Kayne Anderson MLP Investment CO
Form N-30B-2
April 25, 2013
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MLP Investment Company

KYN Quarterly Report

February 28, 2013

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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 February 28, 2013, we had total assets of $4.9 billion, net assets applicable to our common stock of $2.7 billion (net asset value per share of $30.92), and 88.6 million shares of common stock outstanding.

Our investments are principally in equity securities issued by MLPs, but we also may invest in debt securities of MLPs and debt/equity securities of Midstream Energy Companies. As of February 28, 2013, we held $4.9 billion in equity investments and no debt investments.

Recent Events

On March 5, 2013, we entered into a new unsecured revolving credit facility (the Credit Facility) with a syndicate of lenders. The new Credit Facility has a three-year term maturing on March 4, 2016 and a total commitment amount of $250.0 million, an increase of $50.0 million from the prior Credit Facility. The interest rate varies between LIBOR plus 1.60% and LIBOR plus 2.25%, depending on our asset coverage ratios. Outstanding loan balances accrue interest daily at a rate equal to one-month LIBOR plus 1.60% based on current asset coverage ratios. We pay a fee of 0.30% per annum on any unused amounts of the Credit Facility.

On March 12, 2013, we completed a public offering of 4,543,995 shares of common stock at a price of $33.36 per share. The net proceeds of $145.5 million were used to make additional portfolio investments, repay indebtedness and for general corporate purposes.

On April 3, 2013, we completed a public offering of 5,000,000 shares of Series F mandatory redeemable preferred stock (Series F MRP Shares) at a price of $25.00 per share. The Series F MRP Shares pay cash dividends at a rate of 3.50% per annum. Net proceeds from the offering were $122.5 million. The net proceeds from this offering were used to redeem all 4,000,000 shares of our Series D mandatory redeemable preferred stock (Series D MRP Shares) with a $100.0 million liquidation preference, to make additional portfolio investments, to repay indebtedness, and for general corporate purposes.

On April 16, 2013, we executed a definitive agreement for the private placement of $235.0 million of senior unsecured notes (Senior Notes). In conjunction with execution of this agreement, on April 16, 2013, we received funding of $110.0 million (the April Funding) of the $235.0 million total offering amount. The remaining $125.0 million is expected to be funded in June 2013 (the June Funding). Proceeds from the April Funding will be used to make new portfolio investments and to repay indebtedness, and proceeds from the June Funding will be used to refinance $125.0 million principal amount of the Series K Senior Notes, which mature on June 19, 2013.

The table below sets forth the timing and key terms of the Senior Notes:

Series	April Funding (in millions)	June Funding (in millions)	Total Amount (in millions)	Interest Rate	Maturity
DD	$ 35.0	$ 40.0	$ 75.0	2.74%	4/16/19

EE	24.0	26.0	50.0	3.20%	4/16/21
FF	30.0	35.0	65.0	3.57%	4/16/23
GG	21.0	24.0	45.0	3.67%	4/16/25
	$ 110.0	$ 125.0	$ 235.0		

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KAYNE ANDERSON MLP INVESTMENT COMPANY

MANAGEMENT DISCUSSION

(UNAUDITED)

Our Top Ten Portfolio Investments as of February 28, 2013

Listed below are our top ten portfolio investments by issuer as of February 28, 2013.

	Holding	Sector	Amount ($millions)	Percent of Long-Term Investments
1.	Enterprise Products Partners L.P.	Midstream MLP	$ 434.9	9.0%
2.	Plains All American Pipeline, L.P.	Midstream MLP	375.1	7.7
3.	Kinder Morgan Management, LLC	Midstream MLP	356.7	7.3
4.	MarkWest Energy Partners, L.P.	Midstream MLP	283.6	5.8
5.	El Paso Pipeline Partners, L.P.	Midstream MLP	207.6	4.3
6.	Energy Transfer Equity, L.P.	General Partner MLP	206.9	4.3
7.	Williams Partners L.P.	Midstream MLP	203.5	4.2
8.	Regency Energy Pertners LP	Midstream MLP	185.8	3.8
9.	ONEOK Partners, L.P.	Midstream MLP	161.8	3.3
10.	Enbridge Energy Partners, L.P.	Midstream MLP	157.1	3.2
			$ 2,573.0	52.9%

Results of Operations For the Three Months Ended February 28, 2013

Investment Income. Investment income totaled $9.0 million for the quarter and consisted primarily of net dividends and distributions and interest income on our investments. We received $66.6 million of cash dividends and distributions, of which $56.9 million was treated as return of capital and $0.7 million were distributions in excess of cost basis. We received $7.1 million of paid-in-kind dividends during the quarter, which are not included in investment income, but are reflected as an unrealized gain.

