeemable preferred stockholders for the fiscal year ended November 30, 2010 were characterized as dividend income for such holders. This characterization is based on the Company's earnings and profits.
- (5) The information presented is a characterization of the total distributions paid and to preferred stockholders and common stockholders as either a dividend (ordinary income) or a distribution (return of capital) and is based on the Company's earnings and profits.
- (6) 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 distributions at actual prices pursuant to the Company's dividend reinvestment plan.
- (7) Not annualized.
- (8) Unless otherwise noted, ratios are annualized for periods of less than one full year.
- (9) For the year ended November 30, 2008, the Company accrued deferred income tax benefits of \$339,991 (29.7% of average net assets) primarily related to unrealized losses on investments. Realization of a deferred tax benefit is dependent on whether there will be sufficient taxable income of the appropriate character within the carryforward periods to realize a portion or all of the deferred tax benefit. No deferred income tax benefit has been included for the purpose of calculating total expense.
- (10) Calculated pursuant to section 18(a)(1)(A) of the 1940 Act. Represents the value of total assets less all liabilities not represented by senior notes or any other senior securities representing indebtedness and mandatory redeemable preferred stock divided by the aggregate amount of senior notes and any other senior securities representing indebtedness. Under the 1940 Act, the Company may not declare or make any distribution on its common stock nor can it incur additional indebtedness if, at the time of such declaration or incurrence, its asset coverage with respect to senior securities representing indebtedness would be less than 300%. For purposes of this test, the revolving credit facility is considered a senior security representing indebtedness.
- (11) Calculated pursuant to section 18(a)(2)(A) of the 1940 Act. Represents the value of total assets less all liabilities not represented by senior notes, any other senior securities representing indebtedness and preferred stock divided by the aggregate amount of senior notes, any other senior securities representing indebtedness and preferred stock. Under the 1940 Act, the Company may not declare or make any distribution on its common

stock nor can it incur additional preferred stock if at the time of such declaration or incurrence, its asset coverage with respect to all senior securities would be less than 200%. In addition to the limitations under the 1940 Act, the Company, under the terms of its mandatory redeemable preferred stock, would not be able to declare or pay any distributions on its common stock if such declaration would cause its asset coverage with respect to all senior securities to be less than 225%. For purposes of these tests, the revolving credit facility is considered a senior security representing indebtedness.

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2010
(amounts in 000 s, except option contracts, share and per share amounts)

1. Organization

Kayne Anderson MLP Investment Company (the Company) was organized as a Maryland corporation on June 4, 2004, and is a non-diversified closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Company's investment objective is to obtain a high after-tax total return by investing at least 85% of its net assets plus any borrowings (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 of natural gas, natural gas liquids (including propane), crude oil, refined petroleum products or coal (collectively with MLPs, Midstream Energy Companies). The Company commenced operations on September 28, 2004. The Company's shares of common stock are listed on the New York Stock Exchange, Inc. (NYSE) under the symbol KYN.

2. Significant Accounting Policies

A. Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ materially from those estimates.

B. Cash and Cash Equivalents Cash and cash equivalents include short-term, liquid investments with an original maturity of three months or less and include money market fund accounts and repurchase agreements. Cash and cash equivalents are carried at cost, which approximates fair value.

C. Calculation of Net Asset Value The Company determines its net asset value no less frequently than as of the last day of each month based on the most recent close of regular session trading on the NYSE, and makes its net asset value available for publication monthly. Currently, the Company calculates its net asset value on a weekly basis. Net asset value is computed by dividing the value of the Company's assets (including accrued interest and distributions), less all of its liabilities (including accrued expenses, distributions payable, current, deferred and other accrued income taxes, and any borrowings) and the liquidation value of any outstanding preferred stock, by the total number of common shares outstanding.

D. Investment Valuation Readily marketable portfolio securities listed on any exchange other than the NASDAQ Stock Market, Inc. (NASDAQ) are valued, except as indicated below, at the last sale price on the business day as of which such value is being determined. If there has been no sale on such day, the securities are valued at the mean of the most recent bid and ask prices on such day. Securities admitted to trade on the NASDAQ are valued at the NASDAQ official closing price. Portfolio securities traded on more than one securities exchange are valued at the last sale price on the business day as of which such value is being determined at the close of the exchange representing the principal market for such securities.

Equity securities traded in the over-the-counter market, but excluding securities admitted to trading on the NASDAQ, are valued at the closing bid prices. Debt securities that are considered bonds are valued by using the mean of the bid and ask prices provided by an independent pricing service. For debt securities that are considered bank loans, the fair

market value is determined by the mean of the bid and ask prices provided by the syndicate bank or principal market maker. When price quotes are not available, fair market value will be based on prices of comparable securities. In certain cases, the Company may not be able to purchase or sell debt securities at the quoted prices due to the lack of liquidity for these securities.

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Exchange-traded options and futures contracts are valued at the last sales price at the close of trading in the market where such contracts are principally traded or, if there was no sale on the applicable exchange on such day, at the mean between the quoted bid and ask price as of the close of such exchange.

The Company holds securities that are privately issued or otherwise restricted as to resale. For these securities, as well as any other portfolio security held by the Company for which reliable market quotations are not readily available, valuations are determined in a manner that most fairly reflects fair value of the security on the valuation date. Unless otherwise determined by the Board of Directors, the following valuation process is used for such securities:

Investment Team Valuation. The applicable investments are initially valued by KA Fund Advisors, LLC (KAFA or the Adviser) investment professionals responsible for the portfolio investments.

Investment Team Valuation Documentation. Preliminary valuation conclusions are documented and discussed with senior management of KAFA. Such valuations generally are submitted to the Valuation Committee (a committee of the Company s Board of Directors) or the Board of Directors on a quarter basis, and stand for intervening periods of time.

Valuation Committee. The Valuation Committee meets on or about the end of each quarter to consider new valuations presented by KAFA, if any, which were made in accordance with the valuation procedures in such quarter. Between meetings of the Valuation Committee, a senior officer of KAFA is authorized to make valuation determinations. The Valuation Committee s valuations stand for intervening periods of time unless the Valuation Committee meets again at the request of KAFA, the Board of Directors, or the Valuation Committee itself. All valuation determinations of the Valuation Committee are subject to ratification by the Board at its next regular meeting.

Valuation Firm. No less than quarterly, a third-party valuation firm engaged by the Board of Directors reviews the valuation methodologies and calculations employed for these securities.

Board of Directors Determination. The Board of Directors meets quarterly to consider the valuations provided by KAFA and the Valuation Committee, if applicable, and ratify valuations for the applicable securities. The Board of Directors considers the report provided by the third-party valuation firm in reviewing and determining in good faith the fair value of the applicable portfolio securities.

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

At November 30, 2010, the Company held 3.5% of its net assets applicable to common stockholders (2.1% of total assets) in securities valued at fair value, as determined pursuant to procedures adopted by the Board of Directors, with fair value of \$63,514. See Note 7 Restricted Securities.

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E. Repurchase Agreements The Company has agreed to purchase securities from financial institutions, subject to the seller's agreement to repurchase them at an agreed-upon time and price (repurchase agreements). The financial institutions with which the Company enters into repurchase agreements are banks and broker/dealers which KAFA considers creditworthy. The seller under a repurchase agreement is required to maintain the value of the securities as collateral, subject to the agreement, at not less than the repurchase price plus accrued interest. KAFA monitors daily the mark-to-market of the value of the collateral, and, if necessary, requires the seller to maintain additional securities so that the value of the collateral is not less than the repurchase price. Default by or bankruptcy of the seller would, however, expose the Company to possible loss because of adverse market action or delays in connection with the disposition of the underlying securities.

