

Kayne Anderson MLP Investment CO

Form N-30B-2

November 01, 2010

**Table of Contents**

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**CONTENTS**

|   |           |
|---|-----------|
| <u>Management Discussion</u>  | Page<br>1 |
| <u>Schedule of Investments</u>  | 6         |
| <u>Statement of Assets and Liabilities</u>                                  | 10        |
| <u>Statement of Operations</u>  | 11        |
| <u>Statement of Changes in Net Assets Applicable to Common Stockholders</u> | 12        |
| <u>Statement of Cash Flows</u>  | 13        |
| <u>Financial Highlights</u>   | 14        |
| <u>Notes to Financial Statements</u>  | 16        |

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS:** This report of Kayne Anderson MLP Investment Company ( the Company ) contains forward-looking statements as defined under the U.S. federal securities laws. Generally, the words believe, expect, intend, estimate, anticipate, project, will and expressions identify forward-looking statements, which generally are not historical in nature. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to materially differ from the Company s historical experience and its present expectations or projections indicated in any forward-looking statements. These risks include, but are not limited to, changes in economic and political conditions; regulatory and legal changes; master limited partnership industry risk; leverage risk; valuation risk; interest rate risk; tax risk; and other risks discussed in the Company s filings with the Securities and Exchange Commission ( SEC ). You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. The Company undertakes no obligation to update or revise any forward-looking statements made herein. There is no assurance that the Company s investment objectives will be attained.

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Table of Contents

**KAYNE ANDERSON MLP INVESTMENT COMPANY  
MANAGEMENT DISCUSSION  
FOR THE QUARTER ENDED AUGUST 31, 2010  
(UNAUDITED)**

**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 August 31, 2010, we had total assets of \$2.5 billion, net assets applicable to our common stock of \$1.6 billion (\$23.96 per share), and 67.4 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 other Midstream Energy Companies. As of August 31, 2010, we held \$2.4 billion in equity investments and \$54.7 million in fixed income investments. Our top 10 largest holdings by issuer as of that date were:

| Company (Sector)                                      | Type of Securities | Amount (\$ millions) | Percent of Total Investments |
|---|--------------------|----------------------|------------------------------|
| 1. Magellan Midstream Partners, L.P. (Midstream MLP)  | Common Units       | \$ 179.0             | 7.2%                         |
| 2. Enterprise Products Partners L.P. (Midstream MLP)  | Common Units       | 178.2                | 7.2%                         |
| 3. Plains All American Pipeline, L.P. (Midstream MLP) | Common Units       | 172.7                | 7.0%                         |
| 4. Kinder Morgan Management, LLC (MLP Affiliate)      | Common Units       | 166.3                | 6.7%                         |
| 5. MarkWest Energy Partners, L.P. (Midstream MLP)     | Common Units       | 128.5                | 5.2%                         |
| 6. Williams Partners L.P. (Midstream MLP)             | Common Units       | 114.8                | 4.6%                         |
| 7. Inergy, L.P. (Propane MLP)                         | Common Units       | 108.4                | 4.4%                         |
| 8. Energy Transfer Equity, L.P. (General Partner MLP) | Common Units       | 92.0                 | 3.7%                         |
| 9. Copano Energy, L.L.C. (Midstream MLP)              | Common Units       | 88.2                 | 3.5%                         |
| 10. Enbridge Energy Partners, L.P. (Midstream MLP)    | Common Units       | 84.2                 | 3.4%                         |

**Financial Results**

During the quarter ended August 31, 2010, our net asset value ( NAV ) per share increased from \$21.90 to \$23.96, and total assets increased from \$2.1 billion to \$2.5 billion. The increase in NAV was driven primarily by unrealized gains on our investments. The increase in total assets was a result of unrealized gains as well as increased investments from the proceeds of our common stock offering in August 2010. We provide a detailed calculation of net distributable income below under Quarterly Distribution to Common Stockholders.

**Recent Events**

**Credit Facility.** On June 11, 2010, we entered into a new unsecured revolving credit facility with a syndicate of lenders with availability of \$100 million. The credit facility has a three-year commitment terminating on June 11, 2013. Outstanding loan balances will accrue interest daily at a rate equal to the one-month LIBOR plus 1.75% based

on current asset coverage ratios. The interest rate may vary between LIBOR plus 1.75% to LIBOR plus 3.00%, depending on our asset coverage ratios. We will pay a fee of 0.40% on any unused amounts of the credit facility.

**Private Placements.** On June 10, 2010 and June 15, 2010, we 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. ( NRGP ), respectively. The Company issued a total of 1.5 million shares at an average price of \$23.90 per share. Simultaneous with the issuance of the Company's common stock, the Company purchased \$35

**Table of Contents**

**KAYNE ANDERSON MLP INVESTMENT COMPANY  
MANAGEMENT DISCUSSION  
FOR THE QUARTER ENDED AUGUST 31, 2010  
(UNAUDITED)**

million of NRGP common units and \$9.9 million of MMP common units owned by such members of senior management.

**Common Share Offering.** On August 11, 2010, we completed a public offering of 7.3 million shares of common stock at a price of \$26.30 per share (the offering price represented a 4% premium to our net asset value at such time). Net proceeds from the offering of \$182.9 million were used to make additional portfolio investments. These new investments were consistent with our investment strategy and were predominately made in equity securities of midstream MLPs. On September 9, 2010, we issued 793,877 shares of common stock at a price of \$26.30 per share as part of the over-allotment option in connection with the August offering.

**Quarterly Distribution 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.

**Table of Contents**

**KAYNE ANDERSON MLP INVESTMENT COMPANY**  
**MANAGEMENT DISCUSSION**  
**FOR THE QUARTER ENDED AUGUST 31, 2010**  
**(UNAUDITED)**  
**Net Distributable Income (NDI)**  
(amounts in millions, except for per share amounts)

|   | <b>Three Months<br/>Ended<br/>August 31,<br/>2010</b> |
|---|---|
| <b>Distributions and Other Income from Investments</b>        |   |
| Dividends and Distributions                                   | \$ 34.9   |
| Paid-In-Kind Dividends  | 3.8   |
| Interest Income   | 1.0   |
| Net Premiums Received from Call Options Written               | 1.4   |
| <b>Total Distributions and Other Income from Investments</b>  | <b>41.1</b>   |
| <b>Expenses</b>   |   |
| Investment Management Fee                                     | (7.8)   |
| Other Expenses  | (0.9)   |
| <b>Total Management Fee and Other Expenses</b>                | <b>(8.7)</b>  |
| Interest Expense and Payments on Interest Rate Swap Contracts | (6.0)   |
| Preferred Stock Distributions                                 | (1.5)   |
| Income Tax Benefit  | 3.7   |
| <b>Net Distributable Income (NDI)</b>                         | <b>\$ 28.6</b>  |
| Weighted Shares Outstanding                                   | 61.5  |
| <b>NDI per Weighted Share Outstanding</b>                     | <b>\$ 0.46</b>  |

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 which 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 September 21, 2010, we declared our quarterly distribution of \$0.48 per common share for the period June 1, 2010 through August 31, 2010 for a total of \$32.4 million. The distribution was paid on October 15, 2010 to stockholders of record on October 5, 2010. Net distributable income for the quarter was less than our quarterly distribution, in part because we were not able to invest all of the proceeds from the issuance of common stock and additional leverage before ex-dividend dates of our portfolio of MLPs.

**Distributions and Other Income**

Total dividends, distributions and paid-in-kind dividends for the third quarter 2010 were \$38.7 million representing a 6.5% increase from the second quarter 2010. The increase was primarily the result of distribution

increases and additional investments made with a portion of the net proceeds from our common stock offering in August 2010. During this quarter, interest income of \$1 million was in line with the second quarter, and net premiums received from call options written were \$1.4 million, which was an increase of \$0.4 million from the second quarter. Market conditions during the third quarter enabled us to generate the additional net premiums.



**Table of Contents**

**KAYNE ANDERSON MLP INVESTMENT COMPANY  
MANAGEMENT DISCUSSION  
FOR THE QUARTER ENDED AUGUST 31, 2010  
(UNAUDITED)**

**Expenses**

Our largest expenses are investment management fees and leverage costs. Management fees are calculated based on the average total assets under management. For the third quarter 2010, management fees were \$7.8 million, compared to \$6.9 million for the second quarter 2010. Increased management fees were driven by increases in our total assets due to appreciation and additional investments made with the proceeds from our recent equity offering.

Interest expense (excluding non-cash amortization of debt issuance costs of \$0.3 million) for the third quarter 2010 was \$6.0 million, compared to \$5.4 million (including payments of interest swaps of \$0.1 million and excluding non-cash amortization of debt issuance costs of \$0.3 million) for the second quarter 2010. Preferred stock distributions for the third quarter were \$1.5 million (excluding non-cash amortization of 0.08 million).