Operating Expenses. Operating expenses totaled $31.0 million, including $15.7 million of investment management fees, $9.6 million of interest expense (including non-cash amortization of debt issuance costs of $0.3 million), and $0.9 million of other operating expenses. Preferred stock distributions for the quarter were $4.8 million (including non-cash amortization of $0.2 million).

Net Investment Loss. Our net investment loss totaled $15.3 million and included a current and deferred income tax benefit of $6.7 million.

Net Realized Gains. We had net realized gains from our investments of $27.7 million, net of $16.3 million of current and deferred tax expense.

Net Change in Unrealized Gains. We had a net change in unrealized gains of $249.9 million. The net change consisted of $396.1 million of unrealized gains from investments, $0.6 million of unrealized losses from option activity and a deferred tax expense of $146.8 million.

Net Increase in Net Assets Resulting from Operations. We had an increase in net assets resulting from operations of $262.3 million. This increase was comprised of a net investment loss of $15.3 million; net realized gains of $27.7 million; and net change in unrealized gains of $249.9 million, as noted above.

Distributions to Common Stockholders

We pay quarterly distributions to our common stockholders, funded generally 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

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KAYNE ANDERSON MLP INVESTMENT COMPANY

MANAGEMENT DISCUSSION

(UNAUDITED)

financial measure under the accounting principles generally accepted in the United States of America (GAAP). Refer to the Reconciliation of NDI to GAAP section below for a reconciliation of this measure to our results reported under GAAP.

Income from portfolio investments includes (a) cash dividends and distributions, (b) paid-in-kind dividends received (*i.e.*, stock dividends), (c) interest income from debt securities and commitment fees from private investments in public equity (PIPE 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 comprised of fees paid to other service providers), (c) interest expense and preferred stock distributions and (d) current and deferred income tax expense/benefit on net investment income/loss.

Net Distributable Income (NDI)

(amounts in millions, except for per share amounts)

	Three Months Ended February 28, 2013
Distributions and Other Income from Investments	
Dividends and Distributions	$ 66.6
Paid-In-Kind Dividends	7.1
Net Premiums Received from Call Options Written	1.6
Total Distributions and Other Income from Investments	75.3
Expenses	
Investment Management Fee	(15.7)
Other Expenses	(0.9)
Interest Expense	(9.3)
Preferred Stock Distributions	(4.6)
Income Tax Benefit	6.7
Net Distributable Income (NDI)	**$ 51.5**
Weighted Shares Outstanding	88.5
NDI per Weighted Share Outstanding	**$ 0.58**
Distributions paid per Common Share[(1)]	**$ 0.565**

(1) The distribution of $0.565 per share for the first quarter of fiscal 2013 was paid to common stockholders on April 12, 2013.

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 March 20, 2013, we declared a quarterly distribution of $0.565 per common share for the first quarter of fiscal 2013 (a total distribution of $52.6 million). The distribution represents an increase of 2.7% from the prior quarter s distribution and an increase of 9.2% from the distribution for the quarter ended February 29, 2012. The distribution was paid on April 12, 2013 to common stockholders of record on April 5, 2013.

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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 paid-in-kind dividends, 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 receive from selling call options, less (i) the amount that we pay to repurchase such call option contracts and (ii) the amount by which the market price of an underlying security is above the strike price at the time a new call option is written, 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 February 28, 2013 of $1,285.0 million was comprised of $890.0 million of Senior Notes, $21.0 million outstanding under our Credit Facility and $374.0 million of mandatory redeemable preferred stock. Total leverage represented 26% of total assets at February 28, 2013. As of April 18, 2013, we had $125.0 million borrowed under our Credit Facility, and we had $2.1 million of cash.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

MANAGEMENT DISCUSSION

(UNAUDITED)

On March 5, 2013, we entered into a new Credit Facility with a syndicate of lenders. The new Credit Facility has a three-year commitment maturing on March 4, 2016 and a total commitment amount of $250.0 million, an increase of $50.0 million from the prior Credit Facility. The interest rate varies between LIBOR plus 1.60% and LIBOR plus 2.25%, depending on our asset coverage ratios. Outstanding loan balances accrue interest daily at a rate equal to one-month LIBOR plus 1.60% based on current asset coverage ratios. We pay a fee of 0.30% 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.

