Kayne Anderson MLP Investment CO
Form 497
August 05, 2010

Table of Contents

The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been filed with and declared effective by the Securities and Exchange Commission. This preliminary prospectus supplement is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed pursuant to Rule 497(c)
under the Securities Act of 1933,
as amended, File No. 333-165775

PRELIMINARY PROSPECTUS SUPPLEMENT SUBJECT TO COMPLETION August 5, 2010
(To Prospectus dated July 9, 2010)

6,750,000 Shares

Common Stock
$ per share

We are offering 6,750,000 shares of our common stock. We are a non-diversified, closed-end management investment company that began investment activities on September 28, 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 (collectively, MLPs), and in other companies that, as their principal business, operate assets used in the gathering, transporting, processing, storing, refining, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, refined petroleum products or coal (collectively with MLPs, Midstream Energy Companies). This prospectus supplement, together with the accompanying prospectus dated July 9, 2010, sets forth the information that you should know before investing.

Our currently outstanding shares of common stock are, and the common stock offered by this prospectus supplement and accompanying prospectus, subject to notice of issuance, will be listed on the New York Stock Exchange under the symbol KYN. The last reported sale price of our common stock on August 4, 2010 was $26.76 per share. The net asset value per share of our common stock at the close of business on August 4, 2010 was $25.18.

This investment involves risks. See Risk Factors beginning on page 13 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**
Public offering price		
Underwriting discounts and commissions		
Proceeds, before expenses, to us		

The underwriters may also purchase up to an additional 1,012,500 shares of our common stock at the public offering price, less underwriting discounts and commissions, payable by us to cover over-allotments, if any, within 45 days from the date of this prospectus supplement. If the underwriters exercise the option in full, the total underwriting discounts and commissions will be $, and the total proceeds, before expenses, to us will be $.

The underwriters are offering the shares of common stock as set forth under Underwriting. Delivery of the shares of common stock will be made on or about August , 2010.

Joint Book Running Managers

UBS Investment Bank **BofA Merrill Lynch** **Citi** **Morgan Stanley**

Co-Managers

RBC Capital Markets **Stifel Nicolaus Weisel**

Baird **Madison Williams and Company** **Wunderlich Securities**

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

TABLE OF CONTENTS

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 July 9, 2010 (SAI), as supplemented from time to time, containing additional information about us, has been filed with the Securities and Exchange Commission (SEC) and is incorporated by reference in its entirety into this prospectus supplement. You may request a free copy of our SAI by calling toll-free at (877) 657-3863, or by writing to us at 717 Texas Avenue, Suite 3100, Houston, Texas 77002. Electronic copies of the accompanying prospectus, our stockholder reports and our SAI are also available on our website (www.kaynefunds.com). You may also obtain copies of these documents (and other information regarding us) from the SEC s web site (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, sl intend, plan, predict, anticipate, estimate, approximate or continue and other words and terms of similar m 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.

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

This summary provides an overview of selected information and 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 currently outstanding shares of common stock are, and the shares of common stock sold pursuant to this prospectus supplement and accompanying prospectus, subject to notice of issuance, will be, 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, 2010, we had net assets applicable to our common stock of approximately $1.5 billion and total assets of approximately $2.5 billion.

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), a SEC-registered investment adviser. As of June 30, 2010, Kayne Anderson and its affiliates managed approximately $9.5 billion, including approximately $4.8 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.

Table of Contents

PORTFOLIO INVESTMENTS

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

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

We are permitted to invest up to 20% of our total assets in debt securities of MLPs and other Midstream Energy Companies, including below investment grade debt securities rated, at the time of investment, at least B3 by Moody s Investors Service, Inc., B by Standard & Poor s or Fitch Ratings, or, if unrated, determined by Kayne Anderson to be of comparable quality. In addition, up to one-quarter of our permitted investments in debt securities (or up to 5% of our total assets) may include unrated debt securities of private companies.