Other expenses of \$0.9 million for the third quarter 2010 were in line with the \$0.9 million for the second quarter 2010.

**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



**Table of Contents**

**KAYNE ANDERSON MLP INVESTMENT COMPANY  
MANAGEMENT DISCUSSION  
FOR THE QUARTER ENDED AUGUST 31, 2010  
(UNAUDITED)**

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 August 31, 2010 of \$590 million is comprised of \$480 million in senior unsecured notes and \$110 million in mandatory redeemable preferred stock. At August 31, 2010, we did not have any borrowings outstanding under our credit facility. Total leverage represented 24% of total assets at August 31, 2010, as compared to 29% of total assets at May 31, 2010.

At August 31, 2010, our asset coverage ratios under the Investment Company Act of 1940, as amended ( the 1940 Act ), were 459% and 374% 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 August 31, 2010, we had \$480 million of senior unsecured notes outstanding with the following maturity dates: \$75 million matures in 2011 (Series G); \$60 million matures in 2012 (Series I); \$125 million matures in 2013 (Series K); \$110 million matures in 2014 (Series M and Series N); and \$110 million matures in 2015 (Series O and Series P).

On June 11, 2010, we entered into a new \$100 million unsecured revolving credit facility with a syndicate of lenders. The facility has a three-year commitment terminating on June 11, 2013. With this new credit facility, we were able to increase the size by \$20 million, extend the term from one year to three years, and reduce the interest rate by 0.5% based on current asset coverage ratios. A full copy of the credit facility is available on our website, [www.kaynefunds.com](http://www.kaynefunds.com).

Our leverage consists of both fixed rate and floating rate obligations. At August 31, 2010, the weighted average interest rate on our leverage was 4.98%.

**Table of Contents**

**KAYNE ANDERSON MLP INVESTMENT COMPANY**  
**SCHEDULE OF INVESTMENTS**  
**AUGUST 31, 2010**  
(amounts in 000 s, except number of option contracts)  
**(UNAUDITED)**

| <u>Description</u>                                | <b>No. of<br/>Shares/Units</b> | <b>Value</b> |
|---|--------------------------------|--------------|
| <b>Long-Term Investments 152.8%</b>               |                                |              |
| <b>Equity Investments(a) 149.4%</b>               |                                |              |
| <b>Midstream MLP(b) 102.0%</b>                    |                                |              |
| Boardwalk Pipeline Partners, LP                   | 587                            | \$ 17,952    |
| Buckeye Partners, L.P.                            | 413                            | 25,209       |
| Chesapeake Midstream Partners, L.P.(c)            | 786                            | 18,500       |
| Copano Energy, L.L.C.                             | 3,510                          | 88,181       |
| Crosstex Energy, L.P.(d)                          | 2,633                          | 31,591       |
| DCP Midstream Partners, LP                        | 1,281                          | 40,677       |
| Duncan Energy Partners L.P.                       | 371                            | 10,278       |
| Eagle Rock Energy Partners, L.P.                  | 677                            | 4,063        |
| El Paso Pipeline Partners, L.P.                   | 1,479                          | 46,322       |
| Enbridge Energy Partners, L.P.(e)                 | 1,566                          | 84,165       |
| Energy Transfer Partners, L.P.                    | 1,823                          | 83,310       |
| Enterprise Products Partners L.P.(e)              | 4,821                          | 178,221      |
| Exterran Partners, L.P.                           | 1,193                          | 27,866       |
| Global Partners LP                                | 1,441                          | 35,788       |
| Holly Energy Partners, L.P.                       | 770                            | 38,489       |
| Magellan Midstream Partners, L.P.(e)              | 3,462                          | 167,768      |
| Magellan Midstream Partners, L.P. Unregistered(h) | 238                            | 11,224       |
| MarkWest Energy Partners, L.P.(e)                 | 3,858                          | 128,542      |
| Martin Midstream Partners L.P.                    | 339                            | 10,092       |
| Niska Gas Storage Partners LLC                    | 540                            | 10,191       |
| ONEOK Partners, L.P.(e)                           | 1,122                          | 77,219       |
| PAA Natural Gas Storage, L.P.(f)                  | 210                            | 5,009        |
| Plains All American Pipeline, L.P.(f)             | 2,876                          | 172,698      |
| Quicksilver Gas Services LP                       | 949                            | 22,031       |
| Regency Energy Partners LP                        | 3,506                          | 83,377       |
| Spectra Energy Partners, LP                       | 294                            | 9,462        |
| Sunoco Logistics Partners L.P.                    | 217                            | 16,032       |
| Targa Resources Partners LP                       | 1,032                          | 26,104       |
| TC PipeLines, LP                                  | 189                            | 8,225        |
| TransMontaigne Partners L.P.                      | 697                            | 24,279       |
| Western Gas Partners, LP                          | 1,247                          | 30,027       |
| Williams Partners L.P.                            | 2,898                          | 114,787      |
|   |                                | 1,647,679    |
| <b>General Partner MLP 17.3%</b>                  |                                |              |
| Alliance Holdings GP L.P.                         | 1,066                          | 40,591       |
| Buckeye GP Holdings L.P.                          | 46                             | 1,920        |

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|                                       |       |         |
|---------------------------------------|-------|---------|
| Energy Transfer Equity, L.P.(e)       | 2,648 | 92,019  |
| Enterprise GP Holdings L.P.           | 1,318 | 63,728  |
| Inergy Holdings, L.P. Unregistered(h) | 1,526 | 40,583  |
| Penn Virginia GP Holdings, L.P.       | 2,024 | 39,624  |
|                                       |       | 278,465 |

See accompanying notes to financial statements.

6

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**Table of Contents**

**KAYNE ANDERSON MLP INVESTMENT COMPANY**  
**SCHEDULE OF INVESTMENTS**  
**AUGUST 31, 2010**  
(amounts in 000 s, except number of option contracts)  
**(UNAUDITED)**

| <b>Description</b>                                 | <b>No. of<br/>Shares/Units</b> | <b>Value</b>     |
|--|--------------------------------|------------------|
| <b>MLP Affiliates(b) 13.6%</b>                     |                                |                  |
| Enbridge Energy Management, L.L.C.(g)              | 999                            | \$ 53,003        |
| Kinder Morgan Management, LLC(g)                   | 2,816                          | 166,330          |
|  |                                | 219,333          |
| <b>Shipping MLP 7.4%</b>                           |                                |                  |
| Capital Product Partners L.P.                      | 2,281                          | 18,433           |
| Navios Maritime Partners L.P.                      | 1,685                          | 29,168           |
| Teekay LNG Partners L.P.                           | 1,012                          | 33,238           |
| Teekay Offshore Partners L.P.                      | 1,319                          | 28,030           |
| Teekay Tankers Ltd.                                | 936                            | 10,816           |
|  |                                | 119,685          |
| <b>Propane MLP 6.7%</b>                            |                                |                  |
| Inergy, L.P.                                       | 2,910                          | 108,360          |
| <b>Coal MLP 1.3%</b>                               |                                |                  |
| Alliance Resource Partners, L.P.                   | 67                             | 3,602            |
| Natural Resource Partners L.P.                     | 599                            | 15,344           |
| Oxford Resource Partners, LP                       | 60                             | 1,145            |
| Penn Virginia Resource Partners, L.P.              | 59                             | 1,314            |
|  |                                | 21,405           |
| <b>Upstream MLP 1.1%</b>                           |                                |                  |
| EV Energy Partners, L.P.                           | 221                            | 7,430            |
| Legacy Reserves LP                                 | 447                            | 10,230           |
|  |                                | 17,660           |
| <b>Total Equity Investments (Cost \$1,650,673)</b> |                                | <b>2,412,587</b> |

|                                     | <b>Interest<br/>Rate</b> | <b>Maturity<br/>Date</b> | <b>Principal<br/>Amount</b> |
|-------------------------------------|--------------------------|--------------------------|-----------------------------|
| <b>Energy Debt Investments 3.4%</b> |                          |                          |                             |
| <b>Midstream MLP (b) 1.6%</b>       |                          |                          |                             |

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|                             |        |         |           |        |
|-----------------------------|--------|---------|-----------|--------|
| Crosstex Energy, L.P.       | 8.875% | 2/15/18 | \$ 15,000 | 15,487 |
| El Paso Corporation         | 7.750  | 1/15/32 | 5,000     | 5,033  |
| Niska Gas Storage U.S., LLC | 8.875  | 3/15/18 | 5,000     | 5,263  |
|                             |        |         |           | 25,783 |
| <b>Upstream MLP(b) 1.2%</b> |        |         |           |        |
| Atlas Energy Resources, LLC | 12.125 | 8/1/17  | 9,000     | 10,339 |
| Atlas Energy Resources, LLC | 10.750 | 2/1/18  | 6,000     | 6,615  |
| Linn Energy, LLC            | 8.625  | 4/15/20 | 2,000     | 2,110  |
|                             |        |         |           | 19,064 |

See accompanying notes to financial statements.