F. Short Sales A short sale is a transaction in which the Company sells securities it does not own (but has borrowed) in anticipation of or to hedge against a decline in the market price of the securities. To complete a short sale, the Company may arrange through a broker to borrow the securities to be delivered to the buyer. The proceeds received by the Company for the short sale are retained by the broker until the Company replaces the borrowed securities. In borrowing the securities to be delivered to the buyer, the Company becomes obligated to replace the securities borrowed at their market price at the time of replacement, whatever the price may be.

All short sales are fully collateralized. The Company maintains assets consisting of cash or liquid securities equal in amount to the liability created by the short sale. These assets are adjusted daily to reflect changes in the value of the securities sold short. The Company is liable for any dividends or distributions paid on securities sold short.

The Company may also sell short against the box (*i.e.*, the Company enters into a short sale as described above while holding an offsetting long position in the security which it sold short). If the Company enters into a short sale against the box, the Company segregates an equivalent amount of securities owned as collateral while the short sale is outstanding. At November 30, 2010, the Company had no open short sales.

G. Security Transactions Security transactions are accounted for on the date these securities are purchased or sold (trade date). Realized gains and losses are reported on an identified cost basis.

H. Return of Capital Estimates Distributions received from the Company's investments in MLPs generally are comprised of income and return of capital. The Company records investment income and return of capital based on estimates made at the time such distributions are received. Such estimates are based on historical information available from each MLP and other industry sources. These estimates may subsequently be revised based on information received from MLPs after their tax reporting periods are concluded.

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The following table sets forth the Company's estimated total return of capital portion of the distributions received from its investments. The return of capital portion of the distributions is a reduction to investment income, results in an equivalent reduction in the cost basis of the associated investments and increases Net Realized Gains and Net Change in Unrealized Gains.

	Fiscal Year Ended November 30, 2010
Return of capital portion of distributions received	89%
Return of capital attributable to Net Realized Gains	\$25,716
Return of capital attributable to Net Change in Unrealized Gains	97,106
Total return of capital	\$122,822

For the fiscal year ended November 30, 2010, the Company estimated the return of capital portion of distributions received to be \$121,268 or 88%. This amount was increased by \$1,554 attributable to 2009 tax reporting information received by the Company in fiscal 2010. The tax reporting information was used to adjust the Company's prior year return of capital estimate. As a result, the return of capital percentage for the year ended November 30, 2010 was 89%.

I. Investment Income The Company records dividends and distributions on the ex-dividend date. Interest income is recognized on the accrual basis, including amortization of premiums and accretion of discounts. When investing in securities with payment in-kind interest, the Company will accrue interest income during the life of the security even though it will not be receiving cash as the interest is accrued. To the extent that interest income to be received is not expected to be realized, a reserve against income is established. During the year ended November 30, 2010, the Company did not have a reserve against interest income, since all interest income accrued is expected to be received.

Many of the Company's debt securities were purchased at a discount or premium to the par value of the security. The non-cash accretion of a discount to par value increases interest income while the non-cash amortization of a premium to par value decreases interest income. The accretion of a discount and amortization of premiums are based on the effective interest method. The amount of these non-cash adjustments can be found in the Company's Statement of Cash Flows. The non-cash accretion of a discount increases the cost basis of the debt security, which results in an offsetting unrealized loss. The non-cash amortization of a premium decreases the cost basis of the debt security which results in an offsetting unrealized gain. To the extent that par value is not expected to be realized, the Company discontinues accruing the non-cash accretion of the discount to par value of the debt security.

The Company receives paid-in-kind dividends in the form of additional units from its investment in Enbridge Energy Management, L.L.C. and Kinder Morgan Management, LLC. The additional units are not reflected in investment income during the period received but are recorded as unrealized gains. During the fiscal year ended November 30, 2010, the Company received the following stock dividends from Enbridge Energy Management, L.L.C. and Kinder Morgan Management, LLC.

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	Fiscal Year Ended November 30, 2010
Enbridge Energy Management, L.L.C.	\$3,585
Kinder Morgan Management, LLC	10,904
Total stock dividends	\$14,489

J. Distributions to Stockholders Distributions to common stockholders are recorded on the ex-dividend date. Distributions to mandatory redeemable preferred stockholders are accrued on a daily basis as described in Note 12 Preferred Stock. As required by the Distinguishing Liabilities from Equity topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, the Company includes the accrued distributions on its mandatory redeemable preferred stock as an operating expense due to the fixed term of this obligation. For tax purposes the payments made to the holders of the Company s mandatory redeemable preferred stock are treated as dividends or distributions.

The estimated characterization of the distributions paid to preferred and common stockholders will be either a dividend (ordinary income) or distribution (return of capital). This estimate is based on the Company s operating results during the period. The actual characterization of the preferred and common stock distributions made during the current year will not be determinable until after the end of the fiscal year when the Company can determine earnings and profits and, therefore, the characterization may differ from the preliminary estimates.

K. Partnership Accounting Policy The Company records its pro rata share of the income/(loss) and capital gains/(losses), to the extent of distributions it has received, allocated from the underlying partnerships and adjusts the cost basis of the underlying partnerships accordingly. These amounts are included in the Company s Statement of Operations.

L. Federal and State Income Taxation The Company, as a corporation, is obligated to pay federal and state income tax on its taxable income. The Company invests its assets primarily in MLPs, which generally are treated as partnerships for federal income tax purposes. As a limited partner in the MLPs, the Company includes its allocable share of the MLP s taxable income in computing its own taxable income. Deferred income taxes reflect (i) taxes on unrealized gains/(losses), which are attributable to the temporary difference between fair value and tax basis, (ii) the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and (iii) the net tax benefit of accumulated net operating and capital losses. To the extent the Company has a deferred tax asset, consideration is given as to whether or not a valuation allowance is required. The need to establish a valuation allowance for deferred tax assets is assessed periodically by the Company based on the Income Tax Topic of the FASB Accounting Standards Codification that it is more likely than not that some portion or all of the deferred tax asset will not be realized. In the assessment for a valuation allowance, consideration is given to all positive and negative evidence related to the realization of the deferred tax asset. This assessment considers, among other matters, the nature, frequency and severity of current and

cumulative losses, forecasts of future profitability (which are highly dependent on future cash distributions from the Company's MLP holdings), the duration of statutory carryforward periods and the associated risk that operating and capital loss carryforwards may expire unused.

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

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estimate the associated deferred tax liability. Such estimates are made in good faith. From time to time, as new information becomes available, the Company modifies its estimates or assumptions regarding the deferred tax liability.

The Company's policy is to classify interest and penalties associated with underpayment of federal and state income taxes, if any, as income tax expense on its Statement of Operations. As of November 30, 2010, the Company does not have any interest or penalties associated with the underpayment of any income taxes. All tax years since inception remain open and subject to examination by tax jurisdictions.

M. Derivative Financial Instruments The Company may utilize derivative financial instruments in its operations.

Interest Rate Swap Contracts. The Company may use interest rate swap contracts to hedge against increasing interest expense on its leverage resulting from increases in short term interest rates. The Company does not hedge any interest rate risk associated with portfolio holdings. Interest rate transactions the Company uses for hedging purposes expose it to certain risks that differ from the risks associated with its portfolio holdings. A decline in interest rates may result in a decline in the value of the swap contracts, which, everything else being held constant, would result in a decline in the net assets of the Company. In addition, if the counterparty to an interest rate swap defaults, the Company would not be able to use the anticipated net receipts under the interest rate swap to offset its cost of financial leverage.