As of July 31, 2010, we held $2.4 billion in equity investments and $52 million in fixed income investments. Our top 10 largest holdings by issuer as of that date were:

	Company	Sector	Type of Securities	Amount ($ millions)	Percent of Total Investments
1.	Plains All American Pipeline, L.P.	Midstream MLP	Common Units	$ 176.7	7.3%
2.	Enterprise Products Partners L.P.	Midstream MLP	Common Units	172.3	7.1
3.	Magellan Midstream Partners, L.P.	Midstream MLP	Common Units	170.5	7.0
4.	Kinder Morgan Management, LLC	MLP Affiliate	Common Shares	155.9	6.4
5.	MarkWest Energy Partners, L.P.	Midstream MLP	Common Units	129.4	5.3
6.	Inergy, L.P.	Propane MLP	Common Units	128.4	5.3
7.	Copano Energy, L.L.C.	Midstream MLP	Common Units	98.6	4.1
8.	Energy Transfer Equity, L.P.	General Partner MLP	Common Units	91.5	3.8
9.	Energy Transfer Partners, L.P.	Midstream MLP	Common Units	89.9	3.7
10.	Regency Energy Partners LP	Midstream MLP	Common Units	89.8	3.7

Table of Contents

DISTRIBUTIONS

We have paid distributions to common stockholders every fiscal quarter since inception. Cumulative distributions paid since inception total $10.54 per share and our distribution rate has increased by 28% from an indicative quarterly rate of $0.375 per share to our most recent quarterly distribution of $0.48 per share paid to common stockholders on July 9, 2010. We intend to continue to pay quarterly distributions to our common stockholders. Our next regularly scheduled quarterly distribution will be for our fiscal quarter ending August 31, 2010 and, if approved by our Board of Directors, will be paid to common stockholders on or about October 15, 2010. 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 inception are as follows:

Payment Date	Distribution per Share ($)
July 9, 2010	0.4800
April 16, 2010	0.4800
January 15, 2010	0.4800
October 9, 2009	0.4800
July 10, 2009	0.4800
April 17, 2009	0.4800
January 9, 2009	0.5000
October 10, 2008	0.5000
July 11, 2008	0.5000
April 11, 2008	0.4975
January 11, 2008	0.4950
October 12, 2007	0.4900
July 12, 2007	0.4900
April 13, 2007	0.4800
January 12, 2007	0.4700
October 13, 2006	0.4500
July 13, 2006	0.4400
April 13, 2006	0.4300
January 12, 2006	0.4250
October 14, 2005	0.4200
July 15, 2005	0.4150
April 15, 2005	0.4100
January 14, 2005	0.2500(1)

(1) Represents a partial payment for approximately two months. The indicative quarterly rate was $0.375 per share.

Table of Contents

THE OFFERING

Common stock we are offering	6,750,000 shares
Common stock to be outstanding after this offering	66,897,010 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 $ 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)	%
Net offering expenses borne by us (as a percentage of offering price)	%
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 1,012,500 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.*

S-4

Table of Contents

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the 6,750,000 shares of common stock that we are offering will be approximately $ million, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters exercise their over-allotment option in full, we estimate that our net proceeds from this offering will be approximately $ million, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

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 within two 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.

As of August 4, 2010, we had approximately $77 million aggregate principal amount outstanding on our credit facility. Amounts repaid under our credit facility will remain available for future borrowings. Outstanding balances under the credit facility accrue interest daily at a rate equal to the one-month LIBOR plus 1.75% per annum based on current asset coverage ratios. The interest rate may vary between LIBOR plus 1.75% and LIBOR plus 3.00% depending on asset coverage ratios. We will pay a fee equal to a rate of 0.40% per annum on any unused amounts of the credit facility. As of August 4, 2010, the current rate is 2.64%.

Table of Contents

CAPITALIZATION

The following table sets forth our capitalization as of May 31, 2010 (i) as adjusted to give effect to the issuance of 1.5 million unregistered shares of common stock in two private placements on June 10, 2010 and June 15, 2010 and (ii) as further adjusted to give effect to 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, 2010		
	Actual	As Adjusted	As Further Adjusted
	($ in 000s, except per share data) (Unaudited)		
Repurchase Agreements, Cash and Cash Equivalents	$ 26,983	$ 26,983	$ (1)
Revolving Credit Facility	$ 0	0	0
Long-term Debt			
Senior Notes Series G(2)	$ 75,000	$ 75,000	$ 75,000
Senior Notes Series I(2)	60,000	60,000	60,000
Senior Notes Series K(2)	125,000	125,000	125,000
Senior Notes Series M(2)	60,000	60,000	60,000
Senior Notes Series N(2)	50,000	50,000	50,000
Senior Notes Series O(2)	65,000	65,000	65,000
Senior Notes Series P(2)	45,000	45,000	45,000
Total Debt	$ 480,000	$ 480,000	$ 480,000
Mandatory Redeemable Preferred Stock Series A, $25 liquidation value per share, 4,400,000 shares authorized at May 31, 2010 (4,400,000 shares issued and outstanding)(2)	$ 110,000	$ 110,000	$ 110,000
Common Stockholders Equity			
Common stock, par value $0.001 per share, 199,990,000 shares authorized as of May 31, 2010 (58,355,112 shares issued and outstanding as of May 31, 2010; 59,866,285 shares issued and outstanding as adjusted; and shares issued and outstanding as further adjusted)(2)(3)(4)(5)	$ 58	$ 60	$
Paid-in capital(4)(5)	995,191	1,031,226	
Accumulated net investment loss, net of income taxes, less dividends	(139,132)	(139,132)	(139,132)
Accumulated realized gains, net of income taxes	70,747	70,747	70,747
Net unrealized gains, net of income taxes	351,156	351,156	351,156
Net Assets Applicable to Common Stockholders	$ 1,278,020	$ 1,314,057	$