7

**Table of Contents**

**KAYNE ANDERSON MLP INVESTMENT COMPANY**  
**SCHEDULE OF INVESTMENTS**  
**AUGUST 31, 2010**  
(amounts in 000 s, except number of option contracts)  
**(UNAUDITED)**

| <u>Description</u>  | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Value</u> |                         |
|---|----------------------|----------------------|-------------------------|--------------|-------------------------|
| <b>Coal MLP 0.6%</b>  |                      |                      |                         |              |                         |
| Clearwater Natural Resources, LP(d)(h)(i)   | N/A                  | N/A                  | 13,601                  | \$ 4,760     |                         |
| Penn Virginia Resource Partners, L.P.   | 8.250%               | 4/15/18              | 5,000                   | 5,050        |                         |
|   |                      |                      |                         | 9,810        |                         |
| <b>Total Energy Debt Investments (Cost \$60,139)</b>  |                      |                      |                         | 54,657       |                         |
| <b>Total Long-Term Investments (Cost \$1,710,812)</b>   |                      |                      |                         | 2,467,244    |                         |
| <b>Short-Term Investment 1.1%</b>   |                      |                      |                         |              |                         |
| <b>Repurchase Agreement 1.1%</b>  |                      |                      |                         |              |                         |
| J.P. Morgan Securities Inc. (Agreement dated 8/31/10 to be repurchased at \$17,221), collateralized by \$17,632 in U.S. Treasury bill (Cost \$17,221) | 0.140                | 9/1/10               |                         | 17,221       |                         |
|   |                      |                      |                         |              | <b>No. of Contracts</b> |
| <b>Put Option Contracts Purchased(d) 0.0%</b>   |                      |                      |                         |              |                         |
| <b>Midstream MLP</b>  |                      |                      |                         |              |                         |
| Duncan Energy Partners L.P., put option expiring 9/18/10 @ \$25.00 (Cost \$21)  |                      |                      | 1,000                   | 10           |                         |
| <b>Total Short-Term Investments (Cost \$17,242)</b>   |                      |                      |                         | 17,231       |                         |
| <b>Total Investments 153.9% (Cost \$1,728,054)</b>  |                      |                      |                         | 2,484,475    |                         |
| <b>Liabilities</b>  |                      |                      |                         |              |                         |
| <b>Call Option Contracts Written(d)</b>   |                      |                      |                         |              |                         |
| <b>Midstream MLP</b>  |                      |                      |                         |              |                         |
| Enbridge Energy Partners, L.P., call option expiring 10/16/10 @ \$55.00   |                      |                      | 1,000                   | (105)        |                         |
| Enterprise Products Partners L.P., call option expiring 9/18/10 @ \$36.00   |                      |                      | 1,800                   | (180)        |                         |
| Enterprise Products Partners L.P., call option expiring 9/18/10 @ \$37.00   |                      |                      | 400                     | (25)         |                         |
| Magellan Midstream Partners, L.P., call option expiring 9/18/10 @ \$50.00   |                      |                      | 200                     | (4)          |                         |
| MarkWest Energy Partners, L.P., call option expiring 9/18/10 @ \$34.00  |                      |                      | 851                     | (43)         |                         |
| MarkWest Energy Partners, L.P., call option expiring 9/18/10 @ \$35.00  |                      |                      | 850                     | (13)         |                         |
| ONEOK Partners, L.P., call option expiring 9/18/10 @ \$70.00  |                      |                      | 300                     | (15)         |                         |



|  |     |              |
|--|-----|--------------|
|  |     | (385)        |
| <b>General Partner MLP</b>   |     |              |
| Energy Transfer Equity, L.P., call option expiring 9/18/10 @ \$35.00 | 100 | (4)          |
| <b>Total Call Option Contracts Written (Premiums Received \$533)</b> |     | (389)        |
| <b>Senior Unsecured Notes</b>  |     | (480,000)    |
| <b>Mandatory Redeemable Preferred Stock at Redemption Value</b>      |     | (110,000)    |
| <b>Deferred Tax Liability</b>  |     | (262,227)    |
| <b>Other Liabilities</b>   |     | (26,578)     |
| <b>Total Liabilities</b>   |     | (879,194)    |
| <b>Other Assets</b>  |     | 9,427        |
| <b>Total Liabilities in Excess of Other Assets</b>                   |     | (869,767)    |
| <b>Net Assets Applicable to Common Stockholders</b>                  |     | \$ 1,614,708 |

See accompanying notes to financial statements.

**Table of Contents**

**KAYNE ANDERSON MLP INVESTMENT COMPANY  
SCHEDULE OF INVESTMENTS  
AUGUST 31, 2010  
(amounts in 000 s, except number of option contracts)  
(UNAUDITED)**

- (a) Unless otherwise noted, equity investments are common units/common shares.
- (b) Includes Limited Liability Companies.
- (c) Security is currently not paying cash distributions but is expected to pay cash distributions within the next 12 months.
- (d) Security is non-income producing.
- (e) Security or a portion thereof is segregated as collateral on option contracts written.
- (f) The Company believes that it is an affiliate of PAA Natural Gas Storage, L.P. and Plains All American, L.P. See Note 5 Agreements and

Affiliations.

- (g) Distributions are paid in-kind.
- (h) Fair valued securities, restricted from public sale. See Notes 2, 3 and 7.
- (i) Clearwater Natural Resources, LP is a privately-held MLP that the Company believes is a controlled affiliate. On January 12, 2010, Clearwater closed on the sale of all of its reserves and a substantial portion of its operating assets to International Resource Partners, L.P. ( IRP ). On March 16, 2010, the Bankruptcy Court confirmed Clearwater s plan of reorganization (including such sale of assets to IRP). As part of Clearwater s plan of reorganization, the Company will receive consideration for its unsecured term loan. Such

consideration will be in the form of cash and a royalty interest in the reserves sold. Pursuant to the plan of reorganization, the Company will not receive any consideration for its equity investment in Clearwater or CNR GP Holdco, LLC. In addition to the unsecured term loan, the Company owns 3,889 common units, 34 warrants and 41 deferred participation units of Clearwater. The Company assigned no value to these equity investments as of August 31, 2010. CNR GP Holdco, LLC is the general partner of Clearwater. The Company owns 83.7% of CNR GP Holdco, LLC, which was assigned no value as of August 31, 2010, and believes it is a controlled affiliate. See

Notes 3, 5 and  
7.

See accompanying notes to financial statements.

9

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**Table of Contents**

**KAYNE ANDERSON MLP INVESTMENT COMPANY**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**AUGUST 31, 2010**  
(amounts in 000 s, except share and per share amounts)  
**(UNAUDITED)**

**ASSETS**

|   |                  |
|---|------------------|
| Investments at fair value:  |                  |
| Non-affiliated (Cost \$1,544,709)   | \$ 2,284,777     |
| Affiliated (Cost \$78,470)  | 177,707          |
| Controlled (Cost \$87,633)  | 4,760            |
| Put option contracts purchased (Cost \$21)                                      | 10               |
| Repurchase agreement (Cost \$17,221)  | 17,221           |
| <br>  |                  |
| Total investments (Cost \$1,728,054)  | 2,484,475        |
| Cash  | 1,553            |
| Deposits with brokers   | 278              |
| Receivable for securities sold  | 744              |
| Interest, dividends and distributions receivable                                | 1,206            |
| Deferred debt issuance and preferred stock offering costs and other assets, net | 5,646            |
| <br>  |                  |
| <b>Total Assets</b>   | <b>2,493,902</b> |

**LIABILITIES**

|   |                |
|---|----------------|
| Payable for securities purchased  | 11,328         |
| Investment management fee payable   | 7,822          |
| Accrued directors' fees and expenses  | 55             |
| Call option contracts written (Premiums received \$533)   | 389            |
| Accrued expenses and other liabilities  | 7,373          |
| Deferred tax liability  | 262,227        |
| Senior Unsecured Notes  | 480,000        |
| Mandatory Redeemable Preferred Stock, \$25.00 liquidation value per share (4,400,000 shares issued and outstanding) | 110,000        |
| <br>  |                |
| <b>Total Liabilities</b>  | <b>879,194</b> |

**NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS** \$ 1,614,708

**NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS CONSIST OF**

|   |           |
|---|-----------|
| Common stock, \$0.001 par value (67,397,010 shares issued and outstanding, 199,990,000 shares authorized) | \$ 67     |
| Paid-in capital   | 1,208,353 |
| Accumulated net investment loss, net of income taxes, less dividends                                      | (163,101) |
| Accumulated realized gains on investments and interest rate swap contracts, net of income taxes           | 94,715    |
| Net unrealized gains on investments and options, net of income taxes                                      | 474,674   |

|   |              |
|---|--------------|
| <b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b> | \$ 1,614,708 |
| <b>NET ASSET VALUE PER COMMON SHARE</b>             | \$ 23.96     |

See accompanying notes to financial statements.