Interest rate swap contracts are recorded at fair value with changes in value during the reporting period and amounts accrued under the agreements included as unrealized gains or losses in the Statement of Operations. Monthly cash settlements under the terms of the interest rate swap agreements are recorded as realized gains or losses in the Statement of Operations. The Company generally values its interest rate swap contracts based on dealer quotations, if available, or by discounting the future cash flows from the stated terms of the interest rate swap agreement by using interest rates currently available in the market. See Note 8 Derivative Financial Instruments.

Option Contracts. The Company is also exposed to financial market risks including changes in the valuations of its investment portfolio. The Company may purchase or write (sell) call options. A call option on a security is a contract that gives the holder of the option, in return for a premium, the right to buy from the writer of the option the security underlying the option at a specified exercise price at any time during the term of the option.

The Company would normally purchase call options in anticipation of an increase in the market value of securities of the type in which it may invest. The Company would ordinarily realize a gain on a purchased call option if, during the option period, the value of such securities exceeded the sum of the exercise price, the premium paid and transaction costs; otherwise the Company would realize either no gain or a loss on the purchased call option. The Company may also purchase put option contracts. If a purchased put option is exercised, the premium paid increases the cost basis of the securities sold by the Company.

The Company may also write (sell) call options with the purpose of generating realized gains or reducing its ownership of certain securities. The writer of an option on a security has the obligation upon exercise of the option to deliver the underlying security upon payment of the exercise price.

When the Company writes a call option, an amount equal to the premium received by the Company is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing

options that expire unexercised are treated by the Company on the expiration date as

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realized gains from investments. If the Company repurchases a written call option prior to its exercise, the difference between the premium received and the amount paid to repurchase the option is treated as a realized gain or loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the Company has realized a gain or loss. The Company, as the writer of an option, bears the market risk of an unfavorable change in the price of the security underlying the written option. See Note 8 Derivative Financial Instruments.

N. Indemnifications Under the Company's organizational documents, its officers and directors are indemnified against certain liabilities arising out of the performance of their duties to the Company. In addition, in the normal course of business, the Company enters into contracts that provide general indemnification to other parties. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred, and may not occur. However, the Company has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

3. Fair Value

As required by the Fair Value Measurement and Disclosures of the FASB Accounting Standards Codification, the Company has performed an analysis of all assets and liabilities measured at fair value to determine the significance and character of all inputs to their fair value determination.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into the following three broad categories.

Level 1 Quoted unadjusted prices for identical instruments in active markets to which the Company has access at the date of measurement.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 2 inputs are those in markets for which there are few transactions, the prices are not current, little public information exists or instances where prices vary substantially over time or among brokered market makers.

Level 3 Model derived valuations in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are those inputs that reflect the Company's own assumptions that market participants would use to price the asset or liability based on the best available information.

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The following table presents the Company's assets measured at fair value at November 30, 2010. Note that the valuation levels below are not necessarily an indication of the risk or liquidity associated with the underlying investment. For instance, the Company's repurchase agreements, which are collateralized by U.S. Treasury notes, are generally high quality and liquid; however, the Company reflects these repurchase agreements as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market.

		Quoted Prices in Active Markets (Level 1)	Prices with Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3) (1)
	Total			
<u>Assets at Fair Value</u>				
Equity investments	\$2,907,520	\$2,844,006	\$	\$63,514
Debt investments	90,405		90,405	
Repurchase agreements	16,320		16,320	
Total assets at fair value	\$3,014,245	\$2,844,006	\$ 106,725	\$ 63,514
<u>Liabilities at Fair Value</u>				
Call option contracts written	\$822	\$	\$822	\$

(1) The Company's investments in Level 3 represent its investments in Magellan Midstream Partners, L.P., Inergy Holdings, L.P., and the Clearwater Trust as more fully described in Note 7 Restricted Securities.

The following table presents the Company's assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the fiscal year ended November 30, 2010.

Assets at Fair Value Using Unobservable Inputs (Level 3)	Long-Term Investments
Balance November 30, 2009	\$4,080
Transfers out of Level 3 (1)	(4,080)
Realized gains/(losses)	
Unrealized gains, net	14,137
Purchases, issuances or settlements (1)	49,377
Balance November 30, 2010	\$63,514

- (1) On September 28, 2010, the Bankruptcy Court finalized the plan of reorganization of Clearwater. As part of the plan of reorganization, the Company received an interest in the Clearwater Trust consisting of cash and a coal royalty interest as consideration for its unsecured loan to Clearwater. The transfers out of level 3 consist of the Company's unsecured loan investment in Clearwater. Purchases, issuances or settlements includes the Company's interest in the Clearwater Trust in the amount of \$4,515.

The \$14,137 of unrealized gains presented in the table above for the fiscal year ended November 30, 2010 related to investments that are still held at November 30, 2010, and the Company includes these unrealized gains on the Statement of Operations Net Change in Unrealized Gains.

The Company did not have any liabilities that were measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at November 30, 2010 or at November 30, 2009.

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In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06 Improving Disclosures about Fair Value Measurements. ASU No. 2010-06 amends FASB Accounting Standards Codification Topic, Fair Value Measurements and Disclosures, to require additional disclosures regarding fair value measurements. Certain disclosures required by ASU No. 2010-06 are effective for interim and annual reporting periods beginning after December 15, 2009, and other required disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years.

The disclosures for reporting periods beginning after December 15, 2009 relate to disclosing both the amounts of significant transfers between Level 1 and Level 2 and the reasons for the transfers. For the year ended November 30, 2010, there were no transfers between Level 1 and Level 2. The disclosures for reporting periods beginning after December 15, 2010 relate to presenting separately the Level 3 purchases, sales, issuances and settlements on a gross basis instead of one net amount. Management will continue to evaluate the impact ASU No. 2010-6 for the required disclosures effective for fiscal years beginning after December 15, 2010.

4. Concentration of Risk

The Company's investment objective is to obtain a high after-tax total return with an emphasis on current income paid to its stockholders. Under normal circumstances, the Company intends to invest at least 85% of its total assets in securities of MLPs and other Midstream Energy Companies, and to invest at least 80% of its total assets in MLPs, which are subject to certain risks, such as supply and demand risk, depletion and exploration risk, commodity pricing risk, acquisition risk, and the risk associated with the hazards inherent in midstream energy industry activities. A substantial portion of the cash flow received by the Company is derived from 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. The Company may invest up to 15% of its total assets in any single issuer and a decline in value of the securities of such an issuer could significantly impact the net asset value of the Company. The Company may invest up to 20% of its total assets in debt securities, which may include below investment grade securities. The Company may, for defensive purposes, temporarily invest all or a significant portion of its assets in investment grade securities, short-term debt securities and cash or cash equivalents. To the extent the Company uses this strategy, it may not achieve its investment objectives.

5. Agreements and Affiliations

A. Administration Agreement The Company has entered into an administration agreement with Ultimus Fund Solutions, LLC (Ultimus). Pursuant to the administration agreement, Ultimus will provide certain administrative services for the Company. The administration agreement has automatic one-year renewals unless earlier terminated by either party as provided under the terms of the administration agreement.

B. Investment Management Agreement The Company has entered into an investment management agreement with KAFA under which the Adviser, subject to the overall supervision of the Company's Board of Directors, manages the day-to-day operations of, and provides investment advisory services to, the Company. For providing these services, the Adviser receives a management fee from the Company. On June 15, 2010, the Company renewed its agreement with the Adviser for a period of one year. The agreement may be renewed annually upon approval of the Company's Board of Directors. For the fiscal year ended November 30, 2010, the Company paid management fees at an annual rate of 1.375% of average total assets.