(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 and for general corporate purposes. 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.*

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

(3) *On July 9, 2010, we issued 280,725 shares of common stock pursuant to our dividend reinvestment plan.*

(4) *As adjusted, additional paid-in capital reflects the June 10, 2010 and June 15, 2010 issuances of shares of common stock ($36,112), less $0.001 par value per share of common stock ($2), less the net estimated offering costs borne by us ($75). The shares were issued in two private placements of unregistered common stock to members of senior management of Magellan Midstream Partners, L.P. and Inergy Holdings, L.P.*

(5) *As further adjusted, additional paid-in capital reflects the issuance of shares of common stock offered hereby ($), less $0.001 par value per share of common stock ($), less the net estimated offering costs borne by us ($) related to the issuance of shares.*

Table of Contents

UNDERWRITING

We are offering the shares of our common stock described in this prospectus supplement through the underwriters named below. UBS Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated 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
UBS Securities LLC	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Citigroup Global Markets Inc.	
Morgan Stanley & Co. Incorporated	
RBC Capital Markets Corporation	
Stifel, Nicolaus & Company, Incorporated	
Robert W. Baird & Co. Incorporated	
Madison Williams and Company LLC	
Wunderlich Securities	
Total	6,750,000

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:

Ø receipt and acceptance of our common stock by the underwriters; and

Ø 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 1,012,500 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 $ 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 from the public offering price. Sales of shares made outside of the U.S. may be made by affiliates of the underwriters. If

Table of Contents

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. Investors must pay for their shares of common stock on or before August , 2010.

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 1,012,500 shares of common stock.

	No Exercise	Full Exercise
Per share	$	$
Total	$	$

We estimate that the total expenses of this offering payable by us, not including the underwriting discounts and commissions, will be approximately $225,000.

NO SALES OF SIMILAR SECURITIES

We, Kayne Anderson and certain officers of Kayne Anderson, 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. 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:

Ø stabilizing transactions;

- Ø short sales;
- Ø purchases to cover positions created by short sales;
- Ø imposition of penalty bids; and
- Ø syndicate covering transactions.

Table of Contents

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.

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.

DIRECTED SHARE PROGRAM

At our request, the underwriters have reserved up to 200,000 shares of common stock being sold in this offering for sale to clients of Hillview Capital Advisors, L.P., a registered investment adviser (Hillview) on the same basis as the other shares sold in this offering. Hillview has sole investment authority for its participating clients, is not acting as an underwriter, broker or dealer and is being compensated for its services based on a per client basis solely on a specified annual rate of the total assets under management for such client. Any reserved shares not purchased by these persons will be offered by the underwriters to the general public on the same basis as the shares in this offering.

AFFILIATIONS

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

Affiliates of UBS Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc. and RBC Capital Markets Corporation are lenders under our credit facility. See Use of Proceeds.

LEGAL MATTERS

Certain legal matters in connection with our common stock will be passed upon for us by Paul, Hastings, Janofsky & Walker LLP, Los Angeles, California, and for the underwriters by Sidley Austin llp, New York,

Table of Contents

New York. Paul, Hastings, Janofsky & Walker 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, 2009. 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.

UNAUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE SIX MONTHS ENDED MAY 31, 2010
CONTENTS

Table of Contents

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

Description	No. of Shares/Units	Value
Long-Term Investments 158.9%		
Equity Investments(a) 155.7%		
Midstream MLP(b) 109.5%		
Boardwalk Pipeline Partners, LP	484	$ 13,486
Buckeye Partners, L.P.	801	45,392
Copano Energy, L.L.C.(c)	3,659	89,757
Crosstex Energy, L.P.(d)	2,044	19,744
DCP Midstream Partners, LP	962	28,752
Duncan Energy Partners L.P.	451	11,429
El Paso Pipeline Partners, L.P.	1,221	33,687
Enbridge Energy Partners, L.P.(c)	1,732	86,224
Energy Transfer Partners, L.P.	1,738	76,636
Enterprise Products Partners L.P.(c)	4,516	151,724
Exterran Partners, L.P.	1,129	23,095
Global Partners LP	1,346	28,660
Holly Energy Partners, L.P.	661	26,584
Magellan Midstream Partners, L.P.	3,261	142,775
MarkWest Energy Partners, L.P.	3,716	108,773
Martin Midstream Partners L.P.	318	9,409
Niska Gas Storage Partners LLC(e)	209	3,930
ONEOK Partners, L.P.	910	54,522
PAA Natural Gas Storage, L.P.(e)(f)	244	5,795
Plains All American Pipeline, L.P.(f)	2,876	165,564
Quicksilver Gas Services LP	799	14,564
Regency Energy Partners LP	3,305	76,012
Spectra Energy Partners, LP	285	8,823
Sunoco Logistics Partners L.P.	206	13,587
Targa Resources Partners LP	846	19,159
TC PipeLines, LP(c)	516	19,613
TransMontaigne Partners L.P.	653	18,405
Western Gas Partners, LP	951	21,193
Williams Partners L.P.	1,682	62,679
Williams Pipeline Partners L.P.	709	19,834
		1,399,807
MLP Affiliates(b) 13.9%		
Enbridge Energy Management, L.L.C.(g)	790	38,298
Kinder Morgan Management, LLC(g)	2,502	138,613
		176,911

General Partner MLP 14.0%		
Alliance Holdings GP L.P.	961	29,902
Buckeye GP Holdings L.P.	72	2,224
Energy Transfer Equity, L.P.	2,572	79,099
Enterprise GP Holdings L.P.	1,245	53,959
Inergy Holdings, L.P.	13	1,038
Penn Virginia GP Holdings, L.P.	730	13,028
		179,250

See accompanying notes to financial statements.

Table of Contents

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

Description	No. of Shares/Units	Value
Propane MLP 9.3%		
Inergy, L.P.	3,252	$ 118,803
Shipping MLP 7.4%		
Capital Product Partners L.P.	1,283	9,648
Navios Maritime Partners L.P.	1,410	22,260
Teekay LNG Partners L.P.	1,121	32,388
Teekay Offshore Partners L.P.	1,029	20,129
Teekay Tankers Ltd.	936	10,253
		94,678
Upstream MLP 1.0%		
EV Energy Partners, L.P.	135	3,940
Legacy Reserves LP	404	9,046
		12,986
Coal MLP 0.6%		
Alliance Resource Partners, L.P.	82	3,727
Natural Resource Partners L.P.	88	1,972
Penn Virginia Resource Partners, L.P.	68	1,422
		7,121
Total Equity Investments (Cost $1,421,693)		1,989,556

	Interest Rate	Maturity Date	Principal Amount	
Energy Debt Investments 3.2%				
Midstream MLP (b) 1.5%				
Crosstex Energy, L.P.	8.875%	2/15/18	$ 15,000	14,775
Niska Gas Storage U.S., LLC	8.875	3/15/18	5,000	5,025
				19,800
Upstream MLP(b) 1.3%				
Atlas Energy Resources, LLC	12.125	8/1/17	9,000	9,990

Atlas Energy Resources, LLC	10.750	2/1/18	6,000	6,360
				16,350
Coal MLP 0.4%				
Clearwater Natural Resources, LP(d)(h)(i)	N/A	12/3/09	13,601	4,760
Total Energy Debt Investments (Cost $47,914)				40,910
Total Long-Term Investments (Cost $1,469,607)				2,030,466

See accompanying notes to financial statements.