10

---

**Table of Contents**

**KAYNE ANDERSON MLP INVESTMENT COMPANY**  
**STATEMENT OF OPERATIONS**  
(amounts in 000 s)  
(UNAUDITED)

|  | <b>For the Three<br/>Months Ended<br/>August 31,<br/>2010</b> | <b>For the Nine<br/>Months Ended<br/>August 31,<br/>2010</b> |
|--|---|--|
| <b>INVESTMENT INCOME</b>   |   |  |
| <b>Income</b>  |   |  |
| Dividends and distributions:   |   |  |
| Non-affiliated investments   | \$ 32,163   | \$ 90,842  |
| Affiliated investments   | 2,756   | 8,113  |
| Total dividends and distributions  | 34,919  | 98,955   |
| Return of capital  | (30,777)  | (87,328)   |
| Net dividends and distributions  | 4,142   | 11,627   |
| Interest   | 978   | 2,779  |
| Total Investment Income  | 5,120   | 14,406   |
| <b>Expenses</b>  |   |  |
| Investment management fees   | 7,823   | 20,739   |
| Administration fees  | 244   | 675  |
| Professional fees  | 178   | 573  |
| Custodian fees   | 72  | 196  |
| Reports to stockholders  | 139   | 229  |
| Directors fees   | 66  | 166  |
| Insurance  | 46  | 137  |
| Other expenses   | 150   | 552  |
| Total Expenses Before Interest Expense, Preferred Distributions and Taxes                | 8,718   | 23,267   |
| Interest expense and amortization of debt issuance costs                                 | 6,313   | 17,262   |
| Distributions on mandatory redeemable preferred stock and amortization of offering costs | 1,588   | 2,029  |
| Total Expenses Before Taxes  | 16,619  | 42,558   |
| <b>Net Investment Loss Before Taxes</b>  | <b>(11,499)</b>   | <b>(28,152)</b>  |
| Deferred tax benefit   | 3,666   | 9,665  |
| <b>Net Investment Loss</b>   | <b>(7,833)</b>  | <b>(18,487)</b>  |

**REALIZED AND UNREALIZED GAINS/(LOSSES)**



|   |                |                |
|---|----------------|----------------|
| <b>Net Realized Gains/(Losses)</b>  |                |                |
| Investments   | 37,464         | 68,890         |
| Options   | 580            | 969            |
| Payments on interest rate swap contracts  |                | (664)          |
| Deferred tax expense  | (14,076)       | (25,602)       |
| Net Realized Gains  | 23,968         | 43,593         |
| <b>Net Change in Unrealized Gains</b>   |                |                |
| Investments   | 195,574        | 400,320        |
| Options   | 486            | 1,014          |
| Interest rate swap contracts  |                | 205            |
| Deferred tax expense  | (72,542)       | (148,569)      |
| Net Change in Unrealized Gains  | 123,518        | 252,970        |
| <b>Net Realized and Unrealized Gains</b>  | <b>147,486</b> | <b>296,563</b> |
| <b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>                                   |                |                |
|   | 139,653        | 278,076        |
| <b>Distributions on Auction Rate Preferred Stock</b>  |                | (177)          |
| <b>NET INCREASE IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM OPERATIONS</b> |                |                |
|   | \$ 139,653     | \$ 277,899     |

See accompanying notes to financial statements.

Table of Contents

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

|   | <b>For the Nine<br/>Months Ended<br/>August 31,<br/>2010<br/>(Unaudited)</b> | <b>For the<br/>Fiscal<br/>Year Ended<br/>November<br/>30,<br/>2009</b> |
|---|--|--|
| <b>OPERATIONS</b>   |  |  |
| Net investment loss, net of tax <sup>(1)</sup>  | \$ (18,487)  | \$ (15,388)  |
| Net realized gains/(losses), net of tax   | 43,593   | (18,431)   |
| Net change in unrealized gains, net of tax  | 252,970  | 369,027  |
| <b>Net Increase in Net Assets Resulting from Operations</b>   | <b>278,076</b>   | <b>335,208</b>   |
| <b>DIVIDENDS/DISTRIBUTIONS TO AUCTION RATE<br/>PREFERRED STOCKHOLDERS</b>                                 |  |  |
| Dividends   | (177) <sup>(2)</sup>   |  |
| Distributions return of capital   |  | (539) <sup>(3)</sup>   |
| <b>Dividends/Distributions to Preferred Stockholders</b>  | <b>(177)</b>   | <b>(539)</b>   |
| <b>DIVIDENDS/DISTRIBUTIONS TO COMMON<br/>STOCKHOLDERS</b>   |  |  |
| Dividends   | (24,929) <sup>(2)</sup>  |  |
| Distributions return of capital   | (56,462) <sup>(2)</sup>  | (89,586) <sup>(3)</sup>  |
| <b>Dividends/Distributions to Common Stockholders</b>   | <b>(81,391)</b>  | <b>(89,586)</b>  |
| <b>CAPITAL STOCK TRANSACTIONS</b>   |  |  |
| Proceeds from common stock offerings of 15,052,773 and 6,223,700 shares of common stock, respectively     | 375,332  | 126,030  |
| Underwriting discounts and offering expenses associated with the issuance of common stock                 | (14,076)   | (5,524)  |
| Issuance of 764,696 and 1,179,655 shares of common stock from reinvestment of distributions, respectively | 18,667   | 21,532   |
| <b>Net Increase in Net Assets Applicable to Common Stockholders from Capital Stock Transactions</b>       | <b>379,923</b>   | <b>142,038</b>   |
| <b>Total Increase in Net Assets Applicable to Common Stockholders</b>                                     | <b>576,431</b>   | <b>387,121</b>   |

**NET ASSETS ATTRIBUTABLE TO COMMON STOCKHOLDERS**

|                     |              |              |
|---------------------|--------------|--------------|
| Beginning of period | 1,038,277    | 651,156      |
| End of period       | \$ 1,614,708 | \$ 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. As of August 31, 2010, the Company estimates that all of the distributions paid to mandatory redeemable preferred stockholders will be a dividend (ordinary income). This estimate is based on the Company's operating results during the period. The actual characterization of the mandatory redeemable preferred stock distributions

made during the period 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.

- (2) This is an estimate of the characterization of the distributions paid to auction rate preferred stockholders and common stockholders for the nine months ended August 31, 2010 as 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 auction rate preferred stock and common stock distributions made during the period 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.

- (3) All distributions paid to auction rate preferred stockholders and common stockholders for the fiscal year ended November 30, 2009 were characterized as distributions (return of capital). This characterization is based on the Company's earnings and profits.

See accompanying notes to financial statements.

**Table of Contents**

**KAYNE ANDERSON MLP INVESTMENT COMPANY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED AUGUST 31, 2010**  
(amounts in 000 s)  
(UNAUDITED)

**CASH FLOWS FROM OPERATING ACTIVITIES**

|   |                  |
|---|------------------|
| Net increase in net assets resulting from operations  | \$ 278,076       |
| Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities: |                  |
| Net deferred tax expense  | 164,506          |
| Return of capital distributions   | 87,328           |
| Net realized gains  | (69,195)         |
| Unrealized gains on investments, interest rate swap contracts and options written                                       | (401,539)        |
| Accretion of bond discount, net   | (75)             |
| Purchase of investments   | (757,677)        |
| Proceeds from sale of investments   | 262,591          |
| Purchase of short-term investments, net   | (10,881)         |
| Increase in option contracts written, net   | 16               |
| Decrease in deposits with brokers   | 275              |
| Decrease in receivable for securities sold  | 26               |
| Increase in interest, dividends and distributions receivable  | (312)            |
| Decrease in income tax receivable   | 63               |
| Amortization of deferred debt issuance costs  | 945              |
| Amortization of mandatory redeemable preferred stock issuance costs   | 72               |
| Increase in other assets, net   | (102)            |
| Increase in payable for securities purchased  | 5,800            |
| Increase in investment management fee payable   | 2,842            |
| Increase in accrued directors' fees and expenses  | 12               |
| Decrease in accrued expenses and other liabilities  | (899)            |
| <b>Net Cash Used in Operating Activities</b>  | <b>(438,128)</b> |

**CASH FLOWS FROM FINANCING ACTIVITIES**

|   |                |
|---|----------------|
| Issuance of shares of common stock, net of offering costs               | 361,256        |
| Proceeds from issuance of senior unsecured notes                        | 110,000        |
| Proceeds from issuance on mandatory redeemable preferred stock          | 110,000        |
| Redemption of auction rate preferred stock                              | (75,000)       |
| Offering costs associated with the mandatory redeemable preferred stock | (1,576)        |
| Offering costs associated with revolving credit facility                | (1,183)        |
| Offering costs associated with issuance of senior unsecured notes       | (915)          |
| Cash distributions paid to preferred stockholders                       | (177)          |
| Cash distributions paid to common stockholders                          | (62,724)       |
| <b>Net Cash Provided by Financing Activities</b>                        | <b>439,681</b> |

**NET INCREASE IN CASH**

1,553

**CASH BEGINNING OF PERIOD**

**CASH END OF PERIOD**

\$ 1,553

Supplemental  
disclosure of cash  
flow information:

Non-cash financing activities not included herein consist of reinvestment of distributions of \$18,667 pursuant to the Company's dividend reinvestment plan. During the nine months ended August 31, 2010, the Company received federal and state income tax refunds of \$60 and interest paid was \$19,333.

