Kayne Anderson MLP Investment CO
Form 497
August 03, 2012
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under the Securities Act of 1933,

as amended, File No. 333-177550

P R O S P E C T U S   S U P P L E M E N T

(To Prospectus dated February 16, 2012)

5,000,000 Shares

Common Stock

$29.75 per share

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

We are offering 5,000,000 shares of our common stock in this prospectus supplement. This prospectus supplement, together with the accompanying prospectus dated February 16, 2012, sets forth the information that you should know before investing.

Our shares of common stock are listed on the New York Stock Exchange under the symbol KYN. The last reported sale price of our common stock on August 2, 2012 was $31.21 per share. The net asset value per share of our common stock at the close of business on August 2, 2012 was $28.08.

Investing in our common stock involves risk. See Risk Factors beginning on page 16 of the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total(1)
Public offering price	$ 29.75	$ 148,750,000
Underwriting discounts and commissions	$ 1.16	$ 5,800,000
Proceeds, before expenses, to us	$ 28.59	$ 142,950,000

(1) We have granted the underwriters an option exercisable for a period of 45 days from the date of this prospectus supplement to purchase up to 750,000 additional shares of common stock at the public offering price, less the underwriting discount, to cover over-allotments, if any. If the underwriters exercise the option in full, the total underwriting discounts and commissions will be $6,670,000, and the total proceeds, before expenses, to us will be $164,392,500.

The underwriters are offering the shares of common stock as described in Underwriting. Delivery of the shares of common stock will be made on or about August 8, 2012.

Joint Book-Running Managers

Citigroup

BofA Merrill Lynch

Morgan Stanley

UBS Investment Bank

Wells Fargo Securities

Co-Managers

Baird **RBC Capital Markets** **Stifel Nicolaus Weisel**

August 3, 2012

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You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. The accompanying prospectus was originally filed with the Securities and Exchange Commission (SEC) as part of a Registration Statement on Form N-2, as amended (Nos. 333-177550 and 811-21593) relating to the issuance of our common stock and preferred stock up to $500,000,000 (the Initial Registration Statement). This prospectus supplement relates to an offering of shares of our common stock which have been registered on the Initial Registration Statement and of additional shares of our common stock which have been registered on another Registration Statement on Form N-2 (Nos. 333-183024 and 811-21593) in an amount not to exceed $28,735,000 which has been filed with the SEC pursuant to Rule 462(b) of the Securities Act of 1933, as amended. This prospectus supplement and the accompanying prospectus set forth certain information about us that a prospective investor should carefully consider before making an investment in our securities. This prospectus supplement, which describes the specific terms of this offering, also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference in the accompanying prospectus. The accompanying prospectus gives more general information, some of which may not apply to this offering. If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in this prospectus supplement; provided that if any statement in one of these documents is inconsistent with a statement in another document having a later date and incorporated by reference into the accompanying prospectus or prospectus supplement, the statement in the incorporated document having the later date modifies or supersedes the earlier statement. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted or where the person making the offer or sale is not qualified to do so or to any person to whom it is not permitted to make such offer or sale. The information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate only as of the respective dates on their front covers, regardless of the time of delivery of this prospectus supplement, the accompanying prospectus, or the sale of the common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

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Prospectus Supplement

Prospectus

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You should read this prospectus supplement and the accompanying prospectus before deciding whether to invest and retain it for future reference. A statement of additional information, dated February 16, 2012 (SAI), as supplemented from time to time, containing additional information about us, has been filed with the SEC and is incorporated by reference in its entirety into this prospectus supplement. You may request a free copy of our SAI by calling toll-free at (877) 657-3863, or by writing to us at 717 Texas Avenue, Suite 3100, Houston, Texas 77002. Electronic copies of the accompanying prospectus, our stockholder reports and our SAI are also available on our website (http://www.kaynefunds.com). You may also obtain copies of these documents (and other information regarding us) from the SEC s web site (http://www.sec.gov).

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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PROSPECTUS SUPPLEMENT SUMMARY

This summary does not contain all of the information you should consider before investing in our common stock. You should read carefully the entire prospectus supplement, the accompanying prospectus, including the section entitled Risk Factors and the financial statements and related notes, before making an investment decision.

THE COMPANY

Kayne Anderson MLP Investment Company, a Maryland corporation, is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). Our investment objective is to obtain a high after-tax total return by investing at least 85% of our total assets in MLPs and other Midstream Energy Companies. We also must comply with the SEC s rule regarding investment company names, which requires us, under normal market conditions, to invest at least 80% of our total assets in MLPs so long as MLP is in our name. Our shares of common stock are listed on the New York Stock Exchange (NYSE) under the symbol KYN.

We began investment activities in September 2004 following our initial public offering. As of July 31, 2012, we had net assets applicable to our common stock of approximately $2.4 billion and total assets of approximately $4.3 billion.

PORTFOLIO INVESTMENTS

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

We are permitted to invest up to 50% of our total assets in unregistered or otherwise restricted securities of MLPs and other Midstream Energy Companies, including securities issued by private companies. We may invest up to 15% of our total assets in any single issuer.

We are permitted to invest up to 20% of our total assets in debt securities of MLPs and other Midstream Energy Companies, including below investment grade debt securities (commonly referred to as junk bonds or high yield bonds) rated, at the time of investment, at least B3 by Moody s Investors Service, Inc., B- by Standard & Poor s Financial Services LLC, a division of the McGraw-Hill Companies, Inc., or Fitch Ratings, Inc., comparably rated by another rating agency or, if unrated, determined by Kayne Anderson to be of comparable quality. In addition, up to one-quarter of our permitted investments in debt securities (or up to 5% of our total assets) may be invested in unrated debt securities or debt securities that are rated less than B3/B- of public or private companies.

As of July 31, 2012, we held $4.2 billion in equity investments and $46 million in fixed income investments. Our top 10 largest holdings by issuer as of that date were:

	Company	Sector	Amount ($ millions)	Percent of Long-Term Investments
1.	Enterprise Products Partners L.P.	Midstream MLP	$ 399.2	9.4%
2.	Kinder Morgan Management, LLC	MLP Affiliate	315.2	7.4
3.	Plains All American Pipeline, L.P.	Midstream MLP	301.5	7.1
4.	MarkWest Energy Partners, L.P.	Midstream MLP	233.7	5.5
5.	Energy Transfer Equity, L.P.	General Partner MLP	201.4	4.8
6.	Regency Energy Partners L.P.	Midstream MLP	185.2	4.4
7.	Williams Partners L.P.	Midstream MLP	163.2	3.9
8.	EI Paso Pipeline Partners, L.P.	Midstream MLP	163.1	3.9
9.	ONEOK Partners, L.P.	Midstream MLP	145.7	3.4
10.	Magellan Midstream Partners, L.P.	Midstream MLP	143.6	3.4

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INVESTMENT ADVISER

KA Fund Advisors, LLC (KAFA) is our investment adviser and is responsible for implementing and administering our investment strategy. KAFA is a subsidiary of Kayne Anderson Capital Advisors, L.P. (KACALP and together with KAFA, Kayne Anderson). Both KAFA and KACALP are SEC-registered investment advisers. As of June 30, 2012, Kayne Anderson and its affiliates managed approximately $15.5 billion, including approximately $9.1 billion in MLPs and other Midstream Energy Companies. Kayne Anderson has invested in MLPs and other Midstream Energy Companies since 1998. We believe that Kayne Anderson has developed an understanding of the MLP market that enables it to identify and take advantage of public MLP investment opportunities. In addition, Kayne Anderson s senior professionals have developed a strong reputation in the energy sector and have many long-term relationships with industry managers, which we believe gives Kayne Anderson an important advantage in sourcing and structuring private investments.

DISTRIBUTIONS

We have paid distributions to our common stockholders every fiscal quarter since inception and intend to continue to pay quarterly distributions to our common stockholders. Our quarterly distribution per share has increased by 41% since inception and we have increased our distribution in each of the last seven quarters. Our most recent quarterly distribution of $0.5275 per share, paid in July 2012, was 6.0% higher than the corresponding distribution paid in July 2011. Our next regularly scheduled quarterly distribution will be for our fiscal quarter ending August 31, 2012 and, if approved by our Board of Directors, will be paid to common stockholders on or about October 15, 2012. Payment of future distributions is subject to approval by our Board of Directors, as well as meeting the covenants of our senior debt, meeting the terms of our preferred stock and the asset coverage requirements of the 1940 Act. The distributions we have paid since the beginning of fiscal 2010 are as follows:

Payment Date	Distribution per Share ($)
July 13, 2012	$ 0.5275
April 13, 2012	0.5175
January 13, 2012	0.5100
October 14, 2011	0.5025
July 15, 2011	0.4975
April 15, 2011	0.4900
January 14, 2011	0.4850
October 15, 2010	0.4800
July 9, 2010	0.4800
April 16, 2010	0.4800
January 15, 2010	0.4800

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THE OFFERING

Common stock we are offering	5,000,000 shares
Common stock to be outstanding after this offering	88,240,873 shares(1)
Use of proceeds after expenses	We estimate that our net proceeds from this offering after expenses without exercise of the over-allotment option will be approximately $143 million. We intend to use the net proceeds to make investments in portfolio companies in accordance with our investment objective and policies and for general corporate purposes. See Use of Proceeds.
Risk factors	See Risk Factors and other information included in the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.
NYSE Symbol	KYN

The shareholder transaction expenses can be summarized as follows:

Underwriting discounts and commissions (as a percentage of offering price)	3.90%
Net offering expenses borne by us (as a percentage of offering price)	0.13%
Dividend reinvestment plan fees(2)	None

(1) The number of shares outstanding after the offering assumes the underwriters over-allotment option is not exercised. If the over-allotment option is exercised in full, the number of shares outstanding will increase by 750,000 shares.