F-3

Table of Contents

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

Description	**Interest Rate**	**Maturity Date**	**Value**
Short-Term Investment 2.1%			
Repurchase Agreement 2.1%			
J.P. Morgan Securities Inc. (Agreement dated 5/28/10 to be repurchased at $26,983), collateralized by $27,516 in U.S. Treasury bill (Cost $26,983)	0.120%	6/1/10	$ 26,983
Total Investments 161.0% (Cost $1,496,590)			2,057,449

Liabilities	**No. of Contracts**	
Call Option Contracts Written(d)		
Midstream MLP		
Copano Energy, L.L.C., call option expiring 6/19/10 @ $25.00	900	(50)
Enbridge Energy Partners L.P., call option expiring 6/19/210 @ $50.00	1,024	(92)
Enterprise Products Partners L.P., call option expiring 6/19/10 @ $35.00	800	(28)
TC PipeLines, LP, call option expiring 6/19/10 @ $35.00	1,499	(476)
Total Call Option Contracts Written (Premiums Received $292)		(646)
Senior Unsecured Notes		(480,000)
Mandatory Redeemable Preferred Stock at Redemption Value		(110,000)
Deferred Tax Liability		(179,275)
Other Liabilities		(19,924)
Total Liabilities		(789,845)
Other Assets		10,416
Total Liabilities in Excess of Other Assets		(779,429)
Net Assets Applicable to Common Stockholders		$ 1,278,020

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

(b) Includes Limited Liability Companies.

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

(d) Security is non-income producing.

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

(f) The Company believes that it is an affiliate of PAA Natural Gas Storage, L.P. and Plains All American, L.P. See Note 5 Agreements and Affiliations.

(g) Distributions are paid in-kind.

(h) Fair valued securities, restricted from public sale. See Notes 2, 3 and 7.

See accompanying notes to financial statements.

Table of Contents

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

(i) Clearwater Natural Resources, LP is a privately-held MLP that the Company believes is a controlled affiliate. On January 12, 2010, Clearwater closed on the sale of all of its reserves and a substantial portion of its operating assets to International Resource Partners, L.P. (IRP). On March 16, 2010, the Bankruptcy Court confirmed Clearwater s plan of reorganization (including such sale of assets to IRP). As part of Clearwater s plan of reorganization, the Company will receive consideration for its unsecured term loan. Such consideration will be in the form of cash and a royalty interest in the reserves sold. Pursuant to the plan of reorganization, the Company will not receive any consideration for its equity investment in Clearwater or CNR GP Holdco, LLC. In addition to the unsecured term loan, the Company owns 3,889 common units, 34 warrants and 41 unregistered, deferred participation units of Clearwater. The Company assigned no value to these equity investments as of May 31, 2010, 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 May 31, 2010, and believes it is a controlled affiliate. See Notes 3, 5 and 7.

See accompanying notes to financial statements.

Table of Contents

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

ASSETS	
Investments at fair value:	
Non-affiliated (Cost $1,300,290) `	$ 1,854,347
Affiliated (Cost $81,685)	171,359
Controlled (Cost $87,632)	4,760
Repurchase agreement (Cost $26,983)	26,983
Total investments (Cost $1,496,590)	2,057,449
Deposits with brokers	1,705
Receivable for securities sold	2,815
Interest, dividends and distributions receivable	1,097
Deferred debt issuance and preferred stock offering costs and other assets, net	4,799
Total Assets	2,067,865
LIABILITIES	
Payable for securities purchased	2,987
Investment management fee payable	6,929
Accrued directors fees and expenses	46
Call option contracts written (Premiums received $292)	646
Accrued expenses and other liabilities	9,962
Deferred tax liability	179,275
Senior Unsecured Notes	480,000
Mandatory Redeemable Preferred Stock, $25.00 liquidation value per share (4,400,000 shares issued and outstanding)	110,000
Total Liabilities	789,845
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS	$ 1,278,020
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS CONSIST OF	
Common stock, $0.001 par value (58,355,112 shares issued and outstanding, 199,990,000 shares authorized)	$ 58
Paid-in capital	995,191
Accumulated net investment loss, net of income taxes, less dividends	(139,132)
Accumulated realized gains on investments and interest rate swap contracts, net of income taxes	70,747
Net unrealized gains on investments and options, net of income taxes	351,156
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS	$ 1,278,020

NET ASSET VALUE PER COMMON SHARE	$	21.90

See accompanying notes to financial statements.