See accompanying notes to financial statements.

13

---

**Table of Contents**

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

|  | <b>For the<br/>Nine<br/>Months<br/>Ended<br/>August 31,</b> |             | <b>For the Fiscal Year Ended November 30,</b> |             |             |             |          | <b>For the<br/>Period<br/>September<br/>28,<br/><br/>2004<sup>(1)</sup><br/>through<br/>November<br/>30,<br/>2004</b> |
|--|---|-------------|---|-------------|-------------|-------------|----------|---|
|  | <b>2010<br/>(Unaudited)</b>                                 | <b>2009</b> | <b>2008</b>                                   | <b>2007</b> | <b>2006</b> | <b>2005</b> |          |   |
| <b>Share of Common Stock<sup>(2)</sup></b>   |   |             |   |             |             |             |          |   |
| Asset value, beginning of  | \$ 20.13  | \$ 14.74    | \$ 30.08                                      | \$ 28.99    | \$ 25.07    | \$ 23.91    | \$ 23.70 |   |
| Investment income/(loss)   | (0.32)  | (0.33)      | (0.73)  | (0.73)      | (0.62)      | (0.17)      | 0.02     |   |
| Realized and unrealized<br>(loss)  | 5.42  | 7.50        | (12.56)                                       | 3.58        | 6.39        | 2.80        | 0.19     |   |
| Income/(loss) from<br>operations   | 5.10  | 7.17        | (13.29)                                       | 2.85        | 5.77        | 2.63        | 0.21     |   |
| Non Rate Preferred Dividends   |   |             |   | (0.10)      |             | (0.05)      |          |   |
| Non Rate Preferred<br>Distributions - return of capital <sup>(4)</sup>                 |   | (0.01)      | (0.10)  |             | (0.10)      |             |          |   |
| Dividends and distributions<br>Non Rate Preferred                                      |   | (0.01)      | (0.10)  | (0.10)      | (0.10)      | (0.05)      |          |   |
| Non Dividends <sup>(4)</sup>   | (0.43)  |             |   | (0.09)      |             | (0.13)      |          |   |
| Non Distributions - return of<br>capital <sup>(4)</sup>                                | (1.01)  | (1.94)      | (1.99)  | (1.84)      | (1.75)      | (1.37)      |          |   |
| Dividends and distributions<br>Non   | (1.44)  | (1.94)      | (1.99)  | (1.93)      | (1.75)      | (1.50)      |          |   |
| Writing discounts and<br>issuance costs on the issuance of<br>non rate preferred stock |   |             |   |             |             | (0.03)      |          |   |
| Dilutive effect due to issuance<br>Common stock  | 0.15  | 0.12        |   | 0.26        |             | 0.11        |          |   |
|  | 0.02  | 0.05        | 0.04  | 0.01        |             |             |          |   |



dilutive effect due to shares  
in reinvestment of dividends

|   |                      |              |              |              |              |            |            |
|---|----------------------|--------------|--------------|--------------|--------------|------------|------------|
| capital stock transactions  | 0.17                 | 0.17         | 0.04         | 0.27         |              | 0.08       |            |
| asset value, end of period  | \$ 23.96             | \$ 20.13     | \$ 14.74     | \$ 30.08     | \$ 28.99     | \$ 25.07   | \$ 23.91   |
| asset value per share of common<br>end of period                    | \$ 25.54             | \$ 24.43     | \$ 13.37     | \$ 28.27     | \$ 31.39     | \$ 24.33   | \$ 24.90   |
| investment return based on<br>on stock market value <sup>(5)</sup>  | 10.9% <sup>(6)</sup> | 103.0%       | (48.8)%      | (4.4)%       | 37.9%        | 3.7%       | (0.4)%     |
| <b>Supplemental Data and Ratios<sup>(7)</sup></b>                   |                      |              |              |              |              |            |            |
| assets applicable to common<br>holders, end of period               | \$ 1,614,708         | \$ 1,038,277 | \$ 651,156   | \$ 1,300,030 | \$ 1,103,392 | \$ 932,090 | \$ 792,836 |
| of Expenses to Average Net<br>Assets                                |                      |              |              |              |              |            |            |
| management fees   | 2.1%                 | 2.1%         | 2.2%         | 2.3%         | 3.2%         | 1.2%       | 0.8%       |
| operating expenses  | 0.3                  | 0.4          | 0.3          | 0.2          | 0.2          | 0.3        | 0.4        |
| total   | 2.4                  | 2.5          | 2.5          | 2.5          | 3.4          | 1.5        | 1.2        |
| cost expense and distributions<br>on mandatory redeemable preferred | 1.9                  | 2.5          | 3.4          | 2.3          | 1.7          | 0.8        | 0.0        |
| income tax expense  | 16.6                 | 25.4         | (8)          | 3.5          | 13.8         | 6.4        | 3.5        |
| total expenses  | 20.9%                | 30.4%        | 5.9%         | 8.3%         | 18.9%        | 8.7%       | 4.7%       |
| change of net investment<br>income/(loss) to average net assets     | (1.9)%               | (2.0)%       | (2.8)%       | (2.3)%       | (2.4)%       | (0.7)%     | 0.5%       |
| increase/(decrease) in net<br>income to common stockholders         |                      |              |              |              |              |            |            |
| income from operations to<br>average net assets                     | 21.1% <sup>(6)</sup> | 43.2%        | (51.2)%      | 7.3%         | 21.7%        | 10.0%      | 0.9%       |
| portfolio turnover rate   | 12.9% <sup>(6)</sup> | 28.9%        | 6.7%         | 10.6%        | 10.0%        | 25.6%      | 11.8%      |
| average net assets  | \$ 1,317,739         | \$ 774,999   | \$ 1,143,192 | \$ 1,302,425 | \$ 986,908   | \$ 870,672 | \$ 729,280 |
| of Notes outstanding, end of<br>period                              | 480,000              | 370,000      | 304,000      | 505,000      | 320,000      | 260,000    |            |
| of revolving credit facility<br>outstanding, end of period          |                      |              |              | 97,000       | 17,000       |            |            |

See accompanying notes to financial statements.

**Table of Contents**

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

|   | <b>For the<br/>Nine<br/>Months<br/>Ended<br/>August 31,</b> |             | <b>For the Fiscal Year Ended November 30,</b> |             |             |             |   | <b>For the<br/>Period<br/>September<br/>28,</b> |
|---|---|-------------|---|-------------|-------------|-------------|---|---|
|   | <b>2010<br/>(Unaudited)</b>                                 | <b>2009</b> | <b>2008</b>                                   | <b>2007</b> | <b>2006</b> | <b>2005</b> | <b>2004<sup>(1)</sup><br/>through<br/>November<br/>30,<br/>2004</b> |   |
| <b>Supplemental<br/>Data and<br/>Ratios<br/>continued<sup>(7)</sup></b>                                   |   |             |   |             |             |             |   |   |
| Auction Rate<br>Preferred<br>Stock, end of<br>period  |   | \$ 75,000   | \$ 75,000                                     | \$ 75,000   | \$ 75,000   | \$ 75,000   |   |   |
| Mandatory<br>Redeemable<br>Preferred<br>Stock, end of<br>period   | \$ 110,000  |             |   |             |             |             |   |   |
| Average<br>shares of<br>common stock<br>outstanding   | 58,271,072  | 46,894,632  | 43,671,666                                    | 41,134,949  | 37,638,314  | 34,077,731  | 33,165,900  |   |
| Asset<br>coverage of<br>total debt <sup>(9)</sup>   | 459.3%  | 400.9%      | 338.9%  | 328.4%      | 449.7%      | 487.3%      |   |   |
| Asset<br>coverage of<br>total leverage<br>(debt and<br>preferred<br>stock) <sup>(10)</sup>                | 373.7%  | 333.3%      | 271.8%  | 292.0%      | 367.8%      | 378.2%      |   |   |
| Average<br>amount of<br>borrowings<br>per share of<br>common stock<br>during the<br>period <sup>(2)</sup> | \$ 7.62   | \$ 6.79     | \$ 11.52                                      | \$ 12.14    | \$ 8.53     | \$ 5.57     |   |   |

(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) The information presented for the nine months ended August 31, 2010 is an estimate of the characterization of the distribution paid and is based on the Company's operating results during the period. The information presented for each other period is an actual characterization of a portion of the total distributions paid 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.