We had $890.0 million of Senior Notes outstanding at February 28, 2013. On April 16, 2013, we executed a definitive agreement for the private placement of $235.0 million of Senior Notes. In conjuction with the execution of this agreement, on April 16, 2013, we received funding of $110.0 million of the $235.0 million total offering amount. The remaining $125.0 million is expected to be funded in June 2013 and will be used to refinance $125.0 million principal amount of our Series K Senior Notes which mature on June 19, 2013. The remaining Senior Notes mature between 2014 and 2025.

As of February 28, 2013, we had $374.0 million of mandatory redeemable preferred stock outstanding. On April 3, 2013, we completed a public offering of $125.0 million of Series F MRP Shares. A portion of the proceeds were used to redeem all of the Series D MRP Shares with a $100.0 million liquidation preference. The remaining mandatory redeemable preferred stock outstanding is subject to mandatory redemption at various dates from 2017 through 2020.

At February 28, 2013, our asset coverage ratios under the Investment Company Act of 1940, as amended (the 1940 Act), were 442% and 313% 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.

As of February 28, 2013, our total leverage consisted of both fixed rate (86%) and floating rate (14%) obligations. At such date, the weighted average interest or dividend rate on our total leverage was 4.3%.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

SCHEDULE OF INVESTMENTS

FEBRUARY 28, 2013

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

(UNAUDITED)

Description	No. of Shares/Units	Value
Long-Term Investments 177.3%		
Equity Investments[1] 177.3%		
Midstream MLP[2] 140.1%		
Access Midstream Partners, L.P.	2,002	$ 74,543
Boardwalk Pipeline Partners, LP	853	22,645
Buckeye Partners, L.P.[3]	1,861	103,643
Buckeye Partners, L.P. Class B Units[3][4][5]	948	50,573
Copano Energy, L.L.C.	1,597	61,566
Crestwood Midstream Partners LP	2,589	64,981
Crestwood Midstream Partners LP Class C Units[4][5]	1,226	30,567
Crosstex Energy, L.P.	5,758	97,141
DCP Midstream Partners, LP	3,122	126,855
El Paso Pipeline Partners, L.P.	4,968	207,613
Enbridge Energy Management, L.L.C.[5]	166	4,548
Enbridge Energy Partners, L.P.	5,670	157,110
Energy Transfer Partners, L.P.[6]	1,104	52,889
Enterprise Products Partners L.P.	7,674	434,860
Global Partners LP	2,054	69,312
Inergy, L.P.	4,303	85,894
Inergy Midstream, L.P.	1,476	35,326
Inergy Midstream, L.P. Unregistered[4]	1,905	44,012
Kinder Morgan Management, LLC[5]	4,307	356,724
Magellan Midstream Partners, L.P.[6]	2,769	138,903
MarkWest Energy Partners, L.P.[3][6]	4,961	283,611
MPLX LP	372	12,174
Niska Gas Storage Partners LLC	1,904	22,492
NuStar Energy L.P.[6]	974	49,729
ONEOK Partners, L.P.	2,953	161,842
Plains All American Pipeline, L.P.[3]	6,852	375,136
PVR Partners, L.P.[3]	4,849	112,489
Regency Energy Partners LP	7,810	185,795
Summit Midstream Partners, LP	1,131	25,463
Targa Resources Partners L.P.	1,691	69,648
Tesoro Logistics LP	562	28,064
Western Gas Partners, LP	1,604	87,976
Williams Partners L.P.	4,095	203,533
		3,837,657
General Partner MLP 11.4%		
Alliance Holdings GP L.P.	1,885	97,911
Energy Transfer Equity, L.P.	3,891	206,943
Western Gas Equity Partners, LP	250	8,499