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

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USE OF PROCEEDS

We estimate that the net proceeds from the sale of the 5,000,000 shares of common stock that we are offering will be approximately $143 million, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, or approximately $164 million if the underwriters exercise the over-allotment option in full.

We intend to use the net proceeds of the offering to make investments in portfolio companies in accordance with our investment objective and policies and for general corporate purposes. We anticipate that we will be able to invest the net proceeds within two to three months.

Pending such investments, we anticipate (i) repaying all or a portion of the indebtedness owed under our existing unsecured revolving credit facility and (ii) investing the remaining net proceeds in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations or money market instruments. A delay in the anticipated use of proceeds could lower returns, reduce our distribution to common stockholders and reduce the amount of cash available to make dividend and interest payments on preferred stock and debt securities, respectively.

At July 31, 2012, we had outstanding borrowings on the revolving credit facility of $10 million and the interest rate was 4.00%. Any borrowings under our revolving credit facility will be used to fund investments in portfolio companies and for general corporate purposes. Amounts repaid under our revolving credit facility will remain available for future borrowings. Affiliates of some of the underwriters are lenders under our revolving credit facility and will receive a pro rata portion of the net proceeds from this offering, if any, used to reduce amounts outstanding under our revolving credit facility. See Underwriting Affiliations Conflicts of Interests.

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CAPITALIZATION

The following table sets forth our capitalization: (i) as of May 31, 2012 and (ii) as of May 31, 2012, as adjusted to give effect to the issuance of the shares of common stock offered hereby. As indicated below, common stockholders will bear the offering costs associated with this offering.

	As of May 31, 2012 Actual	As Adjusted
	(Unaudited) ($ in 000s, except per share data)	
Repurchase Agreements, Cash and Cash Equivalents	$ 22,807	$ 156,557(1)
Short-Term Debt:		
Revolving Credit Facility	9,000	(1)
Long-Term Debt:		
Senior Notes Series K(2)	125,000	125,000
Senior Notes Series M(2)	60,000	60,000
Senior Notes Series N(2)	50,000	50,000
Senior Notes Series O(2)	65,000	65,000
Senior Notes Series P(2)	45,000	45,000
Senior Notes Series Q(2)	15,000	15,000
Senior Notes Series R(2)	25,000	25,000
Senior Notes Series S(2)	60,000	60,000
Senior Notes Series T(2)	40,000	40,000
Senior Notes Series U(2)	60,000	60,000
Senior Notes Series V(2)	70,000	70,000
Senior Notes Series W(2)	100,000	100,000
Senior Notes Series X(2)	14,000	14,000
Senior Notes Series Y(2)	20,000	20,000
Senior Notes Series Z(2)	15,000	15,000
Senior Notes Series AA(2)	15,000	15,000
Senior Notes Series BB(2)	35,000	35,000
Senior Notes Series CC(2)	76,000	76,000
Total Long-Term Debt:	$ 890,000	$ 890,000
Mandatory Redeemable Preferred Stock:		
Series A MRP Shares, $0.001 par value per share, liquidation preference $25.00 per share (4,160,000 shares issued and outstanding, 4,160,000 shares authorized)(2)	$ 104,000	$ 104,000
Series B MRP Shares, $0.001 par value per share, liquidation preference $25.00 per share (320,000 shares issued and outstanding, 320,000 shares authorized)(2)	8,000	8,000
Series C MRP Shares, $0.001 par value per share, liquidation preference $25.00 per share (1,680,000 shares issued and outstanding, 1,680,000 shares authorized)(2)	42,000	42,000
Series D MRP Shares, $0.001 par value per share, liquidation preference $25.00 per share (4,000,000 shares issued and outstanding, 4,000,000 shares authorized)(2)	100,000	100,000
Series E MRP Shares, $0.001 par value, liquidation preference $25.00 per share (4,800,000 shares issued and outstanding, 4,800,000 shares authorized)(2)	120,000	120,000
Common Stockholders Equity:		
Common stock, $0.001 par value per share, 185,040,000 shares authorized (83,060,342 shares issued and outstanding; 88,060,342 shares issued and outstanding as adjusted)(2)(3)(4)	$ 83	$ 88
Paid-in capital(5)	1,543,924	1,686,669
Accumulated net investment loss, net of income taxes, less dividends	(380,870)	(380,870)
Accumulated realized gains on investments, options, and interest rate swap contracts, net of income taxes	231,673	231,673
Net unrealized gains on investments and options, net of income taxes	796,189	796,189
Net assets applicable to common stockholders	$ 2,190,999	$ 2,333,749

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(1) As described under Use of Proceeds, we intend to use the net proceeds from this offering to make investments in portfolio companies in accordance with our investment objective and policies, to repay indebtedness and for general corporate purposes. Pending such investments, we anticipate either investing the proceeds in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations, money market instruments or cash.

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

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

(4) On July 13, 2012, we issued 180,531 shares of common stock pursuant to our dividend reinvestment plan which are not reflected in the as adjusted shares issued and outstanding.

(5) As adjusted, additional paid-in capital reflects the issuance of shares of common stock offered hereby ($148,750), less $0.001 par value per share of common stock ($5), less the underwriting discounts and commissions ($5,800) and less the net estimated offering costs borne by us ($200) related to the issuance of shares.

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UNDERWRITING

We are offering the shares of our common stock described in this prospectus supplement through the underwriters named below. Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC, UBS Securities LLC and Wells Fargo Securities, LLC are the joint book-running managers of the offering and representatives of the underwriters. We have entered into an underwriting agreement with the representatives. Subject to the terms and conditions of the underwriting agreement, each of the underwriters has severally agreed to purchase the number of shares of common stock listed next to its name in the following table.

Underwriters	Number of Shares
Citigroup Global Markets Inc.	964,500
Merrill Lynch, Pierce, Fenner & Smith Incorporated	964,500
Morgan Stanley & Co. LLC	964,500
UBS Securities LLC	964,500
Wells Fargo Securities, LLC	551,000
Robert W. Baird & Co. Incorporated	197,000
RBC Capital Markets, LLC	197,000
Stifel, Nicolaus & Company, Incorporated	197,000
Total	5,000,000

The underwriting agreement provides that the obligations of the underwriters to purchase the shares included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriting agreement provides that the underwriters must buy all of the shares if they buy any of them. However, the underwriters are not required to take or pay for the shares covered by the underwriters over-allotment option described below.

Our common stock is offered subject to a number of conditions, including:

- receipt and acceptance of our common stock by the underwriters; and
- the underwriters right to reject orders in whole or in part.

In connection with this offering, certain of the underwriters or securities dealers may distribute prospectuses electronically.

OVER-ALLOTMENT OPTION

We have granted the underwriters an option to buy up to an aggregate of 750,000 additional shares of common stock. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with this offering. The underwriters have 45 days from the date of this prospectus supplement to exercise this option. If the underwriters exercise this option, they will each purchase additional shares approximately in proportion to the amounts specified in the table above.

COMMISSIONS AND DISCOUNTS

Shares sold by the underwriters to the public will be offered at the public offering price set forth on the cover page of this prospectus supplement. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $0.70 per share from the public offering price. Any of these securities dealers may resell any shares purchased from the underwriters to other brokers or dealers at a discount of up to $0.10 per share from the public offering price. Sales of shares made outside of the U.S. may be made by affiliates of the underwriters. If all of the shares are not sold at the public offering price, the representatives may change the offering price and the other selling terms. Upon execution of the underwriting agreement, the underwriters will be obligated to purchase the shares at the prices and upon the terms stated therein and, as a result, will thereafter bear any risk

associated with changing the offering price to the public and other selling terms. The sales load and underwriting discount is equal to 3.90% of the initial offering price. Investors must pay for their shares of common stock on or before August 8, 2012.

The following table shows the per share and total underwriting discounts and commissions we will pay to the underwriters assuming both no exercise and full exercise of the underwriters option to purchase up to an additional 750,000 shares of common stock.

	No Exercise	Full Exercise
Per share	$ 1.16	$ 1.16
Total	$ 5,800,000	$ 6,670,000

We estimate that the total expenses of this offering payable by us, not including the underwriting discounts and commissions, will be approximately $200,000.

NO SALES OF SIMILAR SECURITIES

We, our Adviser and certain officers of our Adviser, including all of our officers, and our directors who own shares of our common stock and/or purchase shares of our common stock in this offering, have entered into lock-up agreements with the underwriters. Under these agreements, subject to certain exceptions, we and each of these persons may not, without the prior written consent of the representatives, offer, sell, contract to sell or otherwise dispose of, directly or indirectly, or hedge our common stock or securities convertible into or exchangeable or exercisable for our common stock for a period of 60 days after the date of this prospectus supplement. In the event that either (x) during the last 17 days of the 60-day period referred to above, we issue an earnings release or (y) prior to the expiration of such 60 days, we announce that we will release earnings during the 16-day period beginning on the last day of such 60-day period, the restrictions described above shall continue to apply until the expiration of the 18-day period beginning on the date of the earnings or the press release.

We have agreed to indemnify the underwriters against certain liabilities, including certain liabilities under the Securities Act of 1933, as amended (the Securities Act). If we are unable to provide this indemnification, we have agreed to contribute to payments the underwriters may be required to make in respect of those liabilities.

NYSE LISTING

Our currently outstanding shares of common stock are, and the shares of common stock sold pursuant to this prospectus supplement and the accompanying prospectus, subject to notice of issuance, will be listed on the NYSE under the symbol KYN.