(5) 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.

(6) Not annualized.

(7) Unless  
otherwise noted,  
ratios are  
annualized for  
periods of less  
than one full  
year.

(8) 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.

- (9) 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.

- (10) 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%. For purposes of this test, the revolving credit facility is considered a senior security representing indebtedness.

See accompanying notes to financial statements.

**Table of Contents**

**KAYNE ANDERSON MLP INVESTMENT COMPANY  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2010**

**(amounts in 000 s, except option contracts, share and per share amounts)  
(UNAUDITED)**

**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. 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.

*C. 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. Energy debt securities that are considered corporate bonds are valued by using the mean of the bid and ask prices provided by an independent pricing service. For energy debt securities that are considered corporate 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 energy debt securities at the quoted prices due to the lack of liquidity for these securities.

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





Table of Contents

**KAYNE ANDERSON MLP INVESTMENT COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2010**

**(amounts in 000 s, except option contracts, share and per share amounts)**  
**(UNAUDITED)**

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 ( KAFAs 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 KAFAs. 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 monthly basis, and stand for intervening periods of time.

**Valuation Committee.** The Valuation Committee meets, generally, on or about the end of each month to consider new valuations presented by KAFAs, if any, which were made in accordance with the valuation procedures in such month. Between meetings of the Valuation Committee, a senior officer of KAFAs 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 KAFAs, 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 KAFAs 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, KAFAs may determine an applicable discount in accordance with a methodology approved by the Valuation Committee.

At August 31, 2010, the Company held 3.5% of its net assets applicable to common stockholders (2.3% of total assets) in securities valued at fair value, as determined pursuant to procedures adopted by the Board of Directors, with fair value of \$56,567. See Note 7 Restricted Securities.

**D. 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 KAFAs 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. KAFAs 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.

E. *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

Table of Contents

**KAYNE ANDERSON MLP INVESTMENT COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2010**

(amounts in 000 s, except option contracts, share and per share amounts)  
(UNAUDITED)

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 August 31, 2010, the Company had no open short sales.

F. *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.

G. *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.

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 in each of the periods presented below.

|  | <b>Three Months<br/>Ended<br/>August 31, 2010</b> | <b>Nine Months<br/>Ended<br/>August 31, 2010</b> |
|--|---|--|
| Estimated return of capital portion of distributions received    | 88%   | 88%  |
| Return of capital attributable to Net Realized Gains             | \$ 7,274  | \$ 15,186  |
| Return of capital attributable to Net Change in Unrealized Gains | 23,503  | 72,142   |
| Total return of capital  | \$ 30,777   | \$ 87,328  |

H. *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.

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.

During the three and nine months ended August 31, 2010, the Company did not record any interest income related to its investment in Clearwater Natural Resources, LP ( Clearwater ). Since the second quarter of 2009, the Company has not accrued interest income on its investment in Clearwater.

Table of Contents

**KAYNE ANDERSON MLP INVESTMENT COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2010**

(amounts in 000 s, except option contracts, share and per share amounts)  
(UNAUDITED)

The Company's stock dividends and distributions consist of additional units of 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 three and nine months ended August 31, 2010, the Company received the following stock dividends from Enbridge Energy Management, L.L.C. and Kinder Morgan Management, LLC.

|                                    | <b>Three Months<br/>Ended<br/>August 31, 2010</b> | <b>Nine Months<br/>Ended<br/>August 31, 2010</b> |
|------------------------------------|---|--|
| Enbridge Energy Management, L.L.C. | \$ 976  | \$ 2,484   |
| Kinder Morgan Management, LLC      | 2,837   | 7,728  |
| Total stock dividends              | \$ 3,813  | \$ 10,212  |

*I. 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. 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.

*J. 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.

*K. 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 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 August 31, 2010, the Company

**Table of Contents**

**KAYNE ANDERSON MLP INVESTMENT COMPANY  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2010**

**(amounts in 000 s, except option contracts, share and per share amounts)  
(UNAUDITED)**

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.

L. *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 income 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 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.

M. *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.

**Table of Contents**

**KAYNE ANDERSON MLP INVESTMENT COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2010**

(amounts in 000 s, except option contracts, share and per share amounts)  
(UNAUDITED)

**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.

The following table presents the Company's assets measured at fair value at August 31, 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.

|                                   | <b>Total</b>        | <b>Quoted Prices<br/>in<br/>Active<br/>Markets<br/>(Level 1)</b> | <b>Prices with<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Unobservable<br/>Inputs<br/>(Level 3)(1)</b> |
|-----------------------------------|---------------------|--|--|---|
| <b>Assets at Fair Value</b>       |                     |  |  |   |
| Equity investments                | \$ 2,412,587        | \$ 2,360,780   | \$   | \$ 51,807                                       |
| Energy debt investments           | 54,657              |  | 49,897   | 4,760   |
| Option contracts purchased        | 10                  |  | 10   |   |
| Repurchase agreement              | 17,221              |  | 17,221   |   |
| <b>Total assets at fair value</b> | <b>\$ 2,484,475</b> | <b>\$ 2,360,780</b>  | <b>\$ 67,128</b>   | <b>\$ 56,567</b>                                |
| <b>Liabilities at Fair Value</b>  |                     |  |  |   |
| Option contracts written          | \$ 389              | \$   | \$ 389   | \$  |

(1) The Company's investments in

Level 3  
represent its  
investments in  
Magellan  
Midstream  
Partners, L.P.,  
Inergy  
Holdings, L.P.,  
Clearwater  
Natural  
Resources, L.P.  
and CNR GP  
Holdco, LLC as  
more fully  
described in  
Note 7  
Restricted  
Securities.

**Table of Contents**

**KAYNE ANDERSON MLP INVESTMENT COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2010**

(amounts in 000 s, except option contracts, share and per share amounts)  
(UNAUDITED)

The following table presents the Company's assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and nine months ended August 31, 2010.

| <b><u>Assets at Fair Value Using Unobservable Inputs (Level 3)</u></b>     | <b>Long-Term Investments</b>     |
|--|----------------------------------|
| Balance May 31, 2010   | \$ 4,760                         |
| Transfers out of Level 3   |                                  |
| Realized gains/(losses)  |                                  |
| Unrealized gains, net  | 6,945                            |
| Purchases, issuances or settlements  | 44,862                           |
| <br>Balance August 31, 2010  | <br>\$ 56,567                    |
| <br><b><u>Assets at Fair Value Using Unobservable Inputs (Level 3)</u></b> | <br><b>Long-Term Investments</b> |
| Balance November 30, 2009  | \$ 4,080                         |
| Transfers out of Level 3   |                                  |
| Realized gains/(losses)  |                                  |
| Unrealized gains, net  | 7,625                            |
| Purchases, issuances or settlements  | 44,862                           |
| <br>Balance August 31, 2010  | <br>\$ 56,567                    |

The \$6,945 and \$7,625 of unrealized gains presented in the table above for the three and nine months ended August 31, 2010 related to investments that are still held at August 31, 2010, and the Company includes these unrealized gains on the Statement of Operations - Net Change in Unrealized Gains/(Losses).

The Company did not have any liabilities that were measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at August 31, 2010, May 31, 2010 or at November 30, 2009.

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. Management is currently evaluating the impact ASU No. 2010-06 will have on its financial statement disclosures.

#### **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,

**Table of Contents**

**KAYNE ANDERSON MLP INVESTMENT COMPANY  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2010**

**(amounts in 000 s, except option contracts, share and per share amounts)  
(UNAUDITED)**

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 nine months ended August 31, 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 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 issuer(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



**Table of Contents**

**KAYNE ANDERSON MLP INVESTMENT COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2010**

(amounts in 000 s, except option contracts, share and per share amounts)  
(UNAUDITED)

influence over the partnership due to the size of an economic interest, the security holders have no control over the partnership.