		313,353
Midstream 8.8%		
Kinder Morgan, Inc.	1,029	38,138
ONEOK, Inc.	1,510	67,913

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

SCHEDULE OF INVESTMENTS

FEBRUARY 28, 2013

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

(UNAUDITED)

Description	No. of Shares/Units	Value
Midstream (continued)		
Plains All American GP LLC Unregistered[3][4]	24	$ 65,496
Targa Resources Corp.	145	8,845
The Williams Companies, Inc.[6]	1,766	61,287
		241,679
Shipping MLP 7.5%		
Capital Product Partners L.P.	2,841	22,699
Golar LNG Partners LP	216	6,440
Navios Maritime Partners L.P.	1,876	25,852
Teekay LNG Partners L.P.	1,552	60,780
Teekay Offshore Partners L.P.	3,179	88,992
		204,763
Upstream MLP & Income Trust 4.5%		
BreitBurn Energy Partners L.P.	2,420	47,076
Legacy Reserves L.P.	278	7,330
Memorial Production Partners LP	339	6,366
Mid-Con Energy Partners, LP	1,258	27,666
Pacific Coast Oil Trust	578	10,965
SandRidge Mississippian Trust II	702	9,478
SandRidge Permian Trust	610	9,573
VOC Energy Trust	347	4,521
		122,975
Other 5.0%		
Alliance Resource Partners, L.P.	163	10,143
Clearwater Trust [3][4][7]	N/A	2,630
Exterran Partners, L.P.	2,903	68,452
Hi-Crush Partners LP	1,289	24,171
PetroLogistics LP	893	13,948
SunCoke Energy Partners, L.P.[8]	667	13,160
USA Compression Partners, LP[8]	273	5,086
		137,590
Total Equity Investments (Cost $2,810,624)		4,858,017

	No. of Contracts	
Liabilities		
Call Option Contracts Written[9]		
Midstream MLP		
Energy Transfer Partners, L.P., call option expiring 3/15/13 @ $47.50	1,000	(75)
Magellan Midstream Partners, L.P., call option expiring 3/15/13 @ $47.50	500	(140)
Magellan Midstream Partners, L.P., call option expiring 3/15/13 @ $50.00	2,500	(212)
MarkWest Energy Partners, L.P., call option expiring 3/15/13 @ $55.00	1,030	(257)
MarkWest Energy Partners, L.P., call option expiring 4/19/13 @ $55.00	1,030	(330)
MarkWest Energy Partners, L.P., call option expiring 4/19/13 @ $57.50	690	(83)
NuStar Energy L.P., call option expiring 3/15/13 @ $50.00	4,000	(600)
		(1,697)

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

SCHEDULE OF INVESTMENTS

FEBRUARY 28, 2013

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

(UNAUDITED)

Description	No. of Contracts	Value
Midstream		
The Williams Companies, Inc.., call option expiring 4/19/13 @ $34.00	500	$ (63)
The Williams Companies, Inc.., call option expiring 4/19/13 @ $35.00	500	(40)
		(103)
Total Call Option Contracts Written (Premiums Received $1,217)		(1,800)
Credit Facility		(21,000)
Senior Unsecured Notes		(890,000)
Mandatory Redeemable Preferred Stock at Liquidation Value		(374,000)
Current Tax Liability		(573)
Deferred Tax Liability		(809,631)
Other Liabilities		(50,333)
Total Liabilities		(2,147,337)
Other Assets		29,551
Total Liabilities in Excess of Other Assets		(2,117,786)
Net Assets Applicable to Common Stockholders		$ 2,740,231

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

(2) Includes limited liability companies.

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

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

(5) Distributions are paid-in-kind.

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

(7) 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.

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

(9) Security is non-income producing.