PRICE STABILIZATION, SHORT POSITIONS

In connection with this offering, the underwriters may engage in activities that stabilize, maintain or otherwise affect the price of our common stock, including:

- stabilizing transactions;
- short sales;
- purchases to cover positions created by short sales;
- imposition of penalty bids; and

syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of our common stock while this offering is in progress. These transactions may also include making short sales of our common stock which involve the sale by the underwriters of a greater number of shares of common stock than they are required to purchase in this offering.

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Short sales may be covered short sales, which are short positions in an amount not greater than the underwriters over-allotment option referred to above, or may be naked short sales, which are short positions in excess of that amount.

The underwriters may close out any covered short position by either exercising their over-allotment option, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option.

The underwriters may close out any naked short sale position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market that could adversely affect investors who purchased in this offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discounts and commissions received by it because the representatives have repurchased shares sold by or for the account of that underwriter in stabilizing or short covering transactions.

As a result of these activities, the price of our common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. The underwriters may carry out these transactions on the NYSE or in the over-the-counter market, or otherwise.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the underwriters make any representation that the underwriters will engage in these stabilizing transactions or that any transaction, if commenced, will not be discontinued without notice.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

In relation to each member state of the European Economic Area (the EEA) that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of shares described in this prospectus supplement has not been made and may not be made to the public in that relevant member state other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by us for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For purposes of this provision, the expression an offer of securities to the public in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive) and includes any relevant implementing measure in the relevant member state. The expression 2010 PD Amending Directive means Directive 2010/73/EU.

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This prospectus supplement is not a prospectus for the purposes of the Prospectus Directive as implemented in member states of the EEA. This prospectus supplement has been prepared on the basis that all offers of the shares will be made pursuant to an exemption under the Prospectus Directive from the requirement to produce a prospectus in connection with offers of the shares. Accordingly, any person making or intending to make any offer within the EEA of shares which are the subject of the offering contemplated in this prospectus supplement should only do so in circumstances in which no obligation arises for us or any of the underwriters to produce a prospectus for such offers. Neither we nor the underwriters have authorized, nor do we or they authorise, the making of any offer of the shares through any financial intermediary, other than offers made by underwriters which constitute the final placement of the shares contemplated in this prospectus supplement.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This prospectus supplement and the accompanying prospectus (this Communication) has not been approved by an authorized person under section 21 of the Financial Services and Markets Act 2000 and is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order) or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a relevant person).

This Communication and its contents are confidential and provided on a personal basis to the recipients and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any investment or investment activity to which this Communication relates is available only to relevant persons and will only be engaged with relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this Communication or any of its contents.

AFFILIATIONS CONFLICTS OF INTERESTS

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

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

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

The respective addresses of the representatives are Citigroup Global Markets Inc., 388 Greenwich Street, New York, New York 10013; Merrill Lynch, Pierce, Fenner & Smith Incorporated, One Bryant Park, New York, New York 10036; Morgan Stanley & Co. LLC, 1585 Broadway, New York, New York 10036; UBS Securities LLC, 299 Park Avenue, New York, NY 10171; and Wells Fargo Securities, LLC, 301 S. College Street, Charlotte, North Carolina 28288.

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LEGAL MATTERS

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

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act) and the 1940 Act, and are required to file reports, including annual and semi-annual reports, proxy statements and other information with the SEC. We voluntarily file quarterly shareholder reports. Our most recent shareholder report filed with the SEC is for the six-month period ended May 31, 2012. These documents are available on the SEC s EDGAR system and can be inspected and copied for a fee at the SEC s public reference room, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Additional information about the operation of the public reference room facilities may be obtained by calling the SEC at (202) 551-5850.

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

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UNAUDITED FINANCIAL STATEMENTS AS OF AND FOR THE SIX MONTHS ENDED MAY 31, 2012 AND FINANCIAL HIGHLIGHTS FOR THE PERIOD SEPTEMBER 28, 2004 THROUGH NOVEMBER 30, 2004, FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2005 THROUGH 2011 AND FOR THE SIX MONTHS ENDED MAY 31, 2012

CONTENTS

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 similar expressions identify forward-looking statements, which generally are not hist 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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KAYNE ANDERSON MLP INVESTMENT COMPANY

MANAGEMENT DISCUSSION

(UNAUDITED)

Company Overview

Kayne Anderson MLP Investment Company is a non-diversified, closed-end fund that commenced operations 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 May 31, 2012, we had total assets of $4.0 billion, net assets applicable to our common stock of $2.2 billion (net asset value per share of $26.38), and 83.1 million shares of common stock outstanding.

Our investments are principally in equity securities issued by MLPs, but we also invest in debt securities of MLPs and debt/equity securities of Midstream Energy Companies. As of May 31, 2012, we held $3.9 billion in equity investments and $52.5 million in debt investments.

Results of Operations For the Three Months Ended May 31, 2012

Investment Income. Investment income totaled $9.1 million for the quarter and consisted primarily of net dividends and distributions and interest income on our investments. Interest and other income was $1.4 million, and we received $57.2 million of cash dividends and distributions, of which $49.5 million was treated as return of capital during the quarter. During the quarter, we received $8.1 million of paid-in-kind dividends, which are not included in investment income, but are reflected as an unrealized gain.

Operating Expenses. Operating expenses totaled $29.8 million, including $14.2 million of investment management fees, $9.9 million of interest expense (including non-cash amortization of debt issuance costs of $0.4 million), and $0.6 million of other operating expenses. Management fees are calculated based on the average total assets under management. Preferred stock distributions for the quarter were $5.1 million (including non-cash amortization of $0.3 million and a $0.5 million redemption payment associated with the repurchase of a portion of Series A mandatory redeemable preferred stock).

Net Investment Loss. Our net investment loss totaled $14.4 million and included a deferred income tax benefit of $6.2 million.

Net Realized Gains. We had net realized gains from our investments of $14.9 million, net of $8.7 million of deferred tax expense.

Net Change in Unrealized Losses. We had a net change in unrealized losses of $264.8 million. The net change consisted of $420.2 million of unrealized losses from investments and a deferred tax benefit of $155.4 million.

Net Decrease in Net Assets Resulting from Operations. We had a decrease in net assets resulting from operations of $264.3 million. This decrease was comprised of a net investment loss of $14.4 million; net realized gains of $14.9 million; and net change in unrealized losses of $264.8 million, as noted above.

Distributions to Common Stockholders

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

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KAYNE ANDERSON MLP INVESTMENT COMPANY

MANAGEMENT DISCUSSION

(UNAUDITED)

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

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

Net Distributable Income (NDI)

(amounts in millions, except for per share amounts)

	Three Months Ended May 31, 2012
Distributions and Other Income from Investments	
Dividends and Distributions	$ 57.2
Paid-In-Kind Dividends	8.1
Interest and Other Income	1.4
Net Premiums Received from Call Options Written	0.7
Total Distributions and Other Income from Investments	67.4
Expenses	
Investment Management Fee	(14.2)
Other Expenses	(0.6)
Total Management Fee and Other Expenses	(14.8)
Interest Expense	(9.5)
Preferred Stock Distributions	(4.3)
Income Tax Benefit	6.2
Net Distributable Income (NDI)	**$ 45.0**
Weighted Shares Outstanding	83.0
NDI per Weighted Share Outstanding	**$ 0.543**
Distributions paid per Common Share[1]	**$ 0.5275**

(1) The distribution of $0.5275 per share for the second quarter of fiscal 2012 was paid to common stockholders on July 13, 2012.

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

- NDI generated in the current quarter;
- Expected NDI over the next twelve months; and
- Realized and unrealized gains generated by the portfolio.

On June 13, 2012, we declared a quarterly distribution of $0.5275 per common share for the fiscal second quarter (a total distribution of $43.8 million). The distribution represents an increase of 1.9% from the prior quarter s distribution and an increase of 6.0% from the distribution for the quarter ended May 31, 2011. The distribution was paid on July 13, 2012 to common stockholders of record on July 5, 2012.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

MANAGEMENT DISCUSSION

(UNAUDITED)

Reconciliation of NDI to GAAP

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

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

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

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

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

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

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

The non-cash amortization or write-offs of capitalized debt issuance costs and preferred stock offering costs related to our financings is included in interest expense and distributions on mandatory redeemable preferred stock for GAAP purposes, but is excluded from our calculation of NDI. Interest or dividend premiums paid associated with the redemption of senior unsecured notes or preferred stock are included in interest expense and distributions on mandatory redeemable preferred stock for GAAP purposes, but excluded from our calculation of NDI.

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 May 31, 2012 of $1,273 million was comprised of $890.0 million of senior unsecured notes (Senior Notes), $374.0 million of mandatory redeemable preferred stock and $9.0 million outstanding under our senior unsecured revolving credit facility (the Credit Facility). Total leverage represented 32% of total assets at May 31, 2012. As of July 23, 2012, we had $18.0 million borrowed under our Credit Facility, and we had $1.9 million of cash.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

MANAGEMENT DISCUSSION

(UNAUDITED)

At May 31, 2012, the Credit Facility had a $200.0 million commitment and matures on June 11, 2013. During the fiscal second quarter, we increased the size of our Credit Facility from $175.0 million to $200.0 million by adding a new lender to the syndicate. The interest rate may vary between LIBOR plus 1.75% and LIBOR plus 3.00%, depending on our asset coverage ratios. Outstanding loan balances accrue interest daily at a rate equal to one-month LIBOR plus 1.75% based on current asset coverage ratios. We pay a commitment fee of 0.40% per annum on any unused amounts of the Credit Facility. A full copy of our Credit Facility is available on our website, www.kaynefunds.com.