For purposes of calculating the management fee, the Company's total assets are equal to the Company's gross asset value (which includes assets attributable to or proceeds from the Company's use of

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preferred stock, commercial paper or notes and other borrowings and excludes any net deferred tax asset), minus the sum of the Company's accrued and unpaid distributions on any outstanding common stock and accrued and unpaid distributions on any outstanding preferred stock and accrued liabilities (other than liabilities associated with borrowing or leverage by the Company and any accrued taxes, including, a deferred tax liability). Liabilities associated with borrowing or leverage by the Company include the principal amount of any borrowings, commercial paper or notes issued by the Company, the liquidation preference of any outstanding preferred stock, and other liabilities from other forms of borrowing or leverage such as short positions and put or call options held or written by the Company.

C. Portfolio Companies From time to time, the Company may control or may be an affiliate of one or more portfolio companies, each as defined in the 1940 Act. In general, under the 1940 Act, the Company would be presumed to control a portfolio company if the Company owned 25% or more of its outstanding voting securities and would be an affiliate of a portfolio company if the Company owned 5% or more of its outstanding voting securities. The 1940 Act contains prohibitions and restrictions relating to transactions between investment companies and their affiliates (including the Company's investment adviser), principal underwriters and affiliates of those affiliates or underwriters.

The Company believes that there is significant ambiguity in the application of existing Securities and Exchange Commission (SEC) staff interpretations of the term voting security to complex structures such as limited partnership interests of the kind in which the Company invests. As a result, it is possible that the SEC staff may consider that certain securities investments in limited partnerships are voting securities under the staff's prevailing interpretations of this term. If such determination is made, the Company may be regarded as a person affiliated with and controlling the issuers(s) of those securities for purposes of Section 17 of the 1940 Act.

In light of the ambiguity of the definition of voting securities, the Company does not intend to treat any class of limited partnership interests that it holds as voting securities unless the security holders of such class currently have the ability, under the partnership agreement, to remove the general partner (assuming a sufficient vote of such securities, other than securities held by the general partner, in favor of such removal) or the Company has an economic interest of sufficient size that otherwise gives it the de facto power to exercise a controlling influence over the partnership. The Company believes this treatment is appropriate given that the general partner controls the partnership, and without the ability to remove the general partner or the power to otherwise exercise a controlling influence over the partnership due to the size of an economic interest, the security holders have no control over the partnership.

Clearwater Trust At November 30, 2010, the Company held approximately 61% of the Clearwater Trust. The Company believes that it is an affiliate of the trust under the 1940 Act by virtue of its majority interest in the trust.

Plains All American Pipeline, L.P. Robert V. Sinnott is chief executive officer of Kayne Anderson Capital Advisors, L.P. (KACALP), the managing member of KAFA. Mr. Sinnott also serves as a director on the board of Plains All American GP LLC, the general partner of Plains All American Pipeline, L.P. Members of senior management and various advisory clients of KACALP and KAFA indirectly own units of Plains All American GP LLC. Various advisory clients of KACALP and KAFA, including the Company, own units in Plains All American Pipeline, L.P. The Company believes that it is an affiliate of Plains All American Pipeline, L.P. under the 1940 Act. The Company does not believe that it is an affiliate of PAA Natural Gas Storage, L.P. based on the current facts and circumstances.

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6. Income Taxes

Deferred income taxes reflect (i) taxes on unrealized gains/(losses), which are attributable to the difference between fair market value and tax basis, (ii) the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and (iii) the net tax benefit of accumulated net operating losses. Components of the Company's deferred tax assets and liabilities as of November 30, 2010 are as follows:

Deferred tax assets:	
Net operating loss carryforwards Federal	\$46,130
Net operating loss carryforwards State	3,769
Capital loss carryforwards	44,361
Other	105
Deferred tax liabilities:	
Net unrealized gains on investment securities, interest rate swap contracts and option contracts	(476,335)
Basis reductions resulting from estimated return of capital	(8,741)
Total net deferred tax liability	\$(390,711)

At November 30, 2010, the Company had federal net operating loss carryforwards of \$136,000 (deferred tax asset of \$46,130). Realization of the deferred tax assets and net operating loss carryforwards are dependent, in part, on generating sufficient taxable income prior to expiration of the loss carryforwards. If not utilized, \$24,287, \$52,182, \$26,118 and \$33,413 of the net operating loss carryforward will expire in 2026, 2027, 2028 and 2029, respectively. As of November 30, 2010, the Company had federal and state capital loss carryforwards of approximately \$119,936 (deferred tax asset of \$44,361). If not utilized, \$50,267, \$67,669 and \$2,000 loss carryforwards will expire in 2013, 2014 and 2015, respectively. For corporations, capital losses can only be used to offset capital gains and cannot be used to offset ordinary income. In addition, the Company has state net operating losses of \$122,480 (deferred tax asset of \$3,769). These state net operating losses begin to expire in 2011 through 2029.

Although the Company currently has a net deferred tax liability, it periodically reviews the recoverability of its deferred tax assets based on the weight of available evidence. When assessing the recoverability of its deferred tax assets, significant weight was given to the effects of potential future realized and unrealized gains on investments and the period over which these deferred tax assets can be realized, as the expiration dates for the federal capital and operating loss carryforwards range from five to nineteen years.

Based on the Company's assessment, it has determined that it is more likely than not that its deferred tax assets will be realized through future taxable income of the appropriate character. Accordingly, no valuation allowance has been established for the Company's deferred tax assets. The Company will continue to assess the need for a valuation allowance in the future. Significant declines in the fair value of its portfolio of investments may change the Company's assessment regarding the recoverability of its deferred tax assets and may result in a valuation allowance. If a valuation allowance is required to reduce any deferred tax asset in the future, it could have a material impact on the

Company's net asset value and results of operations in the period it is recorded.

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Total income taxes were different from the amount computed by applying the federal statutory income tax rate of 35% to the net investment loss and realized and unrealized gains (losses) on investments and interest rate swap contracts before taxes for the fiscal year ended November 30, 2010, as follows:

	Fiscal Year Ended November 30, 2010
Computed expected federal income tax	\$275,861
State income tax, net of federal tax expense	15,837
Non-deductible distributions on mandatory redeemable preferred stock and other	1,292
Total income tax expense	\$292,990

At November 30, 2010, the cost basis of investments for federal income tax purposes was \$1,729,285, and the net cash received on option contracts written was \$1,247. The cost basis of investments includes a \$154,917 reduction in basis attributable to the Company's portion of the allocated losses from its MLP investments. At November 30, 2010, gross unrealized appreciation and depreciation of investments and options for federal income tax purposes were as follows:

Gross unrealized appreciation of investments (including options)	\$1,285,690
Gross unrealized depreciation of investments (including options)	(305)
Net unrealized appreciation of investments before tax	1,285,385
Net unrealized appreciation of investments after tax	\$809,793

7. Restricted Securities

From time to time, certain of the Company's investments may be restricted as to resale. For instance, private investments that are not registered under the Securities Act of 1933, as amended, cannot be offered for public sale in a non-exempt transaction without first being registered. In other cases, certain of the Company's investments have restrictions such as lock-up agreements that preclude the Company from offering these securities for public sale.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)
(amounts in 000 s, except option contracts, share and per share amounts)

At November 30, 2010, the Company held the following restricted investments:

Investment	Security	Acquisition Date	Type of Restriction	Number of Units, Principal (\$)(in 000s)	Cost Basis	Fair Value	Percent of Net Assets	Percent of Total Assets
<u>Level 3 Investments (1)</u>								
Clearwater Trust	Trust	(2)	(3)	N/A	\$4,515	\$4,515	0.3%	0.2%
Inergy Holdings, L.P.	Common Units	6/15/10	(4)	1,175	34,066	45,692	2.5	1.5
Magellan Midstream Partners, L.P.	Common Units	6/10/10	(4)	238	9,546	13,307	0.7	0.4
Total					\$48,127	\$63,514	3.5%	2.1%
<u>Level 2 Investments (5)</u>								
Breitbart Energy Partners L.P.	Senior Notes	10/1/10	(4)	\$6,375	\$6,453	\$6,359	0.4%	0.2%
Crestwood Holdings Partners, LLC	Bank Loan	9/29/10	(3)	6,250	6,128	6,344	0.3	0.2
Genesis Energy, L.P.	Senior Notes	11/12/10	(4)	14,500	14,500	14,373	0.8	0.5
Linn Energy, LLC	Senior Notes	7/21/10	(4)	2,000	2,110	2,120	0.1	0.1
Linn Energy, LLC	Senior Notes	9/8/10	(4)	4,000	3,930	4,060	0.2	0.1
Niska Gas Storage Partners LLC	Senior Notes	2/26/10	(4)	5,000	5,021	5,250	0.3	0.2
Total					\$38,142	\$38,506	2.1%	1.3%
Total of all restricted securities					\$86,269	\$102,020	5.6%	3.4%

(1) Securities are valued using inputs reflecting the Company's own assumptions as more fully described in Note 2 Significant Accounting Policies.

(2) On September 28, 2010, the Bankruptcy Court finalized the plan of reorganization of Clearwater. As part of the plan of reorganization, the Company received an interest in the Clearwater Trust consisting of cash and a coal royalty interest as consideration for its unsecured loan to Clearwater. The Company did not receive any consideration for its equity investment in Clearwater or CNR GP Holdco, LLC. See Notes 3 and 5.

(3) Unregistered security of a private company.

- (4) Unregistered security of a public company.
- (5) These securities have a fair market value determined by the mean of the bid and ask prices provided by a syndicate bank, principal market maker or an independent pricing service as more fully described in Note 2 Significant Accounting Policies. These securities have limited trading volume and are not listed on a national exchange.

8. Derivative Financial Instruments

As required by the Derivatives and Hedging Topic of the FASB Accounting Standards Codification, below are the derivative instruments and hedging activities of the Company. See Note 2 Significant Accounting Policies.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)
(amounts in 000 s, except option contracts, share and per share amounts)

Option Contracts Transactions in option contracts for the fiscal year ended November 30, 2010 were as follows:

	Number of Contracts	Premium
Put Options Purchased		
Options outstanding at beginning of year	1,386	\$89
Options purchased	1,000	21
Options expired	(2,386)	(110)
Options outstanding at end of year		\$
Call Options Written		
Options outstanding at beginning of year	7,000	\$584
Options written	63,417	6,327
Options subsequently repurchased (1)	(25,936)	(2,368)
Options exercised	(33,405)	(3,209)
Options expired	(1,526)	(87)
Options outstanding at end of year	9,550	\$1,247

(1) The price at which the Company subsequently repurchased the options was \$870, which resulted in a realized gain of \$1,498.

Interest Rate Swap Contracts The Company may enter into interest rate swap contracts to partially hedge itself from increasing interest expense on its leverage resulting from increasing short-term interest rates. A decline in future interest rates may result in a decline in the value of the swap contracts, which, everything else being held constant, would result in a decline in the net assets of the Company. In addition, if the counterparty to the interest rate swap contracts defaults, the Company would not be able to use the anticipated receipts under the swap contracts to offset the interest payments on the Company's leverage. At the time the interest rate swap contracts reach their scheduled termination, there is a risk that the Company would not be able to obtain a replacement transaction or that the terms of the replacement transaction would not be as favorable as on the expiring transaction. In addition, if the Company is required to terminate any swap contract early, then the Company could be required to make a termination payment. As of November 30, 2010, the Company did not have any interest rate swap contracts outstanding.

The following table sets forth the fair value of the Company's derivative instruments on the Statement of Assets and Liabilities.

Derivatives Not Accounted for as	Fair Value as of
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Hedging Instruments	Statement of Assets and Liabilities Location	November 30, 2010
Call options	Call option contracts written	\$822

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KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)
(amounts in 000 s, except option contracts, share and per share amounts)

The following table sets forth the effect of the Company's derivative instruments on the Statement of Operations.

		For the Fiscal Year Ended November 30, 2010	
		Change in Net Realized Gains/(Losses) on Derivatives Recognized in Income	Unrealized Gains/(Losses) on Derivatives Recognized in Income
Derivatives Not Accounted for as Hedging Instruments	Location of Gains/(Losses) on Derivatives	Recognized in Income	Recognized in Income
Put options	Options	\$(111)	\$75
Call options	Options	1,586	1,232
Interest rate swap contracts	Interest rate swap contracts	(664)	205
		\$811	\$1,512

9. Investment Transactions

For the fiscal year ended November 30, 2010, the Company purchased and sold securities in the amounts of \$1,117,089 and \$414,822 (excluding short-term investments, options and interest rate swaps), respectively.

10. Revolving Credit Facility

On June 11, 2010, the Company entered into a new \$100,000 unsecured revolving credit facility (the "Credit Facility") with a syndicate of lenders. The Credit Facility has a three-year commitment maturing on June 11, 2013. The interest rate may vary between LIBOR plus 1.75% to LIBOR plus 3.00%, depending on the Company's asset coverage ratios. Outstanding loan balances will accrue interest daily at a rate equal to one-month LIBOR plus 1.75% based on current asset coverage ratios. The Company will pay a fee of 0.40% on any unused amounts of the Credit Facility. See Financial Highlights for the Company's asset coverage ratios under the 1940 Act.

For the fiscal year ended November 30, 2010, the average amount outstanding under the Credit Facility was \$26,511 with a weighted average interest rate of 2.61%. As of November 30, 2010, the Company had no outstanding borrowings on the Credit Facility.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)
(amounts in 000 s, except option contracts, share and per share amounts)

11. Senior Unsecured Notes

At November 30, 2010, the Company had \$620,000, aggregate principal amount, of senior unsecured fixed and floating rate notes (the Senior Unsecured Notes) outstanding.

The table below sets forth the key terms of each series of the Senior Unsecured Notes.

Series	Principal Outstanding, November 30, 2009	Principal Issued	Principal Outstanding, November 30, 2010	Estimated Fair Value, November 30, 2010	Fixed/Floating Interest Rate	Maturity
G	\$75,000		\$75,000	\$77,700	5.645%	6/19/2011
I	60,000		60,000	64,300	5.847%	6/19/2012
K	125,000		125,000	137,900	5.991%	6/19/2013
M	60,000		60,000	64,200	4.560%	11/4/2014
N	50,000		50,000	50,300	3-month LIBOR + 185 bps	11/4/2014
O		\$65,000	65,000	68,800	4.210%	5/7/2015
P		45,000	45,000	45,200	3-month LIBOR + 160 bps	5/7/2015
Q		15,000	15,000	15,100	3.230%	11/9/2015
R		25,000	25,000	24,900	3.730%	11/9/2017
S		60,000	60,000	59,800	4.400%	11/9/2020
T		40,000	40,000	40,300	4.500%	11/9/2022
	\$370,000	\$250,000	\$620,000	\$648,500		

Holders of the fixed rate Senior Unsecured Notes (Series G, Series I, Series K, Series M, Series O, Series Q, Series R, Series S, and Series T) are entitled to receive cash interest payments semi-annually (on June 19 and December 19) at the fixed rate. Holders of the floating rate Senior Unsecured Notes (Series N and Series P) are entitled to receive cash interest payments quarterly (on March 19, June 19, September 19 and December 19) at the floating rate equal to 3-month LIBOR plus 1.85% and 3-month LIBOR plus 1.60%, respectively. During the period, the average principal balance outstanding was \$441,123 with a weighted average interest rate of 4.88%.