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

STATEMENT OF ASSETS AND LIABILITIES

FEBRUARY 28, 2013

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

(UNAUDITED)

ASSETS	
Investments at fair value:	
Non-affiliated (Cost $2,330,290)	$ 3,864,439
Affiliated (Cost $480,334)	993,578
Total investments (Cost $2,810,624)	4,858,017
Cash	9,772
Deposits with brokers	613
Receivable for securities sold	7,380
Interest, dividends and distributions receivable	1,485
Deferred debt issuance and preferred stock offering costs and other assets	10,301
Total Assets	4,887,568
LIABILITIES	
Payable for securities purchased	23,298
Investment management fee payable	15,713
Accrued directors fees and expenses	91
Call option contracts written (Premiums received $1,217)	1,800
Accrued expenses and other liabilities	11,215
Interest rate swap contract	16
Current tax liability	573
Deferred tax liability	809,631
Credit facility	21,000
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	2,147,337
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS	$ 2,740,231
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS CONSIST OF	
Common stock, $0.001 par value (88,621,686 shares issued and outstanding, 185,040,000 shares authorized)	$ 89
Paid-in capital	1,695,233
Accumulated net investment loss, net of income taxes, less dividends	(558,875)
Accumulated realized gains on investments, options, and interest rate swap contracts, net of income taxes	318,279
Net unrealized gains on investments and options, net of income taxes	1,285,505
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS	$ 2,740,231
NET ASSET VALUE PER COMMON SHARE	$ 30.92

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED FEBRUARY 28, 2013

(amounts in 000 s)

(UNAUDITED)

INVESTMENT INCOME	
Income	
Dividends and distributions:	
Non-affiliated investments	$ 53,354
Affiliated investments	13,217
Total dividends and distributions	66,571
Return of capital	(56,837)
Distributions in excess of cost basis	(735)
Total Investment Income	8,999
Expenses	
Investment management fees	15,713
Administration fees	215
Professional fees	149
Custodian fees	117
Reports to stockholders	88
Directors fees and expenses	88
Insurance	58
Other expenses	200
Total expenses before interest expense, preferred distributions and taxes	16,628
Interest expense and amortization of debt issuance costs	9,573
Distributions on mandatory redeemable preferred stock and amortization of offering costs	4,845
Total expenses before taxes	31,046
Net Investment Loss Before taxes	(22,047)
Current tax benefit	427
Deferred tax benefit	6,349
Net Investment Loss	(15,271)
REALIZED AND UNREALIZED GAINS (LOSSES)	
Net Realized Gains	
Investments non-affiliated	43,750
Options	186
Current tax expense	(1,024)
Deferred tax expense	(15,232)
Net Realized Gains	27,680

Net Change in Unrealized Gains (Losses)	
Investments non-affiliated	280,511
Investments affiliated	116,833
Options	(610)
Interest Rate Swap Contracts	(16)
Deferred tax expense	(146,786)
Net Change in Unrealized Gains	249,932
Net Realized and Unrealized Gains	277,612
NET INCREASE IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM OPERATIONS	$ 262,341

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 Three Months Ended February 28, 2013 (Unaudited)	For the Fiscal Year Ended November 30, 2012
OPERATIONS		
Net investment loss, net of tax[1]	$ (15,271)	$ (58,611)
Net realized gains, net of tax	27,680	94,944
Net change in unrealized gains, net of tax	249,932	235,058
Net Increase in Net Assets Resulting from Operations	262,341	271,391
DIVIDENDS AND DISTRIBUTIONS TO COMMON STOCKHOLDERS[1]		
Dividends	(21,889)[2]	(127,330)[3]
Distributions return of capital	(26,748)[2]	(45,115)[3]
Dividends and Distributions to Common Stockholders	(48,637)	(172,445)
CAPITAL STOCK TRANSACTIONS		
Issuance of common stock offering of 12,500,000 shares of common stock		385,075
Underwriting discounts and offering expenses associated with the issuance of common stock	(27)	(16,085)
Issuance of 190,273 and 801,204 newly issued shares of common stock from reinvestment of dividends and distributions, respectively	5,733	23,282
Net Increase in Net Assets Applicable to Common Stockholders from Capital Stock Transactions	5,706	392,272
Total Increase in Net Assets Applicable to Common Stockholders	219,410	491,218
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS		
Beginning of period	2,520,821	2,029,603
End of period	$ 2,740,231	$ 2,520,821

(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 $4,597 paid to mandatory redeemable preferred stockholders during the three months ended February 28, 2013 will be a dividend (eligible to be treated as qualified dividend income). This estimate is based solely on the Company s operating results during the period and does not reflect the expected results 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 $17,409 paid to mandatory redeemable preferred stockholders for the fiscal year ended November 30, 2012 were characterized as qualified dividend income. This characterization is based on the Company s earnings and profits.