At May 31, 2012, our asset coverage ratios under the Investment Company Act of 1940, as amended (the 1940 Act), were 385% and 272% 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.

On May 3, 2012, we completed a private placement of $175.0 million of Senior Notes. Net proceeds from the offering were used to repay borrowings under our Credit Facility, to refinance the Series I Senior Notes ($60.0 million), to make new portfolio investments and for general corporate purposes. On March 21, 2012, we completed a public offering of Series E mandatory redeemable preferred stock (Series E MRP Shares) for $120.0 million. Net proceeds of the Series E MRP Shares offering were used to repay borrowings under the Credit Facility and to purchase $6.0 million of our Series A mandatory redeemable preferred stock. We had $890.0 million of Senior Notes outstanding at May 31, 2012. The Senior Notes mature between 2013 and 2022. As of the same date, we had $374.0 million of mandatory redeemable preferred stock, which is subject to mandatory redemption at various dates from 2017 through 2020.

As of May 31, 2012, our total leverage consisted of both fixed rate (87%) and floating rate (13%) obligations. At such date, the weighted average interest rate on our total leverage was 4.3%.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

PORTFOLIO SUMMARY

(UNAUDITED)

Portfolio Investments by Category

May 31, 2012 **November 30, 2011**

Top 10 Holdings by Issuer

Holding	Sector	Percent of Total Investments* as of May 31, 2012	Percent of Total Investments* as of November 30, 2011
1. Enterprise Products Partners L.P.	Midstream MLP	9.3%	9.3%
2. Kinder Morgan Management, LLC	MLP Affiliate	7.2	7.4
3. Plains All American Pipeline, L.P.	Midstream MLP	6.8	5.3
4. MarkWest Energy Partners, L.P.	Midstream MLP	5.4	5.6
5. Regency Energy Partners LP	Midstream MLP	4.2	4.1
6. Energy Transfer Equity, L.P.	General Partner MLP	4.0	3.8
7. Magellan Midstream Partners, L.P.	Midstream MLP	3.9	4.4
8. Williams Partners L.P.	Midstream MLP	3.9	4.6
9. El Paso Pipeline Partners, L.P.	Midstream MLP	3.9	3.5
10. ONEOK Partners, L.P.	Midstream MLP	3.4	3.3

* *Includes cash and repurchase agreement (if any).*

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KAYNE ANDERSON MLP INVESTMENT COMPANY

SCHEDULE OF INVESTMENTS

MAY 31, 2012

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

(UNAUDITED)

Description	No. of Shares/Units	Value
Long-Term Investments 180.2%		
Equity Investments[(1)] 177.8%		
Midstream MLP[(2)] 122.6%		
Boardwalk Pipeline Partners, LP	1,089	$ 28,260
Buckeye Partners, L.P.	1,542	73,292
Buckeye Partners, L.P. Class B Units[(3)(4)]	883	38,721
Chesapeake Midstream Partners, L.P.	2,096	52,468
Copano Energy, L.L.C.	1,453	38,952
Crestwood Midstream Partners LP	2,439	61,598
Crestwood Midstream Partners LP Class C Units[(3)(4)]	1,154	27,249
Crosstex Energy, L.P.	312	4,857
DCP Midstream Partners, LP	2,361	92,875
El Paso Pipeline Partners, L.P.	4,676	153,432
Enbridge Energy Partners, L.P.	4,050	118,407
Energy Transfer Partners, L.P.	1,266	54,913
Enterprise Products Partners L.P.	7,612	371,164
Global Partners LP	1,974	42,747
Holly Energy Partners, L.P.	336	19,031
Inergy, L.P.	3,510	60,131
Inergy Midstream, L.P.	1,064	22,185
Magellan Midstream Partners, L.P.	2,279	156,848
MarkWest Energy Partners, L.P.[(5)]	4,442	212,942
Niska Gas Storage Partners LLC	1,748	20,764
NuStar Energy L.P.	400	20,900
ONEOK Partners, L.P.	2,456	134,099
PAA Natural Gas Storage, L.P.	876	15,730
Penn Virginia Resource Partners, L.P.[(5)]	3,093	71,788
Penn Virginia Resource Partners, L.P. Unregistered[(3)(5)]	1,401	29,847
Plains All American Pipeline, L.P.[(5)]	3,426	269,036
Regency Energy Partners LP	7,684	165,357
Rose Rock Midstream, L.P.	315	7,489
Spectra Energy Partners, L.P.	596	18,588
Targa Resources Partners L.P.[(6)]	1,780	69,808
TC PipeLines, LP	113	4,629
Tesoro Logistics LP	365	11,499
Transmontaigne Partners L.P.	203	6,395
Western Gas Partners L.P.	1,227	54,105
Williams Partners L.P.	2,958	156,472
		2,686,578

MLP Affiliate[(2)] 16.2%

Enbridge Energy Management, L.L.C.[4]	2,147	66,969
Kinder Morgan Management, LLC[4]	4,050	287,649
		354,618
General Partner MLP [2] 11.0%		
Alliance Holdings GP L.P.	1,903	79,090
Energy Transfer Equity, L.P.	4,425	160,742
NuStar GP Holdings, LLC	45	1,440
		241,272

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

SCHEDULE OF INVESTMENTS

MAY 31, 2012

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

(UNAUDITED)

Description	No. of Shares/Units	Value
Shipping MLP 9.5%		
Capital Product Partners L.P.	2,841	$ 20,767
Navios Maritime Partners L.P.	1,876	25,420
Teekay LNG Partners L.P.	1,904	71,053
Teekay Offshore Partners L.P.	3,263	90,395
		207,635
Midstream 9.3%		
Kinder Morgan, Inc.	1,015	34,693
Kinder Morgan, Inc. Warrants[7][8]	795	1,812
ONEOK, Inc.	643	53,321
Plains All American GP LLC Unregistered[3][5]	24	47,538
Targa Resources Corp.	301	13,364
The Williams Companies, Inc.	1,725	52,673
		203,401
Upstream MLP & Income Trust 5.3%		
BreitBurn Energy Partners L.P.	1,937	32,161
Chesapeake Granite Wash Trust	479	9,331
Legacy Reserves L.P.	535	13,212
LRR Energy, L.P.	308	4,463
Memorial Production Partners LP	339	5,811
Mid-Con Energy Partners, LP	537	10,813
Pacific Coast Oil Trust	500	8,415
SandRidge Mississippian Trust II	333	6,741
SandRidge Permian Trust	893	17,801
VOC Energy Trust	344	6,558
		115,306
Other MLP 3.4%		
Exterran Partners, L.P.	2,878	56,782
PetroLogistics LP[9]	1,350	18,900
		75,682
Coal MLP & Other 0.5%		
Alliance Resource Partners, L.P.	156	8,899
Clearwater Trust[3][5][10]	N/A	2,520

				11,419
Total Equity Investments (Cost $2,627,544)				3,895,911
	Interest Rate	**Maturity Date**	**Principal Amount**	
Debt Investments 2.4%				
Midstream 2.1%				
Crestwood Midstream Partners LP	7.750%	4/1/19	$ 11,750	11,897
Niska Gas Storage Partners LLC	8.875	3/15/18	29,000	27,767
Penn Virginia Resource Partners, L.P.[5]	8.250	4/15/18	6,250	6,281
				45,945

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

SCHEDULE OF INVESTMENTS

MAY 31, 2012

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

(UNAUDITED)

Description	Interest Rate	Maturity Date	Principal Amount	Value
Upstream 0.3%				
BreitBurn Energy Partners L.P.	7.875%	4/15/22	$ 2,250	$ 2,216
EP Energy LLC	9.375	5/1/20	4,250	4,362
				6,578
Total Energy Debt Investments (Cost $52,005)				52,523
Total Long-Term Investments (Cost $2,679,549)				3,948,434

	No. of Contracts	
Liabilities		
Call Option Contracts Written[7]		
Midstream		
Targa Resources Partners L.P., call option expiring 6/15/12 @ $43.00 (Premiums Received $64)	1,000	(5)
Credit Facility		(9,000)
Senior Unsecured Notes		(890,000)
Mandatory Redeemable Preferred Stock at Liquidation Value		(374,000)
Deferred Tax Liability		(492,643)
Other Liabilities		(39,704)
Total Liabilities		(1,805,352)
Other Assets		47,917
Total Liabilities in Excess of Other Assets		(1,757,435)
Net Assets Applicable to Common Stockholders		$ 2,190,999

(1) Unless otherwise noted, equity investments are common units/common shares.

(2) Includes limited liability companies.

(3) Fair valued securities, restricted from public sale. See Notes 2, 3 and 7 in Notes to Financial Statements.

(4) Distributions are paid-in-kind.

(5) The Company believes that it is an affiliate of the Clearwater Trust, MarkWest Energy Partners, L.P., Penn Virginia Resource Partners, L.P., Plains All American Pipeline, L.P. and Plains All American GP LLC. See Note 5 Agreements and Affiliations.

(6) Security or a portion thereof is segregated as collateral on option contracts written.

(7) Security is non-income producing.

(8) Each warrant entitles the holder to purchase one Kinder Morgan, Inc. common unit for $40.00 until May 25, 2017.

(9) Security is not currently paying cash distributions but is expected to pay cash distributions within the next 12 months.

(10) The Company owns an interest in the Creditors Trust of Miller Bros. Coal, LLC (Clearwater Trust) consisting of a coal royalty interest. See Notes 5 and 7 in Notes to Financial Statements.