The Senior Unsecured Notes were issued in private placement offerings to institutional investors and are not listed on any exchange or automated quotation system. The Senior Unsecured Notes contain various covenants related to other indebtedness, liens and limits on the Company's overall leverage. Under the 1940 Act and the terms of the Senior Unsecured Notes, the Company may not declare dividends or make other distributions on shares of common stock or purchases of such shares if, at any time of the declaration, distribution or purchase, asset coverage with respect to the

outstanding Senior Unsecured Notes would be less than 300%.

The Senior Unsecured Notes are redeemable in certain circumstances at the option of the Company. The Senior Unsecured Notes are also subject to a mandatory redemption to the extent needed to satisfy certain requirements if the Company fails to meet an asset coverage ratio required by law and is not able to cure the coverage deficiency by the applicable deadline, or fails to cure a deficiency as stated in the Company's rating agency guidelines in a timely manner.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)
(amounts in 000 s, except option contracts, share and per share amounts)

The Senior Unsecured Notes are unsecured obligations of the Company and, upon liquidation, dissolution or winding up of the Company, will rank: (1) senior to all the Company's outstanding preferred shares; (2) senior to all of the Company's outstanding common shares; (3) on a parity with any unsecured creditors of the Company and any unsecured senior securities representing indebtedness of the Company; and (4) junior to any secured creditors of the Company.

At November 30, 2010, the Company was in compliance with all covenants under the Senior Unsecured Notes agreements.

12. Preferred Stock

At November 30, 2010, the Company had 6,400,000 shares of mandatory redeemable preferred stock outstanding, with a liquidation value of \$160,000.

The table below sets forth the key terms of each series of the mandatory redeemable preferred stock.

Series	Shares (1)	Liquidation Value	Estimated Fair Value, November 30, 2010	Rate	Mandatory Redemption Date
A	4,400,000	\$110,000	\$117,300	5.57%	5/7/2017
B	320,000	8,000	8,000	4.53%	11/9/2017
C	1,680,000	42,000	42,000	5.20%	11/9/2020
	6,400,000	\$160,000	\$167,300		

(1) Each share has a \$25 liquidation value.

Holders of the mandatory redeemable preferred stock are entitled to receive cumulative cash distribution payments on the first business day following each quarterly period (February 28, May 31, August 31 and November 30). If the rating provided by Fitch Ratings falls below A (or the equivalent rating of another nationally recognized agency), the annual distribution rate on the mandatory redeemable preferred stock will increase between 0.5% and 4.0%, depending on the rating. The annual distribution rate will increase by 4.0% if no ratings are maintained and the distribution rate will increase by 5.0% if the Company fails to make quarterly distribution or certain other payments.

The mandatory redeemable preferred stock rank senior to all of the Company's outstanding common shares and on parity with any other preferred stock. The mandatory redeemable preferred stock is redeemable in certain circumstances at the option of the Company and are also subject to a mandatory redemption if the Company fails to

meet a total leverage (debt and preferred stock) asset coverage ratio of 225% or fails to maintain its basic maintenance amount as stated in the Company's rating agency guidelines.

Under the terms of the mandatory redeemable preferred stock, the Company may not declare dividends or pay other distributions on shares of common stock or purchases of such shares if, at any time of the declaration, distribution or purchase, asset coverage with respect to total leverage would be less than 225%.

The holders of the mandatory redeemable preferred stock have one vote per share and will vote together with the holders of common stock as a single class except on matters affecting only the holders of

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KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)
(amounts in 000 s, except option contracts, share and per share amounts)

mandatory redeemable preferred stock or the holders of common stock. The holders of the mandatory redeemable preferred stock, voting separately as a single class, have the right to elect at least two directors of the Company.

At November 30, 2010, the Company was in compliance with the asset coverage and basic maintenance requirements of its mandatory redeemable preferred stock.

13. Common Stock

The Company has 199,990,000 shares of common stock authorized and 68,471,401 shares outstanding at November 30, 2010. As of that date, KACALP owned 4,000 shares. Transactions in common shares for the fiscal year ended November 30, 2010 were as follows:

Shares outstanding at November 30, 2009	51,579,541
Shares issued through reinvestment of distributions	1,045,210
Shares issued in connection with offerings of common stock (1)	15,846,650
Shares outstanding at November 30, 2010	68,471,401

- (1) On January 20, 2010, the Company closed its public offering of 6,291,600 shares of common stock at a price of \$23.61 per share. Total net proceeds from the offering were \$142,431 and were used by the Company to make additional portfolio investments that are consistent with the Company's investment objective, and for general corporate purposes.

On June 10 and June 15, 2010, the Company completed two private placements of unregistered common stock to members of senior management of Magellan Midstream Partners, L.P. (MMP) and Inergy Holdings, L.P (NRG) , respectively. The Company issued a total of 1,511,173 shares at an average price of \$23.90 per share. Simultaneous with the issuance of the Company's common stock, the Company purchased \$35,000 of NRG common units and \$9,862 of MMP common units owned by such members of senior management.

On August 11, 2010, the Company closed its public offering of 7,250,000 shares of common stock at a price of \$26.30 per share. Total net proceeds from the offering were \$182,921 and were used by the Company to make additional portfolio investments that are consistent with the Company's investment objective, and for general corporate purposes.

14. Subsequent Events

On December 15, 2010, the Company declared its quarterly distribution of \$0.485 per common share for the period September 1, 2010 through November 30, 2010 for a total of \$33,209. The distribution was paid on January 14, 2011 to stockholders of record on January 5, 2011. Of this total, pursuant to the Company's dividend reinvestment plan, \$6,933 was reinvested into the Company through the issuance of 242,080 shares of common stock.

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**KAYNE ANDERSON MLP INVESTMENT COMPANY
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of
Kayne Anderson MLP Investment Company

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations, of changes in net assets applicable to common stockholders and of cash flows and the financial highlights present fairly, in all material respects, the financial position of Kayne Anderson MLP Investment Company (the Company) at November 30, 2010, and the results of its operations and its cash flows for the year then ended, the changes in its net assets applicable to common stockholders for each of the two years in the period then ended and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as financial statements) are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at November 30, 2010 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP

Los Angeles, California
January 31, 2011

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**UNAUDITED FINANCIAL STATEMENTS AS OF AND FOR
THE THREE MONTHS ENDED FEBRUARY 28, 2011 AND FINANCIAL HIGHLIGHTS
FOR THE PERIOD SEPTEMBER 28, 2004 THROUGH NOVEMBER 30, 2004,
THE FISCAL YEARS ENDED NOVEMBER 30, 2005 THROUGH 2010 AND
THE THREE MONTHS ENDED FEBRUARY 28, 2011**

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**KAYNE ANDERSON MLP INVESTMENT COMPANY
MANAGEMENT DISCUSSION
(UNAUDITED)**

Company Overview

Kayne Anderson MLP Investment Company is a non-diversified, closed-end fund formed in September 2004. Our investment objective is to obtain a high after-tax total return by investing at least 85% of our total assets in energy-related master limited partnerships and their affiliates (MLPs) and in other companies that operate assets used in the gathering, transporting, processing, storing, refining, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, refined petroleum products or coal (collectively with MLPs, Midstream Energy Companies).