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

	For the Three Months Ended May 31, 2010	For the Six Months Ended May 31, 2010
INVESTMENT INCOME		
Income		
Dividends and distributions:		
Non-affiliated investments	$ 30,269	$ 58,679
Affiliated investments	2,689	5,357
Total dividends and distributions	32,958	64,036
Return of capital	(29,240)	(56,551)
Net dividends and distributions	3,718	7,485
Interest	1,022	1,801
Total Investment Income	4,740	9,286
Expenses		
Investment management fees	6,928	12,916
Administration fees	230	431
Professional fees	251	395
Custodian fees	68	124
Reports to stockholders	47	90
Directors fees	46	100
Insurance	46	91
Other expenses	214	402
Total Expenses Before Interest Expense, Preferred Distributions and Taxes	7,830	14,549
Interest expense and amortization of debt issuance costs	5,643	10,949
Distributions on mandatory redeemable preferred stock and amortization of offering costs	441	441
Total Expenses Before Taxes	13,914	25,939
Net Investment Loss Before Taxes	(9,174)	(16,653)
Deferred tax benefit	3,232	5,999
Net Investment Loss	(5,942)	(10,654)
REALIZED AND UNREALIZED GAINS/(LOSSES)		
Net Realized Gains/(Losses)		

Investments		19,558		31,426
Options		405		389
Payments on interest rate swap contracts		(424)		(664)
Deferred tax expense		(7,230)		(11,526)
Net Realized Gains		12,309		19,625
Net Change in Unrealized Gains/(Losses)				
Investments		2,519		204,746
Options		(315)		528
Interest rate swap contracts		416		205
Deferred tax expense		(969)		(76,027)
Net Change in Unrealized Gains		1,651		129,452
Net Realized and Unrealized Gains		13,960		149,077
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		8,018		138,423
Distributions on Auction Rate Preferred Stock		(98)		(177)
NET INCREASE IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM OPERATIONS	$	7,920	$	138,246

See accompanying notes to financial statements.

F-7

Table of Contents

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

	For the Six Months Ended May 31, 2010 (Unaudited)	For the Fiscal Year Ended November 30, 2009
OPERATIONS		
Net investment loss, net of tax [1]	$ (10,654)	$ (15,388)
Net realized gains/(losses), net of tax	19,625	(18,431)
Net change in unrealized gains, net of tax	129,452	369,027
Net Increase in Net Assets Resulting from Operations	138,423	335,208
DIVIDENDS/DISTRIBUTIONS TO AUCTION RATE PREFERRED STOCKHOLDERS		
Dividends	(177)[2]	
Distributions return of capital		(539) [3]
Dividends/Distributions to Preferred Stockholders	(177)	(539)
DIVIDENDS/DISTRIBUTIONS TO COMMON STOCKHOLDERS		
Dividends	(8,794)[2]	
Distributions return of capital	(43,861)[2]	(89,586) [3]
Dividends/Distributions to Common Stockholders	(52,655)	(89,586)
CAPITAL STOCK TRANSACTIONS		
Proceeds from common stock public offerings of 6,291,600 and 6,223,700 shares of common stock, respectively	148,545	126,030
Underwriting discounts and offering expenses associated with the issuance of common stock	(6,146)	(5,524)
Issuance of 483,971 and 1,179,655 shares of common stock from reinvestment of distributions, respectively	11,753	21,532
Net Increase in Net Assets Applicable to Common Stockholders from Capital Stock Transactions	154,152	142,038
Total Increase in Net Assets Applicable to Common Stockholders	239,743	387,121

NET ASSETS ATTRIBUTABLE TO COMMON STOCKHOLDERS				
Beginning of period		1,038,277		651,156
End of period	$	1,278,020	$	1,038,277

(1) Distributions on the Company s mandatory redeemable preferred stock are treated as an operating expense under GAAP and are included in the calculation of net investment loss. See Note 2 Significant Accounting Policies. As of May 31, 2010, the Company estimates that all of the distributions paid to mandatory redeemable preferred stockholders will a dividend (ordinary income). This estimate is based on the Company s operating results during the period. The actual characterization of the mandatory redeemable preferred stock and distributions made during the

period will not be determinable until after the end of the fiscal year when the Company can determine earnings and profits and, therefore, the characterization may differ from the preliminary estimates.

(2) This is an estimate of the characterization of the distributions paid to auction rate preferred stockholders and common stockholders for the six months ended May 31, 2010 as either a dividend (ordinary income) or distribution (return of capital). This estimate is based on the Company s operating results during the period. The actual characterization of the auction rate preferred stock and common stock distributions made during the period will not be determinable until after the

end of the fiscal year when the Company can determine earnings and profits and, therefore, the characterization may differ from the preliminary estimates.

