

Kayne Anderson MLP Investment CO
Form N-Q
November 01, 2010

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM N-Q
QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY
INVESTMENT COMPANY ACT FILE NUMBER 811-21593
KAYNE ANDERSON MLP INVESTMENT COMPANY**

(Exact name of registrant as specified in charter)

717 Texas Avenue, Suite 3100, Houston, Texas

77002

(Address of principal executive offices)

(Zip code)

David Shladovsky, Esq.

KA Fund Advisors, LLC, 717 Texas Avenue, Suite 3100, Houston, Texas 77002

(Name and address of agent for service)

Registrant's telephone number, including area code: (713) 493-2020

Date of fiscal year end: November 30, 2010

Date of reporting period: August 31, 2010

TABLE OF CONTENTS

Item 1: Schedule of Investments

Item 2: Controls and Procedures

ITEM 3: Exhibits

SIGNATURES

EX-99.CERT

Table of Contents**Item 1: Schedule of Investments****KAYNE ANDERSON MLP INVESTMENT COMPANY
SCHEDULE OF INVESTMENTS****AUGUST 31, 2010****(amounts in 000 s, except number of option contracts)
(UNAUDITED)**

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

Edgar Filing: Kayne Anderson MLP Investment CO - Form N-Q

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

Table of Contents

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

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

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

Edgar Filing: Kayne Anderson MLP Investment CO - Form N-Q

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

Table of Contents

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

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

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

Table of Contents

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

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

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

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

Table of Contents

From time to time, certain of the Company's investments may be restricted as to resale. For instance, private investments that are not registered under the Securities Act of 1933, as amended, cannot be offered for public sale in a non-exempt transaction without first being registered. In other cases, certain of the Company's investments have restrictions such as lock-up agreements that preclude the Company from offering these securities for public sale. At August 31, 2010, the Company held the following restricted investments.

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

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

ask prices provided
by a syndicate bank,
principal market
maker or an
independent pricing
service. These
securities have
limited trading
volume and are not
listed on a national
exchange.

Table of Contents

At August 31, 2010, the cost basis of investments for federal income tax purposes was \$1,565,500. At August 31, 2010, gross unrealized appreciation and depreciation of investments and options for federal income tax purposes were as follows:

| | |
|--|------------|
| Gross unrealized appreciation of investments | \$ 973,680 |
| Gross unrealized depreciation of investments | (54,705) |
| Net unrealized appreciation | \$ 918,975 |

The identified cost basis of federal tax purposes is estimated based on information available from the Company's portfolio companies. In some cases, this information is very limited. Accordingly, the actual cost basis may prove higher or lower than the estimated cost basis included above.

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

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

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

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

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

The following table presents the Company's assets and liabilities measured at fair value at August 31, 2010. Note that the valuation levels below are not necessarily an indication of the risk or liquidity associated with the underlying investment. For instance, the Company's repurchase agreements, which are collateralized by U.S. Treasury notes, are generally high quality and liquid; however, the Company reflects these repurchase agreements as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market.

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

Liabilities at Fair Value

| | | | | | | |
|--------------------------|----|-----|----|----|-----|----|
| Option contracts written | \$ | 389 | \$ | \$ | 389 | \$ |
|--------------------------|----|-----|----|----|-----|----|

(1) The Company's investments in Level 3 represent its investments in Magellan Midstream Partners, L.P., Inergy Holdings, L.P., Clearwater Natural Resources, L.P. and CNR GP Holdco, LLC.

Table of Contents

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

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

The \$7,625 of unrealized gains presented in the table above relate to investments that are still held at August 31, 2010. The Company did not have any liabilities that were measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at August 31, 2010 or November 30, 2009.

As required by the Derivatives and Hedging Topic of the FASB Accounting Standards Codification, the following are the derivative instruments and hedging activities of the Company. The total number of outstanding options at August 31, 2010 is indicative of the volume of this type of derivative for the period ended August 31, 2010. The following table sets forth the fair value of the Company's derivative instruments.

| Derivatives Not Accounted for as Hedging | Instruments | Statement of Assets and Liabilities Location | Fair Value as of August 31, 2010 |
|---|--------------------|---|---|
| Assets | | | |
| Put options | | Put option contracts purchased | \$ 10 |
| Liabilities | | | |
| Call options | | Call option contracts written | (389) |
| | | | \$ (379) |

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

| Derivatives Not Accounted For as Hedging Instruments | Location of Gains/(Losses) on Derivatives Recognized in Income | For the Nine Months Ended August 31, 2010 | Change in Unrealized Gains/ (Losses) on Derivatives Recognized in Income |
|---|---|--|---|
| | | Net Realized Losses on Derivatives Recognized in Income | Change in Unrealized Gains/ (Losses) on Derivatives Recognized in Income |
| Put options | Options | \$ (90) | \$ 64 |

Edgar Filing: Kayne Anderson MLP Investment CO - Form N-Q

| | | | |
|------------------------------|------------------------------|--------|----------|
| Call options | Options | 1,059 | 950 |
| Interest rate swap contracts | Interest rate swap contracts | (664) | 205 |
| | | \$ 305 | \$ 1,219 |

Table of Contents

Securities valuation policies and other investment related disclosures are hereby incorporated by reference to the Company's semi-annual report previously filed with the Securities and Exchange Commission on form N-CSR on July 28, 2010 with a file number 811-21593.

Other information regarding the Company is available in the Company's most recent annual report. This information is also available on the Company's website at www.kaynefunds.com; or on the website of the Securities and Exchange Commission, www.sec.gov.

Item 2: Controls and Procedures

(a) As of a date within 90 days from the filing date of this report, the principal executive officer and principal financial officer concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "Act")), were effective based on their evaluation of the disclosure controls and procedures required by Rule 30a-3(b) under the Act and Rules 13a-15(b) or 15d-15(b) under the Securities and Exchange Act of 1934, as amended.

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3: Exhibits

1. The certifications of the registrant as required by Rule 30a-2(a) under the Act are exhibits to this report.
-

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KAYNE ANDERSON MLP INVESTMENT
COMPANY

/s/ Kevin S. McCarthy

Name: Kevin S. McCarthy
Title: Chairman of the Board of Directors,
President and Chief Executive Officer
Date: October 29, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Kevin S. McCarthy

Name: Kevin S. McCarthy
Title: Chairman of the Board of Directors,
President and Chief Executive Officer
Date: October 29, 2010

/s/ Terry A. Hart

Name: Terry A. Hart
Title: Chief Financial Officer and Treasurer
Date: October 29, 2010