As of February 28, 2011, we had total assets of \$3.3 billion, net assets applicable to our common stock of \$2.0 billion (net asset value per share of \$28.73), and 68.7 million shares of common stock outstanding.

Our investments are principally in equity securities issued by MLPs, but we may also invest in debt securities of MLPs and debt/equity securities of Midstream Energy Companies. As of February 28, 2011, we held \$3.3 billion in equity investments and \$33.2 million in debt investments.

Recent Events

On April 8, 2011, we closed our public offering of 5.7 million shares of common stock at a price of \$30.58 per share. Net proceeds from the offering of \$167.4 million were used to make additional portfolio investments that are consistent with our investment objective and policies and for general corporate purposes.

On April 27, 2011, we reached a conditional agreement with institutional investors relating to a private placement of \$225 million of senior unsecured notes (Senior Notes). The table below sets forth the key terms of the Senior Notes:

Series	Amount (\$ in millions)	Rate	Term
Series U	\$60	3-month LIBOR + 145 bps	5 years
Series V	65	3.71%	5 years
Series W	100	4.38%	7 years
Total	\$225		

Net proceeds from such offering will be used to repay borrowings under our revolving credit facility, to refinance the Series G Senior Notes that mature in June 2011 (\$75 million principal amount), to make new portfolio investments and for general corporate purposes. Closing of the Senior Notes is scheduled for late May and is subject to investor due diligence, legal documentation and other standard closing conditions.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
MANAGEMENT DISCUSSION
(UNAUDITED)

Our Top Ten Portfolio Investments as of February 28, 2011

Listed below are our top ten portfolio investments by issuer as of February 28, 2011.

	Holding	Sector	Amount (\$ millions)	Percent of Long-Term Investments
1.	Enterprise Products Partners L.P.	Midstream MLP	\$286.6	8.6%
2.	Magellan Midstream Partners, L.P.	Midstream MLP	216.5	6.5
3.	Kinder Morgan Management, LLC	MLP Affiliate	203.3	6.1
4.	Plains All American Pipeline, L.P.	Midstream MLP	188.3	5.7
5.	Inergy, L.P.	Propane MLP	166.2	5.0
6.	MarkWest Energy Partners, L.P.	Midstream MLP	156.7	4.7
7.	Williams Partners L.P.	Midstream MLP	156.0	4.7
8.	Copano Energy, L.L.C.	Midstream MLP	117.9	3.6
9.	Energy Transfer Partners, L.P.	Midstream MLP	114.8	3.5
		General Partner		
10.	Energy Transfer Equity, L.P.	MLP	112.9	3.4
			\$1,719.2	51.8%

Results of Operations For the Three Months Ended February 28, 2011

Investment Income. Investment income totaled \$6.5 million and consisted primarily of net dividends and distributions and interest and other income on our investments. Interest and other income was \$1.5 million, and we received \$42.0 million of cash dividends and distributions, of which \$37.0 million was treated as return of capital during the period. During the quarter, we received \$5.0 million of paid-in-kind dividends, which is not included in investment income, but is reflected as an unrealized gain.

Operating Expenses. Operating expenses totaled \$21.9 million, including \$10.7 million of investment management fees, \$7.8 million of interest expense (including non-cash amortization of debt issuance costs of \$0.3 million), and \$1.1 million of other operating expenses. Management fees are calculated based on the average total assets under management. Preferred stock distributions for the first quarter were \$2.2 million (including non-cash amortization of \$0.1 million).

Net Investment Loss. Our net investment loss totaled \$9.7 million and included a deferred income tax benefit of \$5.7 million.

Net Realized Gains. We had net realized gains from our investments of \$31.4 million, net of \$18.7 million of deferred tax expense.

Net Change in Unrealized Gains. We had net unrealized gains of \$152.6 million. The net unrealized gain consisted of \$243.4 million of unrealized gains from investments and a deferred tax expense of \$90.8 million.

Net Increase in Net Assets Resulting from Operations. We had an increase in net assets resulting from operations of \$174.3 million. The composition of this increase was as follows: (a) net investment loss of

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KAYNE ANDERSON MLP INVESTMENT COMPANY
MANAGEMENT DISCUSSION
(UNAUDITED)

\$9.7 million; (b) net realized gains of \$31.4 million; and (c) net unrealized gains of \$152.6 million, as noted above.

Distributions to Common Stockholders

We pay quarterly distributions to our common stockholders, funded in part by net distributable income (NDI) generated from our portfolio investments. NDI is the amount of income received by us from our portfolio investments less operating expenses, subject to certain adjustments as described below. NDI is not a financial measure under the accounting principles generally accepted in the United States of America (GAAP). Refer to the Reconciliation of NDI to GAAP section below for a reconciliation of this measure to our results reported under GAAP.

Income from portfolio investments includes (a) cash dividends and distributions, (b) paid-in-kind dividends received (i.e., stock dividends), (c) interest income from debt securities and commitment fees from private investments in public equity (PIPE) and (d) net premiums received from the sale of covered calls.

Operating expenses include (a) investment management fees paid to our investment adviser, (b) other expenses (mostly attributable to fees paid to other service providers), (c) interest expense and preferred stock distributions and (d) deferred income tax expense/benefit on net investment income/loss.

Net Distributable Income (NDI)
(amounts in millions, except for per share amounts)

	Three Months Ended February 28, 2011
Distributions and Other Income from Investments	
Dividends and Distributions	\$42.0
Paid-In-Kind Dividends	5.5
Interest and Other Income (1)	2.2
Net Premiums Received from Call Options Written	1.6
Total Distributions and Other Income from Investments	51.3
Expenses	
Investment Management Fee	(10.7)
Other Expenses	(1.1)
Total Management Fee and Other Expenses	(11.8)
Interest Expense	(7.5)
Preferred Stock Distributions	(2.1)
Income Tax Benefit	5.7
Net Distributable Income (NDI)	\$35.6

Weighted Shares Outstanding	68.6
NDI per Weighted Share Outstanding	\$0.52

- (1) Includes \$1.0 million of commitment fees from PIPE investments, which is recorded as a reduction to the cost of the investment.

Payment of future distributions is subject to Board of Directors approval, as well as meeting the covenants of our debt agreements and terms of our preferred stock. In determining our quarterly distribution to

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**KAYNE ANDERSON MLP INVESTMENT COMPANY
MANAGEMENT DISCUSSION
(UNAUDITED)**

common stockholders, our Board of Directors considers a number of factors that include, but are not limited to:

NDI generated in the current quarter;

Expected NDI over the next twelve months; and

Realized and unrealized gains generated by the portfolio.

On March 22, 2011, we increased our quarterly distribution to \$0.49 from \$0.485 per common share for the period December 1, 2010 through February 28, 2011 for a total quarterly distribution payment of \$33.7 million. The distribution was paid on April 15, 2011 to stockholders of record on April 5, 2011.

Reconciliation of NDI to GAAP

The difference between distributions and other income from investments in the NDI calculation and total investment income as reported in our Statement of Operations is reconciled as follows:

GAAP recognizes that a significant portion of the cash distributions received from MLPs is characterized as a return of capital and therefore excluded from investment income, whereas the NDI calculation includes the return of capital portion of such distributions.

NDI includes the value of dividends paid-in-kind, whereas such amounts are not included as investment income for GAAP purposes, but rather are recorded as unrealized gains upon receipt.

NDI includes commitment fees from PIPE investments, whereas such amounts are generally not included in investment income for GAAP purposes, but rather are recorded as a reduction to the cost of the investment.