*Clearwater Natural Resources, LP* At August 31, 2010, the Company held approximately 42.5% of the limited partnership interest of Clearwater. The Company controls CNR GP Holdco, LLC, which is the general partner of Clearwater. The Company believes that it controls and is an affiliate of Clearwater under the 1940 Act by virtue of its controlling interest in the general partner of Clearwater.

On January 12, 2010, Clearwater closed on the sale of all of its reserves and a substantial portion of its operating assets to International Resource Partners, L.P. ( IRP ). On March 16, 2010, the Bankruptcy Court confirmed Clearwater s plan of reorganization (including such sale of assets to IRP). As part of Clearwater s plan of reorganization, the Company will receive consideration for its unsecured term loan. Such consideration will be in the form of cash and a royalty interest in the reserves sold. Pursuant to the plan of reorganization, the Company will not receive any consideration for its equity investment in Clearwater or CNR GP Holdco, LLC. See Note 7 Restricted Securities.

*Plains All American Pipeline, L.P and PAA Natural Gas Storage, 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 and PAA Natural Gas Storage, L.P. The Company believes that it is an affiliate of Plains All American Pipeline, L.P. and PAA Natural Gas Storage, L.P. under the 1940 Act.

**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 August 31, 2010 are as follows:

## Deferred tax assets:

|                                  |         |           |
|----------------------------------|---------|-----------|
| Net operating loss carryforwards | Federal | \$ 46,712 |
| Net operating loss carryforwards | State   | 3,831     |
| Capital loss carryforwards       |         | 41,274    |
| Other                            |         | 105       |

## Deferred tax liabilities:

|  |           |
|--|-----------|
| Net unrealized gains on investment securities, interest rate swap contracts and option contracts | (338,877) |
| Basis reductions resulting from estimated return of capital                                      | (15,272)  |

|                                  |              |
|----------------------------------|--------------|
| Total net deferred tax liability | \$ (262,227) |
|----------------------------------|--------------|

At August 31, 2010, the Company had federal net operating loss carryforwards of \$137,741 (deferred tax asset of \$46,712). 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, \$36,622; \$52,182; \$26,118 and \$22,819 of the net operating loss carryforward will expire in 2026, 2027, 2028 and 2029, respectively. As of August 31, 2010, the Company had federal and state capital loss carryforwards of approximately \$111,607 (deferred tax asset of \$41,274). If not utilized, \$24,798 and \$86,809 of capital loss carry forwards will expire in 2013



and 2014, respectively. For corporations, capital losses can only be used to offset capital gains and

**Table of Contents**

**KAYNE ANDERSON MLP INVESTMENT COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2010**

(amounts in 000 s, except option contracts, share and per share amounts)  
(UNAUDITED)

cannot be used to offset ordinary income. In addition, the Company has state net operating losses of \$124,506 (deferred tax asset of \$3,831). 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.

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 three and nine months ended August 31, 2010, as follows:

|  | <b>Three Months<br/>Ended<br/>August 31,<br/>2010</b> | <b>Nine Months<br/>Ended<br/>August 31,<br/>2010</b> |
|--|---|--|
| Computed expected federal income tax         | \$ 77,912   | \$ 154,904   |
| State income tax, net of federal tax expense | 4,484   | 8,892  |
| Other  | 556   | 710  |
| <b>Total income tax expense</b>              | <b>\$ 82,952</b>                                      | <b>\$ 164,506</b>                                    |

At August 31, 2010, the cost basis of investments for federal income tax purposes was \$1,565,479, and the net cash received on option contracts written was \$533. The cost basis of investments includes a \$162,554 reduction in basis attributable to the Company's portion of the allocated losses from its MLP investments. At August 31, 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) | \$ 973,823 |
| Gross unrealized depreciation of investments (including options) | (54,705)   |
| Net unrealized appreciation before tax                           | 919,118    |
| Net unrealized appreciation after tax                            | \$ 579,044 |

Table of Contents

**KAYNE ANDERSON MLP INVESTMENT COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2010**

(amounts in 000 s, except option contracts, share and per share amounts)  
(UNAUDITED)

**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.

At August 31, 2010, the Company held the following restricted investments:

| <b>Investment</b>  | <b>Security</b>                   | <b>Acquisition Date</b> | <b>Type of Restriction</b> | <b>Number of Units, Principal (\$)</b><br>(in 000s) | <b>Cost Basis</b> | <b>Fair Value</b> | <b>Percent of Net Assets</b> | <b>Percent of Total Assets</b> |      |
|--|-----------------------------------|-------------------------|----------------------------|---|-------------------|-------------------|------------------------------|--------------------------------|------|
| Clearwater Natural Resources, L.P.   | Common Units                      | (1)                     | (2)                        | 3,889   | \$ 72,860         | \$                |                              |                                |      |
| Clearwater Natural Resources, L.P. CNR GP Holdco, LLC  | Unsecured Term Loan LLC Interests | (3)                     | (2)                        | \$ 13,601   | 13,690            | 4,760             | 0.3%                         | 0.2%                           |      |
| Inergy Holdings, L.P.  | Common Units                      | 3/5/08                  | (2)                        | n/a   | 1,083             |                   |                              |                                |      |
| Magellan Midstream Partners, L.P.  | Common Units                      | 6/15/10                 | (4)                        | 1,526   | 34,533            | 40,583            | 2.5                          | 1.6                            |      |
|  |                                   | 6/10/10                 | (4)                        | 238   | 9,705             | 11,224            | 0.7                          | 0.5                            |      |
| <b>Total of securities valued in accordance with procedures established by the Board of Directors(5)</b> |                                   |                         |                            |   |                   | \$ 131,871        | \$ 56,567                    | 3.5%                           | 2.3% |
| Linn Energy, LLC   | Senior Notes                      | 7/21/10                 | (6)                        | \$ 2,000  | \$ 2,112          | \$ 2,110          | 0.1%                         | 0.1%                           |      |
| Niska Gas Storage U.S., LLC  | Senior Notes                      | 2/26/10                 | (6)                        | \$ 5,000  | 5,022             | 5,263             | 0.3                          | 0.2                            |      |
| <b>Total of securities valued by prices provided by market maker or independent pricing services</b>     |                                   |                         |                            |   |                   | \$ 7,134          | \$ 7,373                     | 0.4%                           | 0.3% |
| <b>Total of all restricted securities</b>  |                                   |                         |                            |   |                   | \$ 139,005        | \$ 63,940                    | 3.9%                           | 2.6% |

- (1) The Company purchased common units on August 1, 2005 and October 2, 2006.
- (2) On January 7, 2009, Clearwater Natural Resources, LP ( Clearwater ) filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code. Clearwater continued operations as a debtor-in-possession during fiscal 2009. See Note 5 Agreements and Affiliations for a status update.
- (3) The Company purchased term loans on January 11, 2008; February 28, 2008; May 5, 2008; July 8, 2008; August 6, 2008; and September 29, 2008. The Company is not accruing interest income on this investment.
- (4) Unregistered security of a public company.
- (5) Restricted securities that are classified as a Level 3. Security is valued using inputs reflecting the Company's own assumptions as more fully described in Note 2 Significant Accounting Policies.

- (6) Unregistered security of a public company that are classified as a Level 2. 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.

**Table of Contents**

**KAYNE ANDERSON MLP INVESTMENT COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2010**

(amounts in 000 s, except option contracts, share and per share amounts)  
(UNAUDITED)

**8. Derivative Financial Instruments**

*Option Contracts* Transactions in option contracts for the nine months ended August 31, 2010 were as follows:

|   | <b>Number of<br/>Contracts</b> | <b>Premium</b> |
|---|--------------------------------|----------------|
| <b>Put Options Purchased</b>                    |                                |                |
| Options outstanding at beginning of period      | 1,386                          | \$ 89          |
| Options purchased                               | 1,000                          | 21             |
| Options expired                                 | (1,386)                        | (89)           |
| Options outstanding at end of period            | 1,000                          | \$ 21          |
| <b>Call Options Written</b>                     |                                |                |
| Options outstanding at beginning of period      | 7,000                          | \$ 584         |
| Options written                                 | 33,439                         | 3,453          |
| Options subsequently repurchased <sup>(1)</sup> | (13,442)                       | (1,426)        |
| Options exercised                               | (19,970)                       | (1,991)        |
| Options expired                                 | (1,526)                        | (87)           |
| Options outstanding at end of period            | 5,501                          | \$ 533         |

(1) The price at which the Company subsequently repurchased the options was \$455.

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. The total number of outstanding options at August 31, 2010 is indicative of the volume of this type of derivative for the period ended August 31, 2010. See Note 2 Significant Accounting Policies.