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

STATEMENT OF ASSETS AND LIABILITIES

MAY 31, 2012

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

(UNAUDITED)

ASSETS	
Investments at fair value:	
Non-affiliated (Cost $2,350,445)	$ 3,314,763
Affiliated (Cost $329,104)	633,671
Total investments (Cost $2,679,549)	3,948,434
Cash	22,807
Deposits with brokers	261
Receivable for securities sold	11,686
Interest, dividends and distributions receivable	946
Deferred debt issuance and preferred stock offering costs and other assets	12,217
Total Assets	3,996,351
LIABILITIES	
Credit facility	9,000
Payable for securities purchased	8,762
Investment management fee payable	14,181
Accrued directors fees and expenses	81
Call option contracts written (Premiums received $64)	5
Accrued expenses and other liabilities	16,680
Deferred tax liability	492,643
Senior unsecured notes	890,000
Mandatory redeemable preferred stock, $25.00 liquidation value per share (14,960,000 shares issued and outstanding)	374,000
Total Liabilities	1,805,352
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS	$ 2,190,999
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS CONSIST OF	
Common stock, $0.001 par value (83,060,342 shares issued and outstanding, 184,800,000 shares authorized)	$ 83
Paid-in capital	1,543,924
Accumulated net investment loss, net of income taxes, less dividends	(380,870)
Accumulated realized gains on investments, options, and interest rate swap contracts, net of income taxes	231,673
Net unrealized gains on investments and options, net of income taxes	796,189
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS	$ 2,190,999
NET ASSET VALUE PER COMMON SHARE	$ 26.38

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

STATEMENT OF OPERATIONS

(amounts in 000 s)

(UNAUDITED)

	For the Three Months Ended May 31, 2012	For the Six Months Ended May 31, 2012
INVESTMENT INCOME		
Income		
Dividends and distributions:		
Non-affiliated investments	$ 47,716	$ 91,227
Affiliated investments	9,528	17,628
Total dividends and distributions	57,244	108,855
Return of capital	(49,528)	(94,538)
Net dividends and distributions	7,716	14,317
Interest and other income	1,406	2,218
Total Investment Income	9,122	16,535
Expenses		
Investment management fees	14,179	27,512
Administration fees	203	414
Professional fees	151	288
Custodian fees	114	216
Reports to stockholders	85	186
Directors fees and expenses	79	169
Insurance	53	106
Other expenses	(94)	178
Total Expenses Before Interest Expense, Preferred Distributions and Taxes	14,770	29,069
Interest expense and amortization of debt issuance costs	9,904	18,845
Distributions on mandatory redeemable preferred stock and amortization of offering costs	5,086	8,645
Total Expenses Before Taxes	29,760	56,559
Net Investment Loss Before Taxes	(20,638)	(40,024)
Deferred tax benefit	6,219	12,075
Net Investment Loss	(14,419)	(27,949)
REALIZED AND UNREALIZED GAINS (LOSSES)		
Net Realized Gains (Losses)		
Investments non-affiliated	25,605	57,240
Investments affiliated	(29)	1,532
Options	649	1,005
Payments on interest rate swap contracts	(2,606)	(2,606)
Deferred tax expense	(8,739)	(21,153)

Net Realized Gains		14,880		36,018
Net Change in Unrealized Gains (Losses)				
Investments non-affiliated		(359,150)		(35,447)
Investments affiliated		(61,094)		28,614
Options		21		(34)
Deferred tax expense		155,483		2,541
Net Change in Unrealized Losses		(264,740)		(4,326)
Net Realized and Unrealized Gains (Losses)		(249,860)		31,692
NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM OPERATIONS	$	(264,279)	$	3,743

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

STATEMENT OF CHANGES IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS

(amounts in 000 s, except share amounts)

	For the Six Months Ended May 31, 2012 (Unaudited)	For the Fiscal Year Ended November 30, 2011
OPERATIONS		
Net investment loss, net of tax	$ (27,949)	$ (49,953)
Net realized gains, net of tax	36,018	110,193
Net change in unrealized gains (losses), net of tax	(4,326)	91,626
Net Increase in Net Assets Resulting from Operations	3,743	151,866
DIVIDENDS AND DISTRIBUTIONS TO COMMON STOCKHOLDERS[1]		
Dividends	(17,147)[2]	(89,963)[3]
Distributions return of capital	(64,054)[2]	(51,663)[3]
Dividends and Distributions to Common Stockholders	(81,201)	(141,626)
CAPITAL STOCK TRANSACTIONS		
Issuance of common stock offerings of 7,500,000 and 5,700,000 shares of common stock, respectively	236,325	174,306
Underwriting discounts and offering expenses associated with the issuance of common stock	(9,812)	(7,322)
Issuance of 430,133 and 958,808 newly issued shares of common stock from reinvestment of dividends and distributions, respectively	12,341	26,488
Net Increase in Net Assets Applicable to Common Stockholders from Capital Stock Transactions	238,854	193,472
Total Increase in Net Assets Applicable to Common Stockholders	161,396	203,712
NET ASSETS ATTRIBUTABLE TO COMMON STOCKHOLDERS		
Beginning of period	2,029,603	1,825,891
End of period	$ 2,190,999	$ 2,029,603

(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. The Company estimates that the distribution in the amount of $8,214 paid to mandatory redeemable preferred stockholders during the six months ended May 31, 2012 will be a dividend (ordinary income). This estimate is based solely on the Company s operating results during the period and does not reflect the expected result during the fiscal year. 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. Therefore, the characterization may differ from the preliminary estimates. Distributions in the amount of $11,451 paid to mandatory redeemable preferred stockholders for the fiscal year ended November 30, 2011, were characterized as qualified dividend income. This characterization is based on the Company s earnings and profits.

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

STATEMENT OF CHANGES IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS

(amounts in 000 s, except share amounts)

(2) This is an estimate of the characterization of the distributions paid to common stockholders for the six months ended May 31, 2012 as either a dividend (eligible to be treated as qualified dividend income) or distributions (return of capital). This estimate is based on the Company s operating results during the period. The actual characterization of the common stock distributions made during the period will not be determined until after the end of the fiscal year when the Company can determine earnings and profits. Therefore, the characterization may differ from the preliminary estimates.

(3) The information presented in each of these items is a characterization of a portion of the total dividends and distributions paid to common stockholders for the fiscal year ended November 30, 2011 as either dividends (eligible to be treated as qualified dividend income) or distributions (return of capital). This characterization is based on the Company s earnings and profits.

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED MAY 31, 2012

(amounts in 000 s)

(UNAUDITED)

CASH FLOWS FROM OPERATING ACTIVITIES	
Net increase in net assets resulting from operations	$ 3,743
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Net deferred tax expense	6,537
Return of capital distributions	94,538
Net realized gains	(57,171)
Net unrealized losses	6,867
Accretion of bond discounts, net	(58)
Purchase of long-term investments	(863,108)
Proceeds from sale of long-term investments	394,065
Decrease in deposits with brokers	13
Increase in receivable for securities sold	(10,434)
Increase in interest, dividends and distributions receivable	(63)
Amortization of deferred debt issuance costs	921
Amortization of mandatory redeemable preferred stock issuance costs	431
Decrease in other assets, net	67
Increase in payable for securities purchased	80
Increase in investment management fee payable	2,267
Increase in accrued directors fees and expenses	2
Decrease in call option contracts written, net	(57)
Decrease in accrued expenses and other liabilities	(1,229)
Net Cash Used in Operating Activities	(422,589)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from credit facility	9,000
Issuance of shares of common stock, net of offering costs	226,513
Proceeds from offering of senior unsecured notes	175,000
Proceeds from issuance on mandatory redeemable preferred stock	120,000
Redemption of senior unsecured notes	(60,000)
Redemption of mandatory redeemable preferred stock	(6,000)
Costs associated with issuance of credit facility	(75)
Costs associated with issuance of senior unsecured notes	(1,411)
Costs associated with issuance of mandatory redeemable preferred stock	(2,600)
Cash distributions paid to common stockholders	(68,861)
Net Cash Provided by Financing Activities	391,566
NET DECREASE IN CASH	(31,023)
CASH BEGINNING OF PERIOD	53,830
CASH END OF PERIOD	$ 22,807

Supplemental disclosure of cash flow information:

Non-cash financing activities not included herein consist of reinvestment of distributions of $12,340 pursuant to the Company s dividend reinvestment plan.

During the six months ended May 31, 2012, interest paid was $18,999 and there were no income taxes paid.

The Company received $15,076 paid-in-kind dividends during the six months ended May 31, 2012. See Note 2 Significant Accounting Policies.

See accompanying notes to financial statements.