(2) This is an estimate of the characterization of the distributions paid to common stockholders for the three months ended February 28, 2013 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.

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)

(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, 2012 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 THREE MONTHS ENDED FEBRUARY 28, 2013

(amounts in 000 s)

(UNAUDITED)

CASH FLOWS FROM OPERATING ACTIVITIES	
Net increase in net assets resulting from operations	$ 262,341
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:	
Return of capital distributions	56,837
Net realized gains	(43,936)
Net unrealized gains	(397,328)
Purchase of long-term investments	(202,143)
Proceeds from sale of long-term investments	202,512
Increase in deposits with brokers	(397)
Increase in receivable for securities sold	(701)
Increase in interest, dividends and distributions receivable	(1,397)
Amortization of deferred debt issuance costs	333
Amortization of mandatory redeemable preferred stock issuance costs	248
Increase in other assets, net	(115)
Increase in payable for securities purchased	18,747
Increase in investment management fee payable	526
Decrease in accrued directors fees and expenses	(3)
Increase in call option contracts written, net	1,421
Decrease in accrued expenses and other liabilities	(8,048)
Increase in current tax liability	34
Increase in deferred tax liability	155,669
Net Cash Provided by Operating Activities	44,600
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from credit facility	2,000
Issuance of shares of common stock, net of offering costs	(27)
Costs associated with issuance of mandatory redeemable preferred stock	(15)
Cash distributions paid to common stockholders, net	(42,904)
Net Cash Used in Financing Activities	(40,946)
NET INCREASE IN CASH	3,654
CASH BEGINNING OF PERIOD	6,118
CASH END OF PERIOD	$ 9,772

Supplemental disclosure of cash flow information:

Non-cash financing activities not included herein consist of reinvestment of distributions of $5,733 pursuant to the Company s dividend reinvestment plan.

During the three months ended February 28, 2013, interest paid was $17,264 and income tax paid was $563.

The Company received $7,135 paid-in-kind dividends during the three months ended February 28, 2013. See Note 2 Significant Accounting Policies.

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

FINANCIAL HIGHLIGHTS

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

	For the Three Months Ended February 28, 2013 (Unaudited)	For the Fiscal Year Ended November 30,								For the Period September 28, 2004[1] through November 30, 2004
		2012	2011	2010	2009	2008	2007	2006	2005	
Per Share of Common Stock[2]										
Net asset value, beginning of period	$ 28.51	$ 27.01	$ 26.67	$ 20.13	$ 14.74	$ 30.08	$ 28.99	$ 25.07	$ 23.91	$ 23.70[3]
Net investment income (loss)[4]	(0.17)	(0.71)	(0.69)	(0.44)	(0.33)	(0.73)	(0.73)	(0.62)	(0.17)	0.02
Net realized and unrealized gain (loss)	3.13	4.27	2.91	8.72	7.50	(12.56)	3.58	6.39	2.80	0.19
Total income (loss) from operations	2.96	3.56	2.22	8.28	7.17	(13.29)	2.85	5.77	2.63	0.21
Dividends and distributions auction rate preferred[4][5]					(0.01)	(0.10)	(0.10)	(0.10)	(0.05)	
Common dividends[5]	(0.25)	(1.54)	(1.26)	(0.84)			(0.09)		(0.13)	
Common distributions return of capital[5]	(0.30)	(0.55)	(0.72)	(1.08)	(1.94)	(1.99)	(1.84)	(1.75)	(1.37)	
Total dividends and distributions common	(0.55)	(2.09)	(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 distributions		0.01	0.01	0.02	0.05	0.04	0.01			
Total capital stock transactions		0.03	0.10	0.18	0.17	0.04	0.27		0.08	
Net asset value, end of period	$ 30.92	$ 28.51	$ 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	$ 35.38	$ 31.13	$ 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]	15.7%[7]	19.3%	5.6%	26.0%	103.0%	(48.8)%	(4.4)%	37.9%	3.7%	(0.4)%[7]