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

| <b>Derivatives Not Accounted for as Hedging</b> | <b>Instruments</b> | <b>Statement of Assets and Liabilities Location</b> | <b>Fair<br/>Value as<br/>of<br/>August<br/>31, 2010</b> |
|---|--------------------|---|---|
| <b>Assets</b>                                   |                    |   |   |
| Put options                                     |                    | Put option contracts purchased                      | \$ 10   |
| <b>Liabilities</b>                              |                    |   |   |

|              |                               |          |
|--------------|-------------------------------|----------|
| Call options | Call option contracts written | (389)    |
|              |                               | \$ (379) |

Table of Contents

**KAYNE ANDERSON MLP INVESTMENT COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2010**

(amounts in 000 s, except option contracts, share and per share amounts)  
(UNAUDITED)

The following tables set forth the effect of the Company's derivative instruments on the Statement of Operations.

|   |   | <b>For the Three Months<br/>Ended<br/>August 31, 2010</b>  |   |
|---|---|--|---|
|   |   | <b>Net<br/>Realized<br/>Gains/(Losses)<br/>on<br/>Derivatives<br/>Recognized<br/>in<br/>Income</b> | <b>Change in<br/>Unrealized<br/>Gains/<br/>(Losses) on<br/>Derivatives<br/>Recognized<br/>in<br/>Income</b> |
| <b>Derivatives Not Accounted For as<br/>Hedging Instruments</b> | <b>Location of Gains/(Losses)<br/>on Derivatives Recognized in Income</b> |  |   |
| Put options   | Options   | \$   | \$ (12)   |
| Call options  | Options   | \$ 580   | \$ 498  |

|   |   | <b>For the Nine Months<br/>Ended<br/>August 31, 2010</b>   |   |
|---|---|--|---|
|   |   | <b>Net<br/>Realized<br/>Gains/(Losses)<br/>on<br/>Derivatives<br/>Recognized<br/>in<br/>Income</b> | <b>Change in<br/>Unrealized<br/>Gains/<br/>(Losses) on<br/>Derivatives<br/>Recognized<br/>in<br/>Income</b> |
| <b>Derivatives Not Accounted For as<br/>Hedging Instruments</b> | <b>Location of Gains/(Losses)<br/>on Derivatives Recognized in Income</b> |  |   |
| Put options   | Options   | \$ (90)  | \$ 64   |
| Call options  | Options   | 1,059  | 950   |
| Interest rate swap contracts                                    | Interest rate swap contracts  | (664)  | 205   |
|   |   | \$ 305   | \$ 1,219  |

*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 August 31, 2010, the Company did not have any interest rate swap contracts outstanding.

#### **9. Investment Transactions**

For the nine months ended August 31, 2010, the Company purchased and sold securities in the amounts of \$757,677 and \$262,591 (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 terminating 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 the 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.

For the nine months ended August 31, 2010, the average amount outstanding under the Company's credit facilities was \$27,057 with a weighted average interest rate of 2.70%. As of August 31, 2010, the Company had no outstanding borrowings on the Credit Facility.

**Table of Contents**

**KAYNE ANDERSON MLP INVESTMENT COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2010**

(amounts in 000 s, except option contracts, share and per share amounts)  
(UNAUDITED)

**11. Senior Unsecured Notes**

At August 31, 2010, the Company had \$480,000, 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                            | Principal              | Principal                          | Interest Rate           | Maturity  |
|--------|--------------------------------------|------------------------|------------------------------------|-------------------------|-----------|
|        | Outstanding,<br>November 30,<br>2009 | Issued,<br>May 7, 2010 | Outstanding,<br>August 31,<br>2010 |                         |           |
| G      | \$ 75,000                            |                        | \$ 75,000                          | 5.645%                  | 6/19/2011 |
| I      | 60,000                               |                        | 60,000                             | 5.847%                  | 6/19/2012 |
| K      | 125,000                              |                        | 125,000                            | 5.991%                  | 6/19/2013 |
| M      | 60,000                               |                        | 60,000                             | 4.560%                  | 11/4/2014 |
| N      | 50,000                               |                        | 50,000                             | 3-month LIBOR + 185 bps | 11/4/2014 |
| O      |                                      | \$ 65,000              | 65,000                             | 4.210%                  | 5/7/2015  |
| P      |                                      | 45,000                 | 45,000                             | 3-month LIBOR + 160 bps | 5/7/2015  |
|        | \$ 370,000                           | \$ 110,000             | \$ 480,000                         |                         |           |

Holders of the fixed rate Senior Unsecured Notes (Series G, Series I, Series K, Series M and Series O) 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 the 3-month LIBOR plus 1.85% and 3-month LIBOR plus 1.60%, respectively.

During the period, the average principal balance outstanding was \$416,970 with a weighted average interest rate of 3.71%.

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.

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 August 31, 2010, the Company was in compliance with all covenants under the Senior Unsecured Notes agreements.



**Table of Contents**

**KAYNE ANDERSON MLP INVESTMENT COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2010**

(amounts in 000 s, except option contracts, share and per share amounts)  
 (UNAUDITED)

**12. Preferred Stock**

At August 31, 2010, the Company had 4,400,000 shares of Series A mandatory redeemable preferred shares ( MRP Shares ) outstanding, totaling \$110,000. The MRP Shares have a seven-year term with a redemption date of May 7, 2017 and have a liquidation value of \$25.00 per share.

Holders of the MRP Shares are entitled to receive cash dividend payments on the first business day following each quarterly dividend period (February 28, May 31, August 31 and November 30) at a fixed rate of 5.57%.

The MRP Shares are redeemable in certain circumstances at the option of the Company and are also subject to a mandatory redemption if the Company fails to meet an asset coverage ratio of 225% or fails to maintain its basic maintenance amount as stated in the Company's rating agency guidelines. At August 31, 2010, the Company was in compliance with the asset coverage and basic maintenance requirements of its MRP Shares.

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

**13. Common Stock**

The Company has 199,990,000 shares of common stock authorized and 67,397,010 shares outstanding at August 31, 2010. As of that date, KACALP owned 4,000 shares. Transactions in common shares for the nine months ended August 31, 2010 were as follows:

|   |            |
|---|------------|
| Shares outstanding at November 30, 2009                                   | 51,579,541 |
| Shares issued through reinvestment of distributions                       | 764,696    |
| Shares issued in connection with offerings of common stock <sup>(1)</sup> | 15,052,773 |
| <br>  |            |
| Shares outstanding at August 31, 2010                                     | 67,397,010 |

(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. ( NRGP ), 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 NRGP 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 September 9, 2010, the Company issued 793,877 shares of common stock at a price of \$26.30 per share as a result of option granted to the underwriters in connection with the August public offering.

**Table of Contents**

**KAYNE ANDERSON MLP INVESTMENT COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2010**

(amounts in 000 s, except option contracts, share and per share amounts)  
(UNAUDITED)

On September 21, 2010, the Company declared its quarterly distribution of \$0.48 per common share for the period June 1, 2010 through August 31, 2010 for a total of \$32,351. The distribution was paid on October 15, 2010 to stockholders of record on October 5, 2010. Of this total, pursuant to the Company's dividend reinvestment plan, \$7,021 was reinvested into the Company through the issuance of 280,514 shares of common stock.

On October 26, 2010 the Company reached a conditional agreement with institutional investors relating to a private placement of \$140,000 of senior unsecured notes and \$50,000 of mandatory redeemable preferred stock, the key terms of which are set forth below.

| <b>Security</b>                      | <b>Amount</b> | <b>Rate</b> | <b>Term</b> |
|--------------------------------------|---------------|-------------|-------------|
| Senior Unsecured Notes               |               |             |             |
| Series Q                             | \$ 15,000     | 3.23%       | 5 years     |
| Series R                             | 25,000        | 3.73%       | 7 years     |
| Series S                             | 60,000        | 4.40%       | 10 years    |
| Series T                             | 40,000        | 4.50%       | 12 years    |
| Total                                | \$ 140,000    |             |             |
| Mandatory Redeemable Preferred Stock |               |             |             |
| Series B                             | \$ 8,000      | 4.53%       | 7 years     |
| Series C                             | 42,000        | 5.20%       | 10 years    |
| Total                                | \$ 50,000     |             |             |

Net proceeds from such offerings will be used to repay borrowings under the Company's revolving credit facility, to make new portfolio investments and for general corporate purposes. Closing of the private placement is scheduled to occur on or about November 9, 2010 and is subject to investor due diligence, legal documentation and other standard closing conditions.

**Table of Contents**

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Steven C. Good

Gerald I. Isenberg

William H. Shea Jr.

Terry A. Hart

David J. Shladovsky

J.C. Frey

James C. Baker

Chairman of the Board of Directors,  
President and Chief Executive Officer  
Director

Director

Director

Director

Chief Financial Officer and Treasurer

Secretary and Chief Compliance Officer

Executive Vice President, Assistant

Secretary and Assistant Treasurer

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