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	For the Six Months Ended May 31, 2012 (Unaudited)	For the Fiscal Year Ended November 30, 2011	2010	2009	2008	2007	2006	2005	For the Period September 28, 2004[1] through November 30, 2004
Per Share of Common Stock[2]									
Net asset value, beginning of period	$ 27.01	$ 26.67	$ 20.13	$ 14.74	$ 30.08	$ 28.99	$ 25.07	$ 23.91	$ 23.70[3]
Net investment income/(loss)[4]	(0.35)	(0.69)	(0.44)	(0.33)	(0.73)	(0.73)	(0.62)	(0.17)	0.02
Net realized and unrealized gain/(loss)	0.73	2.91	8.72	7.50	(12.56)	3.58	6.39	2.80	0.19
Total income/(loss) from operations	0.38	2.22	8.28	7.17	(13.29)	2.85	5.77	2.63	0.21
Auction rate preferred dividends[4][5]						(0.10)		(0.05)	
Auction rate preferred distributions return of capital[5]				(0.01)	(0.10)		(0.10)		
Total dividends and distributions auction rate preferred				(0.01)	(0.10)	(0.10)	(0.10)	(0.05)	
Common dividends[5]	(0.22)	(1.26)	(0.84)			(0.09)		(0.13)	
Common distributions return of capital[5]	(0.81)	(0.72)	(1.08)	(1.94)	(1.99)	(1.84)	(1.75)	(1.37)	
Total dividends and distributions common	(1.03)	(1.98)	(1.92)	(1.94)	(1.99)	(1.93)	(1.75)	(1.50)	
Underwriting discounts and offering costs on the issuance of auction rate preferred stock								(0.03)	
Effect of issuance of common stock	0.02	0.09	0.16	0.12		0.26		0.11	
Effect of shares issued in reinvestment of dividends and distributions		0.01	0.02	0.05	0.04	0.01			
Total capital stock transactions	0.02	0.10	0.18	0.17	0.04	0.27		0.08	
Net asset value, end of period	$ 26.38	$ 27.01	$ 26.67	$ 20.13	$ 14.74	$ 30.08	$ 28.99	$ 25.07	$ 23.91
Market value per share of common stock, end of period	$ 28.99	$ 28.03	$ 28.49	$ 24.43	$ 13.37	$ 28.27	$ 31.39	$ 24.33	$ 24.90

Total investment return based on common stock market value[6]	7.2%[7]	5.6%	26.0%	103.0%	(48.8)%	(4.4)%	37.9%	3.7%	(0.4)%[7]

KAYNE ANDERSON MLP INVESTMENT COMPANY

FINANCIAL HIGHLIGHTS

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

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

FINANCIAL HIGHLIGHTS

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

	For the Six Months Ended May 31, 2012 (Unaudited)	For the Fiscal Year Ended November 30, 2011	2010	2009	2008	2007	2006	2005	For the Period September 28, 2004[1] through November 30, 2004
plemental Data and os[8]									
assets applicable to mon stockholders, end riod	$ 2,190,999	$ 2,029,603	$ 1,825,891	$ 1,038,277	$ 651,156	$ 1,300,030	$ 1,103,392	$ 932,090	$ 792,836
o of expenses to age net assets									
agement fees	2.4%	2.4%	2.1%	2.1%	2.2%	2.3%	3.2%	1.2%	0.8%
r expenses	0.2	0.2	0.2	0.4	0.3	0.2	0.2	0.3	0.4
otal	2.6	2.6	2.3	2.5	2.5	2.5	3.4	1.5	1.2
est expense and ibutions on mandatory emable preferred k[4]	2.4	2.3	1.9	2.5	3.4	2.3	1.7	0.8	0.0
me tax expense	0.5	4.8	20.5	25.4	[9]	3.5	13.8	6.4	3.5
l expenses	5.5%	9.7%	24.7%	30.4%	5.9%	8.3%	18.9%	8.7%	4.7%
o of net investment me/(loss) to average net s[4]	(2.5)%	(2.5)%	(1.8)%	(2.0)%	(2.8)%	(2.3)%	(2.4)%	(0.7)%	0.5%
ncrease/(decrease) in ssets to common kholders resulting from ations to average net s	0.2%[7]	7.7%	34.6%	43.2%	(51.2)%	7.3%	21.7%	10.0%	0.9%
folio turnover rate	9.9%[7]	22.3%	18.7%	28.9%	6.7%	10.6%	10.0%	25.6%	11.8%
rage net assets	$ 2,275,966	$ 1,971,469	$ 1,432,266	$ 774,999	$ 1,143,192	$ 1,302,425	$ 986,908	$ 870,672	$ 729,280
or unsecured notes anding, end of period	890,000	775,000	620,000	370,000	304,000	505,000	320,000	260,000	
it facility outstanding, of period	9,000					97,000	17,000		
ion rate preferred k, end of period				75,000	75,000	75,000	75,000	75,000	
datory redeemable erred stock, end of od	374,000	260,000	160,000						
rage shares of common k outstanding	79,173,181	72,661,162	60,762,952	46,894,632	43,671,666	41,134,949	37,638,314	34,077,731	33,165,900
t coverage of total 10)	385.3%	395.4%	420.3%	400.9%	338.9%	328.4%	449.7%	487.3%	
	272.1%	296.1%	334.1%	333.3%	271.8%	292.0%	367.8%	378.2%	

t coverage of total rage (debt and preferred k)[11]																
rage amount of owings per share of mon stock during the od[2]	$	10.79	$	10.09	$	7.70	$	6.79	$	11.52	$	12.14	$	8.53	$	5.57

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

FINANCIAL HIGHLIGHTS

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

(1) Commencement of operations.

(2) Based on average shares of common stock outstanding.

(3) Initial public offering price of $25.00 per share less underwriting discounts of $1.25 per share and offering costs of $0.05 per share.

(4) Distributions on the Company s mandatory redeemable preferred stock are treated as an operating expense under GAAP and are included in the calculation of net investment loss. See Note 2 Significant Accounting Policies.

(5) The information presented for the six months ended May 31, 2012 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 of the other periods is a characterization of the total distributions paid to preferred stockholders and common stockholders as either a dividend (eligible to be treated as qualified dividend) or a distribution (return of capital) and is based on the Company s earnings and profits.

(6) Total investment return is calculated assuming a purchase of common stock at the market price on the first day and a sale at the current market price on the last day of the period reported. The calculation also assumes reinvestment of distributions at actual prices pursuant to the Company s dividend reinvestment plan.

(7) Not annualized.

(8) Unless otherwise noted, ratios are annualized.

(9) For the fiscal 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. Because it could not have been predicted whether the Company would incur a benefit in the future, a deferred income tax expense of 0% was assumed.

(10) Calculated pursuant to section 18(a)(1)(A) of the 1940 Act. Represents the value of total assets less all liabilities not represented by Senior Notes or any other senior securities representing indebtedness and mandatory redeemable preferred stock divided by the aggregate amount of Senior Notes and any other senior securities representing indebtedness. Under the 1940 Act, the Company may not declare or make any distribution on its common stock nor can it incur additional indebtedness if, at the time of such declaration or incurrence, its asset coverage with respect to senior securities representing indebtedness would be less than 300%. For purposes of this test, the credit facility is considered a senior security representing indebtedness.

(11) Calculated pursuant to section 18(a)(2)(A) of the 1940 Act. Represents the value of total assets less all liabilities not represented by Senior Notes, any other senior securities representing indebtedness and preferred stock divided by the aggregate amount of Senior Notes, any other senior securities representing indebtedness and preferred stock. Under the 1940 Act, the Company may not declare or make any distribution on its common stock nor can it issue additional preferred stock if at the time of such declaration or issuance, its asset coverage with respect to all senior securities would be less than 200%. In addition to the limitations under the 1940 Act, the Company, under the terms of its mandatory redeemable preferred stock, would not be able to declare or pay any distributions on its common stock if such declaration would cause its asset coverage with respect to all senior securities to be less than 225%. For purposes of these tests, the credit facility is considered a senior security representing indebtedness.

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

NOTES TO FINANCIAL STATEMENTS

(amounts in 000 s, except number of 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. *Cash and Cash Equivalents* Cash and cash equivalents include short-term, liquid investments with an original maturity of three months or less and include money market fund accounts.

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

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

Equity securities traded in the over-the-counter market, but excluding securities admitted to trading on the NASDAQ, are valued at the closing bid prices. Debt securities that are considered bonds are valued by using the mean of the bid and ask prices provided by an independent pricing service. For debt securities that are considered bank loans, the fair market value is determined by the mean of the bid and ask prices provided by the agent or syndicate bank or principal market maker. When price quotes are not available, fair market value will be based on prices of comparable securities. In certain cases, the Company may not be able to purchase or sell debt securities at the quoted prices due to the lack of liquidity for these securities.

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.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

NOTES TO FINANCIAL STATEMENTS

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

(UNAUDITED)

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

Investment Team Valuation. The applicable investments are valued by senior professionals of KA Fund Advisors, LLC (KAFA or the Adviser) who are responsible for the portfolio investments. The investments will be valued quarterly, unless a new investment is made during the quarter, in which case such investment is valued at the end of the month in which the investment was made.

Investment Team Valuation Documentation. Preliminary valuation conclusions will be determined by senior management of KAFA. Such valuations are submitted to the Valuation Committee (a committee of the Company s Board of Directors) or the Board of Directors on a monthly or quarterly basis, as appropriate, and stand for intervening periods of time.

Valuation Committee. The Valuation Committee meets to consider the valuations submitted by KAFA (1) at the end of each month for new investments, if any, and (2) at the end of each quarter for existing investments. Between meetings of the Valuation Committee, a senior officer of KAFA is authorized to make valuation determinations. All valuation determinations of the Valuation Committee are subject to ratification by the Board of Directors at its next regular meeting.

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

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

At May 31, 2012, the Company held 6.7% of its net assets applicable to common stockholders (3.7% of total assets) in securities valued at fair value, as determined pursuant to procedures adopted by the Board of Directors, with fair value of $145,875. See Note 3 Fair Value and Note 7 Restricted Securities.

E. *Repurchase Agreements* From time to time, 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 whom the Company enters into repurchase agreements are banks and broker/dealers which KAFA considers creditworthy. The seller under a repurchase agreement is required to maintain the value of the securities as collateral, subject to the agreement, at not less than the repurchase price plus accrued interest. KAFA monitors daily the mark-to-market of the value of the collateral, and, if necessary, requires the seller to maintain additional securities so that the value of the collateral is not less than the repurchase price. Default by or bankruptcy of the seller would, however, expose the Company to possible loss because of adverse market action or delays in connection with the disposition of the underlying securities. As of May 31, 2012, the Company did not have any repurchase agreements.