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 Three Months Ended February 28, 2013 (Unaudited)	For the Fiscal Year Ended November 30, 2012	2011	2010	2009	2008	2007	2006	2005	Fo Pe Septe 20 thr Nover 2
l Data and										
plicable to kholders, end	$ 2,740,231	$ 2,520,821	$ 2,029,603	$ 1,825,891	$ 1,038,277	$ 651,156	$ 1,300,030	$ 1,103,392	$ 932,090	$
nses to ssets										
fees	2.5%	2.4%	2.4%	2.1%	2.1%	2.2%	2.3%	3.2%	1.2%	
es	0.1	0.2	0.2	0.2	0.4	0.3	0.2	0.2	0.3	
	2.6	2.6	2.6	2.3	2.5	2.5	2.5	3.4	1.5	
se and on mandatory referred	2.3	2.4	2.3	1.9	2.5	3.4	2.3	1.7	0.8	
pense	24.9	7.2	4.8	20.5	25.4	[9]	3.5	13.8	6.4	
s	29.8%	12.2%	9.7%	24.7%	30.4%	5.9%	8.3%	18.9%	8.7%	
vestment to average net	(2.4)%	(2.5)%	(2.5)%	(1.8)%	(2.0)%	(2.8)%	(2.3)%	(2.4)%	(0.7)%	
decrease) in ommon esulting from average net	10.3%[7]	11.6%	7.7%	34.6%	43.2%	(51.2)%	7.3%	21.7%	10.0%	
over rate	4.3%[7]	20.4%	22.3%	18.7%	28.9%	6.7%	10.6%	10.0%	25.6%	
ssets	$ 2,549,038	$ 2,346,249	$ 1,971,469	$ 1,432,266	$ 774,999	$ 1,143,192	$ 1,302,425	$ 986,908	$ 870,672	$
red notes nd of period	890,000	890,000	775,000	620,000	370,000	304,000	505,000	320,000	260,000	
outstanding,	21,000	19,000					97,000	17,000		
preferred period					75,000	75,000	75,000	75,000	75,000	
deemable k, end of	374,000	374,000	260,000	160,000						
es of common ding	88,532,892	82,809,687	72,661,162	60,762,952	46,894,632	43,671,666	41,134,949	37,638,314	34,077,731	33,
e of total	441.8%	418.5%	395.4%	420.3%	400.9%	338.9%	328.4%	449.7%	487.3%	
e of total and preferred	313.2%	296.5%	296.1%	334.1%	333.3%	271.8%	292.0%	367.8%	378.2%	

unt of er share of k during the	$	10.77	$	10.80	$	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 income (loss). See Note 2 Significant Accounting Policies.

(5) The information presented for the three months ended February 28, 2013 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. *Reclassifications* Certain prior year amounts in the accompanying financial statements have been reclassified to conform to the current year s presentation.

C. *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.

D. *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 and current and deferred income tax assets), 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.

E. *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.

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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)

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

The Company holds securities that are privately issued or otherwise restricted as to resale. For these securities, as well as any other portfolio security held by the Company for which reliable market quotations are not readily available, valuations are determined in a manner that most accurately 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 monthly with new investments valued at the time in which the investment was made.

Investment Team Valuation Documentation. Preliminary valuation conclusions will be determined by senior management of KAFA. Such valuations and supporting documentation is submitted to the Valuation Committee (a committee of the Company s Board of Directors) or the Board of Directors on a quarterly basis, or if the investment is new, at the end of the month in which the investment was made.

Valuation Committee. The Valuation Committee meets to consider the valuations submitted by KAFA (1) at the end of the 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 February 28, 2013, the Company held 7.1% of its net assets applicable to common stockholders (4.0% of total assets) in securities valued at fair value pursuant to procedures adopted by the Board of Directors, with fair value of $193,278. See Note 3 Fair Value and Note 7 Restricted Securities.

F. *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 February 28, 2013, the Company did not have any repurchase agreements.

G. *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

KAYNE ANDERSON MLP INVESTMENT COMPANY

NOTES TO FINANCIAL STATEMENTS

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

(UNAUDITED)

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.

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 three months ended February 28, 2013, the Company did not engage in any short sales.