Many of our investments in debt securities were purchased at a discount or premium to the par value of such security. When making such investments, we consider the security's yield to maturity, which factors in the impact of such discount (or premium). Interest income reported under GAAP includes the non-cash accretion of the discount (or amortization of the premium) based on the effective interest method. When we calculate interest income for purposes of determining NDI, in order to better reflect the yield to maturity, the accretion of the discount (or amortization of the premium) is calculated on a straight-line basis to the earlier of the expected call date or the maturity of the debt security.

We may sell covered call option contracts to generate income or to reduce our ownership of certain securities that we hold. In some cases, we are able to repurchase these call option contracts at a price less than the fee that we received, thereby generating a profit. The amount we received from selling call options, less the amount that we pay to repurchase such call option contracts is included in NDI. For GAAP purposes, premiums received from call option contracts sold is not included in investment income. See Note 2 Significant Accounting Policies for a full discussion of the GAAP treatment of option contracts.

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**KAYNE ANDERSON MLP INVESTMENT COMPANY
MANAGEMENT DISCUSSION
(UNAUDITED)**

The treatment of expenses included in NDI also differs from what is reported in the Statement of Operations as follows:

The non-cash amortization of capitalized debt issuance costs and preferred stock offering costs related to our financings is included in interest expense and distributions on mandatory redeemable preferred stock for GAAP purposes, but is excluded from our calculation of NDI. Further, write-offs of capitalized debt issuance costs and preferred stock offering costs are excluded from our calculation of NDI, but are included in interest expense for GAAP purposes.

NDI also includes recurring payments (or receipts) on interest rate swap contracts (excluding termination payments) whereas for GAAP purposes, these amounts are included in the realized gains/losses section of the Statement of Operations.

Liquidity and Capital Resources

Total leverage outstanding at February 28, 2011 of \$836.0 million is comprised of \$620.0 million in senior unsecured notes, \$160.0 million in mandatory redeemable preferred stock and \$56.0 million outstanding under our senior unsecured revolving credit facility (the Credit Facility). Total leverage represented 25% of total assets at February 28, 2011. As of April 21, 2011, we had \$74.0 million borrowed under our Credit Facility.

The Credit Facility has a \$150.0 million commitment maturing on June 11, 2013. The Credit Facility was increased by \$50.0 million effective February 25, 2011. The interest rate may vary between LIBOR plus 1.75% and LIBOR plus 3.00%, depending on our asset coverage ratios. Outstanding loan balances accrue interest daily at a rate equal to one-month LIBOR plus 1.75% based on current asset coverage ratios. We pay a commitment fee of 0.40% per annum on any unused amounts of the Credit Facility. A full copy of our Credit Facility is available on our website, www.kaynefunds.com.

At February 28, 2011, our asset coverage ratios under the Investment Company Act of 1940, as amended (the 1940 Act), were 416% and 336% for debt and total leverage (debt plus preferred stock), respectively. We currently target an asset coverage ratio with respect to our debt of 375%, but at times may be above or below our target depending on market conditions.

At February 28, 2011, we had \$620.0 million of senior unsecured notes outstanding with the following maturity dates: \$75.0 million matures in 2011; \$60.0 million matures in 2012; \$125.0 million matures in 2013; \$110.0 million matures in 2014; \$125.0 million matures in 2015; \$25.0 million matures in 2017; \$60.0 million matures in 2020; and \$40.0 million matures in 2022. At February 28, 2011, we had \$160.0 million of mandatory redeemable preferred stock with the following redemption dates: \$118.0 million redeemable in 2017 and \$42.0 million redeemable in 2020.

As of February 28, 2011, our leverage consisted of both fixed rate (82%) and floating rate (18%) obligations. At such date, the weighted average interest rate on our leverage was 4.65%.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
SCHEDULE OF INVESTMENTS
FEBRUARY 28, 2011
(amounts in 000 s, except number of option contracts)
(UNAUDITED)

Description	No. of Shares/Units	Value
Long-Term Investments 167.9%		
Equity Investments (1) 166.2%		
Midstream MLP (2) 117.0%		
Boardwalk Pipeline Partners, LP	510	\$16,935
Buckeye Partners, L.P.	691	44,789
Buckeye Partners, L.P. Unregistered, Class B Units (3)(4)	535	29,903
Chesapeake Midstream Partners, L.P.	1,154	30,038
Copano Energy, L.L.C.	3,257	117,922
Crestwood Midstream Partners LP	1,132	34,085
Crosstex Energy, L.P.	2,641	44,901
DCP Midstream Partners, L.P.	1,599	67,590
Duncan Energy Partners L.P. (5)	511	20,820
Eagle Rock Energy Partners, L.P.	237	2,300
El Paso Pipeline Partners, L.P.	2,763	104,160
Enbridge Energy Partners, L.P.	1,309	87,783
Energy Transfer Partners, L.P.	2,094	114,839
Enterprise Products Partners L.P.	6,574	286,617
Exterran Partners, L.P.	1,627	48,308
Global Partners LP	1,825	49,830
Holly Energy Partners, L.P.	635	37,893
Magellan Midstream Partners, L.P.	3,582	216,495
MarkWest Energy Partners, L.P.	3,490	156,687
Martin Midstream Partners L.P.	240	9,511
Niska Gas Storage Partners LLC	725	14,687
ONEOK Partners, L.P. (5)	1,302	108,250
PAA Natural Gas Storage, L.P.	261	6,367
PAA Natural Gas Storage, L.P. Unregistered (3)	1,402	31,841
Plains All American Pipeline, L.P. (6)	2,876	188,317
Regency Energy Partners L.P.	3,762	104,459
Spectra Energy Partners, L.P.	813	26,715
Sunoco Logistics Partners L.P.	283	25,076
Targa Resources Partners L.P.	1,243	42,586
Transmontaigne Partners L.P.	614	24,408
Western Gas Partners L.P.	1,638	59,369
Williams Partners L.P.	3,008	155,979
		2,309,460

MLP Affiliates (2) 13.9%

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Enbridge Energy Management, L.L.C. (4)	1,043	69,767
Kinder Morgan Management, LLC (4)	3,099	203,331
		273,098
General Partner MLP 13.6%		
Alliance Holdings GP L.P.	1,092	60,213
Energy Transfer Equity, L.P.	2,810	112,916
Penn Virginia GP Holdings, L.P.	2,211	58,821
Plains All American GP LLC Unregistered (3)(6)	24	36,974
		268,924
Propane MLP 8.4%		
Inergy, L.P. (5)	4,007	166,215

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
SCHEDULE OF INVESTMENTS
FEBRUARY 28, 2011
(amounts in 000 s, except number of option contracts)
(UNAUDITED)

Description	No. of Shares/Units	Value
Shipping MLP 7.5%		
Capital Product Partners L.P.	2,646	\$25,721
Navios Maritime Partners L.P.	1,685	33,465
Teekay LNG Partners L.P.	1,182	45,018
Teekay Offshore Partners L.P.	1,536	44,194
		148,398
Midstream & Other 3.9%		
Clearwater Trust (3)(6)(7)	N/A	3,980
Kinder Morgan, Inc. (8)	1,021	31,140
Knightsbridge Tankers Ltd.	184	4,476
ONEOK, Inc.	385	24,840
Teekay Tankers Ltd.	1,168	12,483
		76,919
Upstream MLP 1.7%		
EV Energy Partners, L.P.	254	11,603
Legacy Reserves L.P.	701	21,751
		33,354
Coal MLP 0.2%		
Penn Virginia Resource Partners, L.P.	157	4,481
Total Equity Investments (Cost \$1,907,863)		3,280,849

Interest Rate	Maturity Date	Principal
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