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

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KAYNE ANDERSON MLP INVESTMENT COMPANY

NOTES TO FINANCIAL STATEMENTS

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

(UNAUDITED)

The Company s short sales, if any, are fully collateralized. The Company is required to maintain 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 would segregate an equivalent amount of securities owned as collateral while the short sale is outstanding. During the six months ended May 31, 2012, the Company did not engage in any short sales.

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

H. *Return of Capital Estimates* Distributions received from the Company s investments in MLPs and other securities 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 (losses) and net change in unrealized gains (losses).

	Three Months Ended May 31, 2012	Six Months Ended May 31, 2012
Return of capital portion of distributions received	87%	87%
Return of capital attributable to net realized gains (losses)	$ 6,476	$ 13,401
Return of capital attributable to net change in unrealized gains (losses)	43,052	81,137
Total return of capital	$ 49,528	$ 94,538

I. *Investment Income* The Company records dividends and distributions on the ex-dividend date. Interest income is recognized on the accrual basis, including amortization of premiums and accretion of discounts. When investing in securities with payment in-kind interest, the Company will accrue interest income during the life of the security even though it will not be receiving cash as the interest is accrued. To the extent that interest income to be received is not expected to be realized, a reserve against income is established. During the six months ended May 31, 2012, the Company did not have a reserve against interest income, since all interest income accrued is expected to be received.

Many of the debt securities that the Company holds 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.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

NOTES TO FINANCIAL STATEMENTS

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

(UNAUDITED)

The Company receives paid-in-kind dividends in the form of additional units from its investment in Buckeye Partners, L.P. (Class B Units), Crestwood Midstream Partners LP (Class C Units), Enbridge Energy Management, L.L.C. and Kinder Morgan Management, LLC. In connection with the purchase of units directly from Penn Virginia Resource Partners, L.P. (PVR) in a private investment in public equity (PIPE investment) transaction, the Company was entitled to the distribution paid to unitholders of record on May 8, 2012, even though such investment had not closed at such date. Pursuant to the purchase agreement, the purchase price for the PVR units was reduced by the amount of such dividend, which had the effect of paying such distribution in additional units. The additional units are not reflected in investment income during the period received but are recorded as unrealized gains. During the three and six months ended May 31, 2012, the Company received the following paid-in-kind dividends.

	Three Months Ended May 31, 2012	Six Months Ended May 31, 2012
Buckeye Partners, L.P. (Class B Units)	$ 897	$ 1,777
Crestwood Midstream Partners LP (Class C Units)	567	1,114
Enbridge Energy Management, L.L.C.	1,150	2,334
Kinder Morgan Management, LLC	4,783	9,122
Penn Virginia Resource Partners, L.P.	729	729
Total paid-in-kind dividends	$ 8,126	$ 15,076

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

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

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

L. *Federal and State Income Taxation* The Company, as a corporation, is obligated to pay federal and state income tax on its taxable income. The Company invests its assets primarily in MLPs, which generally are treated as partnerships for federal income tax purposes. As a limited partner in the MLPs, the Company includes its allocable share of the MLP s taxable income in computing its own taxable income. Deferred income taxes reflect (i) taxes on unrealized gains/(losses), which are attributable to the temporary difference between fair value and tax basis, (ii) the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and (iii) the net tax benefit of accumulated net operating and capital losses. To the extent the Company has a deferred tax asset, consideration is given as to whether or not a valuation allowance is required. The need to establish a valuation allowance for deferred tax assets is assessed periodically by the Company based on the Income Tax Topic of the

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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. For the three and six months ended May 31, 2012, the Company did not have any interest or penalties associated with the underpayment of any income taxes. The tax years from 2008 through 2011 remain open and subject to examination by tax jurisdictions.

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

Interest rate swap contracts. The Company may use hedging techniques such as interest rate swaps to mitigate potential interest rate risk on a portion of the Company s leverage. Such interest rate swaps would principally be used to protect the Company against higher costs 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 or termination payments 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 realize a gain on a purchased call option if, during the option period, the value of such securities exceeded the sum of the exercise price, the premium paid and transaction costs; otherwise the Company would realize either no gain or a loss on the purchased call option. The Company may also purchase put option contracts. If a purchased put option is exercised, the premium paid increases the cost basis of the securities sold by the Company.

The Company may also write (sell) call options with the purpose of generating realized gains or reducing its ownership of certain securities. If the Company writes a call option on a security, the Company has the obligation

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upon exercise of the option to deliver the underlying security upon payment of the exercise price. The Company will only write call options on securities that the Company holds in its portfolio (i.e., covered calls).

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.

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

3. Fair Value

The Fair Value Measurement Topic of the FASB Accounting Standards Codification (ASC 820) defines fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants under current market conditions at the measurement date. As required by ASC 820, the Company has performed an analysis of all assets and liabilities (other than deferred taxes) measured at fair value to determine the significance and character of all inputs to their fair value determination. Inputs are the assumptions, along with considerations of risk, that a market participant would use to value an asset or a liability. In general, observable inputs are based on market data that is readily available, regularly distributed and verifiable that the Company obtains from independent, third-party sources. Unobservable inputs are developed by the Company based on its own assumptions of how market participants would value an asset or a liability.

In May 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-04 Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs which amends ASC 820. The amended guidance clarifies the wording used to describe many requirements in accounting literature for fair value measurement and disclosure to establish consistency between U.S. GAAP and International Financial Reporting Standards (IFRSs). The Company adopted ASU No. 2011-04 in the fiscal second quarter of 2012.

The adoption of ASU 2011-04 did not have an impact on the measurement of fair value for the Company s assets, but it does require the inclusion of additional disclosures on assumptions used by the Company to determine fair value. Specifically, for assets measured at fair value using significant unobservable inputs (Level 3), ASU No. 2011-04 requires that the Company (i) describes the valuation process (ii) discloses quantitative information about unobservable inputs and (iii) provides a qualitative discussion about the sensitivity of the fair value measurement to changes in the unobservable inputs and inter-relationships between the inputs.

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

- *Level 1* Valuations based on quoted unadjusted prices for identical instruments in active markets traded on a national exchange to which the Company has access at the date of measurement.

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Level 2 Valuations based on 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 and liabilities measured at fair value on a recurring basis at May 31, 2012 and the Company presents these assets by security type and description on its Schedule of Investments or on its Statement of Assets and Liabilities. Note that the valuation levels below are not necessarily an indication of the risk or liquidity associated with the underlying investment.

	Total	Quoted Prices in Active Markets (Level 1)	Prices with Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets at Fair Value				
Equity investments	$ 3,895,911	$ 3,750,036	$	$ 145,875
Debt investments	52,523		52,523	
Total assets at fair value	$ 3,948,434	$ 3,750,036	$ 52,523	$ 145,875
Liabilities at Fair Value				
Call option contracts written	$ 5	$	$ 5	$

For the six months ended May 31, 2012, there were no transfers between Level 1 and Level 2.

As of May 31, 2012, the Company had senior unsecured notes outstanding with aggregate principal amount of $890,000 and 14,960,000 shares of mandatory redeemable preferred stock outstanding with a total liquidation value of $374,000. See Note 11 Senior Unsecured Notes and Note 12 Preferred Stock.

Of the $374,000 of mandatory redeemable preferred stock, Series D ($100,000 liquidation value) and Series E ($120,000 liquidation value) are publicly traded on the New York Stock Exchange (NYSE). As a result, the Company categorizes these series of mandatory redeemable preferred stock as Level 2. The remaining three series of preferred stock the Series A, B and C mandatory redeemable preferred stock ($154,000 liquidation value) and all of the senior unsecured notes were issued in private placements to institutional investors and are not listed on any exchange or automated quotation system.

As such, the Company categorizes all of the senior unsecured notes ($890,000 principal amount) and Series A, B and C of the mandatory redeemable preferred stock ($154,000 liquidation value) as Level 3 and determines the fair value of these instruments based on estimated market yields and credit spreads for comparable instruments with similar maturity, terms and structure.

The Fund records these instruments on its Statement of Assets and Liabilities at carrying value, and as of May 31, 2012, the estimated fair values of these leverage instruments are as follows.

Instrument	**Principal Amount/ Liquidation Value**	**Fair Value**
Senior unsecured notes	$ 890,000	$ 935,000
Mandatory redeemable preferred stock	$ 374,000	$ 389,200

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The following tables present the Company s assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and six months ended May 31, 2012.

Three Months Ended May 31, 2012	**Equity Investments**
Balance February 29, 2012	$ 127,865
Purchases	28,000
Issuances	2,194
Transfers out	
Realized gains(losses)	
Unrealized losses, net	(12,184)
Balance May 31, 2012	$ 145,875

Six Months Ended May 31, 2012	**Equity Investments**
Balance November 30, 2011	$ 164,129
Purchases	28,000
Issuances	3,621
Transfers out	(40,711)
Realized gains (losses)	
Unrealized losses, net	(9,164)
Balance May 31, 2012	$ 145,875

The $12,184 and $9,164 of unrealized losses presented in the tables above for the three and six months ended May 31, 2012 relate to investments that are still held at May 31, 2012, and the Company includes these unrealized losses on the Statement of Operations Net Change in Unrealized Gains (Losses).

The purchases of $28,000 for the three and six months ended May 31, 2012 relate to the Company s investment in Penn Virginia Resource Partners, L.P. The issuances of $2,194 and $3,621 for three and six months ended May 31, 2012 relate to additional units received from Buckeye Partners, L.P. (Class B Units), Crestwood Midstream Partners LP (Class C Units) and Penn Virginia Resource Partners, L.P. The Company s investments in the common units of Teekay Offshore Partners L.P., which is noted as a transfer out of Level 3 in the table above, became readily marketable during the six months ended May 31, 2012.