H. *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.

I. *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. The Company estimates that 90% of the MLP distributions received will be treated as a return of capital. Such estimates for MLPs and other investments are based on historical information available from each investment and other industry sources. These estimates may subsequently be revised based on information received from MLPs after their tax reporting periods are concluded.

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). If the cash distributions received by the Company exceed its cost basis (*i.e.* its cost basis is zero), the distributions are treated as realized gains.

The Company includes all cash distributions received on its Statement of Operations and reduces its investment income by (i) the estimated return of capital and (ii) the distributions in excess of cost basis. For the three months ended February 28, 2013, the Company had $56,837 of return of capital and $735 of cash distributions that were in excess of cost basis, which were treated as realized gains.

In accordance with GAAP, the return of capital cost basis reductions for the Company s MLP investments are limited to the total amount of the cash distributions received from such investments. For income tax purposes, the cost basis reductions for the Company s MLP investments typically exceed cash distributions received from such investments due to allocated losses from these investments. See Note 6 Income Taxes. The following table sets forth the Company s estimated total return of capital portion of the distributions received from its investments.

	Three Months Ended February 28, 2013
Return of capital portion of dividends and distributions received	85%
Return of capital attributable to net realized gains (losses)	$ 5,286
Return of capital attributable to net change in unrealized gains (losses)	51,551
Total return of capital	$ 56,837

J. *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

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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 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.

Debt securities that the Company may hold will typically be 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 a premium are based on the effective interest method. The amount of these non-cash adjustments, if any, can be found in the Company s Statement of Cash Flows. The non-cash accretion of a discount increases the cost basis of the debt security, which results in an offsetting unrealized loss. The non-cash amortization of a premium decreases the cost basis of the debt security, which results in an offsetting unrealized gain. To the extent that par value is not expected to be realized, the Company discontinues accruing the non-cash accretion of the discount to par value of the debt security.

The Company receives paid-in-kind dividends in the form of additional units from its investment in 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. During the three months ended February 28, 2013, the Company received the following paid-in-kind dividends.

	Three Months Ended February 28, 2013
Buckeye Partners, L.P. (Class B Units)	$ 961
Crestwood Midstream Partners LP (Class C Units)[1]	612
Enbridge Energy Management, L.L.C.	89
Kinder Morgan Management, LLC	5,473
Total paid-in-kind dividends	$ 7,135

(1) Converted to common units on April 1, 2013.

K. *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 (eligible to be treated as qualified dividend 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.

L. *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.

M. *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

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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)

unrealized gains (losses), which are attributable to the temporary difference between fair value and tax basis, (ii) the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and (iii) the net tax benefit of accumulated net operating and capital losses. To the extent the Company has a deferred tax asset, consideration is given as to whether or not a valuation allowance is required. The need to establish a valuation allowance for deferred tax assets is assessed periodically by the Company based on the Income Tax Topic of the FASB Accounting Standards Codification that it is more likely than not that some portion or all of the deferred tax asset will not be realized. In the assessment for a valuation allowance, consideration is given to all positive and negative evidence related to the realization of the deferred tax asset. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability (which are highly dependent on future cash distributions from the Company s MLP holdings), the duration of statutory carryforward periods and the associated risk that operating and capital loss carryforwards may expire unused.

The Company may rely to some extent on information provided by the MLPs, which may not necessarily be timely, to estimate taxable income allocable to the MLP units held in the portfolio and to estimate the associated deferred tax liability. Such estimates are made in good faith. From time to time, as new information becomes available, the Company modifies its estimates or assumptions regarding the deferred tax liability.

The Company s policy is to classify interest and penalties associated with underpayment of federal and state income taxes, if any, as income tax expense on its Statement of Operations. For the three months ended February 28, 2013, the Company did not have any interest or penalties associated with the underpayment of any income taxes. The tax years from 2009 through 2012 remain open and subject to examination by tax jurisdictions.

N. *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 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

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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 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.

O. *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.

ASU No. 2011-04 requires 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) describe the valuation process, (ii) disclose quantitative information about unobservable inputs and (iii) provide a qualitative discussion about the sensitivity of the fair value measurement to changes in the unobservable inputs and inter-relationships between the inputs.

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(UNAUDITED)

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.

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 February 28, 2013, 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				