Valuation Techniques and Unobservable Inputs

Unless otherwise determined by the Board of Directors, the Company values its private investments in public equity (PIPE) investments that are convertible into or otherwise will become publicly tradeable (*e.g.,* through subsequent registration or expiration of a restriction on trading) based on the market value of the publicly-traded security less a discount. The discount is initially equal to the discount negotiated at the time the Company agrees to a purchase price. To the extent that such securities are convertible or otherwise become publicly traded within a time frame that may be reasonably determined, this discount will be amortized on a straight line basis over such estimated time frame.

The Company s investments in private companies are typically valued using one of or a combination of the following the following valuation techniques: (i) analysis of valuations for publicly traded companies in a similar line of business (public company analysis), (ii) analysis of valuations for comparable M&A transactions (M&A analysis) and (iii) discounted cash flow analysis. The table entitled Quantitative Table for Valuation Techniques outlines the valuation technique(s) used for each asset category.

The public company analysis utilizes valuation ratios (commonly referred to as trading multiples) for publicly traded companies in a similar line of business as the portfolio company to estimate the fair value of such

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investment. Typically, the Company s analysis focuses on the ratio of enterprise value to earnings before interest expense, income tax expense, depreciation and amortization (EBITDA) which is commonly referred to as an EV/EBITDA multiple and the ratio of equity market value to distributable cash flow (DCF) which is commonly referred to as a EMV/DCF multiple. For example if a portfolio company s enterprise value was seven times larger than its current or projected EBITDA, the company has an EV/EBITDA multiple of 7x. For these analyses, the Company utilizes projections provided by external sources (*i.e.*, third party equity research estimates) as well as internally developed estimates and focuses on EBITDA and DCF projections for the current calendar year and next calendar year. Based on this data, the Company selects a range of multiples for each metric given the trading multiples of similar publicly traded companies and applies such multiples to the portfolio company s EBITDA and DCF to estimate the portfolio company s enterprise value and equity value. When calculating these values, the Company applies a discount to the portfolio company s estimated equity value for the size of the company and the lack of liquidity in the portfolio company s securities.

The M&A analysis utilizes valuation multiples for historical M&A transactions for companies or assets in a similar line of business as the portfolio company to estimate the fair value of such investment. Typically, the Company s analysis focuses on EV/EBITDA multiples. The Company selects a range of multiples based on EV/EBITDA multiples for similar M&A transactions and applies such ranges to the portfolio company s EBITDA to estimate the portfolio company s enterprise value. The Company utilizes projections provided by external sources as well as internally developed estimates to calculate the valuation multiples of the comparable M&A transactions.

The discounted cash flow analysis is used to estimate the equity value for the portfolio company based on estimated DCF of such portfolio company. Such cash flows include a terminal value for the portfolio company, which is typically based on an EV/EBITDA multiple. A present value of these cash flows is determined by using estimated discount rates (based on the Company s estimate for required equity rate of return for such portfolio company).

Under all of these valuation techniques, the Company estimates operating results of its portfolio companies (including EBITDA and DCF). These estimates utilize unobservable inputs such as historical operating results, which may be unaudited, and projected operating results, which will be based on expected operating assumptions for such portfolio company. The Company also consults with management of the portfolio companies to develop these financial projections. These estimates will be sensitive to changes in assumptions specific to such portfolio company as well as general assumptions for the industry. Other unobservable inputs utilized in the valuation techniques outlined above include: discounts for lack of marketability, selection of publicly-traded companies, selection of similar M&A transactions, selected ranges for valuation multiples, selected range of yields and expected required rates of return.

Changes in EBITDA multiples, DCF multiples, or discount rates, each in isolation, may change the fair value of the Company s portfolio investments. Generally, a decrease in EBITDA multiples or DCF multiples, or an increase in discount rates may result in a decrease in the fair value of the Company s portfolio investments.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the Company s investments may fluctuate from period to period. Additionally, the fair value of the Company s investments may differ from the values that would have been used had a ready market existed for such investments and may differ materially from the values that the Company may ultimately realize.

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The following table summarizes the significant unobservable inputs that the Company uses to value its portfolio investments categorized as Level 3 as of May 31, 2012:

Quantitative Table for Valuation Techniques

Assets at Fair Value	Fair Value	Valuation Technique	Unobservable Inputs	Range Low	Range High	Weighted Average
Equity securities of public companies (PIPE)	$ 95,817	- Discount to publicly traded securities	- Initial discount	9.8%	15.3%	12.4%
			- Initial restricted period	90 days	957 days	623 days
Equity securities of private companies[(1)] common units / common equity	50,058	- Public company analysis	- Selected valuation multiples:			
			EV / 2012E EBITDA	18.5x	20.5x	19.5x
			EV / 2013E EBITDA	15.0x	17.0x	16.0x
			- Discount for size and liquidity	15.0%	20.0%	17.5%
		- M&A company analysis	- Selected EV / EBITDA multiples	15.0x	17.0x	16.0x
		- Discounted cash flow	- Equity rate of return	18.0%	25.0%	20.3%
Total	$ 145,875					

(1) Includes the Company s interest ($2,520 at May 31, 2012) in the Clearwater Trust consisting of a coal royalty interest.

4. Concentration of Risk

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

5. Agreements and Affiliations

A. *Administration Agreement* The Company has entered into an administration agreement with Ultimus Fund Solutions, LLC (Ultimus), which may be amended from time to time. 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,

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KAFA receives a management fee from the Company. On June 14, 2011, the Company renewed its agreement with KAFA for a period of one year, which expires on December 11, 2012. The agreement may be renewed annually upon approval of the Company s Board of Directors (including a majority of the Company s directors who are not interested persons of the Company, as such term is defined in the 1940 Act). For the six months ended May 31, 2012, 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 dividends/distributions on any outstanding common stock and accrued and unpaid dividends/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 of its 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 and its affiliates owned 25% or more of its outstanding voting securities and would be an affiliate of a portfolio company if the Company and its affiliates 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 are several factors that determine whether or not a security should be considered a voting security in complex structures such as limited partnerships of the kind in which the Company invests. The Company also notes that the SEC staff has issued guidance on the circumstances under which it would consider a limited partnership interest to constitute a voting security. Under most partnership agreements, the management of the partnership is vested in the general partner, and the limited partner has no rights with respect to influencing the management of the partnership such as through participating in the selection of the managers or the board of the limited partnership or the general partner. As a result, the Company does not believe that many of the particular limited partnership interests in which it invests should be considered voting securities. However, it is possible that the SEC staff may consider the limited partner interests the Company holds in certain limited partnerships to be voting securities. If such a determination were 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 making such a determination as to whether to treat any class of limited partnership interests the Company holds as a voting security, the Company considers, among other factors, whether or not the holders of such limited partnership interests have the right to elect the board of directors of the limited partnership or the general partner. If the holders of such limited partnership interests do not have the right to elect the board of directors, the Company generally has not treated such security as a voting security. In other circumstances, based on the facts and circumstances of those partnership agreements, including the right to elect the directors of the general partner, the Company has treated those securities as voting securities and, therefore, as affiliates. If the Company does not consider the security to be a voting security, it will not consider such partnership to be an affiliate unless the Company and its affiliates own more than 25% of the outstanding securities of such partnership.

There is no assurance that the SEC staff will not consider that other limited partnership securities that the Company owns and do not treat as voting securities are, in fact, voting securities for the purposes of Section 17 of the 1940 Act. If such determination were made, the Company will be required to abide by the restrictions on

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control or affiliate transactions as proscribed in the 1940 Act. The Company or any portfolio company that it controls, and its affiliates, may from time to time engage in certain of such joint transactions, purchases, sales and loans in reliance upon and in compliance with the conditions of certain exemptive rules promulgated by the SEC. The Company cannot make assurances, however, that it would be able to satisfy the conditions of these rules with respect to any particular eligible transaction, or even if the Company were allowed to engage in such a transaction that the terms would be more or as favorable to the Company or any company that it controls as those that could be obtained in arm s length transaction. As a result of these prohibitions, restrictions may be imposed on the size of positions that may be taken for the Company or on the type of investments that it could make.

As of May 31, 2012, the Company believes that MarkWest Energy Partners, L.P. and Penn Virginia Resource Partners, L.P. meet the criteria described above and are therefore considered affiliates of the Company.

Clearwater Trust At May 31, 2012, the Company held approximately 63% of the Clearwater Trust. The Company believes that it is an affiliate of the trust under the 1940 Act by virtue of its majority interest in the trust.

Plains All American GP LLC and Plains All American Pipeline, L.P. Robert V. Sinnott is Chief Executive Officer of Kayne Anderson Capital Advisors, L.P. (KACALP), the managing member of KAFA. Mr. Sinnott also serves as a director on the board of Plains All American GP LLC (Plains GP), the general partner of Plains All American Pipeline, L.P. (PAA). Members of senior management of KACALP and KAFA and various affiliated funds managed by KACALP, including the Company, own units of Plains GP. The Company believes that it is an affiliate of Plains GP and PAA under the 1940 Act by virtue of (i) the Company s and other affiliated Kayne Anderson funds ownership interests in Plains GP and (ii) Mr. Sinnott s participation on the board of Plains GP.

PAA Natural Gas Storage, L.P. (PNG) is an affiliate of PAA and Plains GP. PAA owns 62% of PNG s limited partner units and owns PNG s general partner. The Company does not believe it is an affiliate of PNG based on the current facts and circumstances.

6. Income Taxes

Deferred income taxes reflect (i) taxes on net unrealized gains, 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 May 31, 2012 are as follows:

Deferred tax assets:	
Net operating loss carryforwards Federal	$ 48,811