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

See accompanying notes to financial statements.

Table of Contents

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Net increase in net assets resulting from operations	$ 138,423
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Net deferred tax expense	81,554
Return of capital distributions	56,551
Net realized gains	(31,151)
Unrealized gains on investments, interest rate swap contracts and options written	(205,479)
Accretion of bond discount, net	(57)
Purchase of investments	(415,335)
Proceeds from sale of investments	154,171
Proceeds from sale of short-term investments, net	(20,643)
Decrease in option contracts written, net	(203)
Increase in deposits with brokers	(1,152)
Increase in receivable for securities sold	(2,045)
Increase in interest, dividends and distributions receivable	(203)
Decrease in income tax receivable	63
Amortization of deferred debt issuance costs	597
Amortization of mandatory redeemable preferred stock issuance costs	15
Decrease in other assets, net	(67)
Decrease in payable for securities purchased	(2,541)
Increase in investment management fee payable	1,949
Increase in accrued directors fees and expenses	2
Increase in accrued expenses and other liabilities	1,690
Net Cash Used in Operating Activities	(243,861)
CASH FLOWS FROM FINANCING ACTIVITIES	
Issuance of shares of common stock, net of offering costs	142,399
Proceeds from issuance of senior unsecured notes	110,000
Proceeds from issuance on mandatory redeemable preferred stock	110,000
Redemption of auction rate preferred stock	(75,000)
Offering costs associated with the mandatory redeemable preferred stock	(1,517)
Offering costs associated with revolving credit facility	(36)
Offering costs associated with issuance of senior unsecured notes	(906)
Cash distributions paid to preferred stockholders	(177)
Cash distributions paid to common stockholders	(40,902)
Net Cash Provided by Financing Activities	243,861
NET CHANGE IN CASH	
CASH BEGINNING OF PERIOD	

CASH END OF PERIOD	$

Supplemental disclosure of cash flow information:

Non-cash financing activities not included herein consist of reinvestment of distributions of $11,753 pursuant to the Company s dividend reinvestment plan. During the six months ended May 31, 2010, the Company received federal and state income tax refunds of $60 and interest paid was $8,970.

See accompanying notes to financial statements.

Table of Contents

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

	For the Six Months Ended May 31, 2010 (Unaudited)	For the Fiscal Year Ended November 30, 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	$ 20.13	$ 14.74	$ 30.08	$ 28.99	$ 25.07	$ 23.91	$ 23.70[3]
Net investment income/(loss)	(0.19)	(0.33)	(0.73)	(0.73)	(0.62)	(0.17)	0.02
Net realized and unrealized gain/(loss)	2.80	7.50	(12.56)	3.58	6.39	2.80	0.19
Total income/(loss) from operations	2.61	7.17	(13.29)	2.85	5.77	2.63	0.21
Auction Rate Preferred Dividends [4]				(0.10)		(0.05)	
Auction Rate Preferred Distributions return of capital [4]		(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 [4]	(0.16)			(0.09)		(0.13)	
Common Distributions return of capital [4]	(0.80)	(1.94)	(1.99)	(1.84)	(1.75)	(1.37)	

Total dividends and distributions							
Common	(0.96)	(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)	
Anti-dilutive effect due to issuance of common stock	0.11	0.12		0.26		0.11	
Anti-dilutive effect due to shares issued in reinvestment of dividends	0.01	0.05	0.04	0.01			
Total capital stock transactions	0.12	0.17	0.04	0.27		0.08	
Net asset value, end of period	$ 21.90	$ 20.13	$ 14.74	$ 30.08	$ 28.99	$ 25.07	$ 23.91
Market value per share of common stock, end of period	$ 25.25	$ 24.43	$ 13.37	$ 28.27	$ 31.39	$ 24.33	$ 24.90
Total investment return based on common stock market value[5]	7.5%[6]	103.0%	(48.8)%	(4.4)%	37.9%	3.7%	(0.4)%[6]
Supplemental Data and Ratios[7]							
Net assets applicable to common stockholders, end of period	$ 1,278,020	$ 1,038,277	$ 651,156	$ 1,300,030	$ 1,103,392	$ 932,090	$ 792,836
Ratio of Expenses to Average Net Assets							
Management fees	2.1%	2.1%	2.2%	2.3%	3.2%	1.2%	0.8%
Other expenses	0.3	0.4	0.3	0.2	0.2	0.3	0.4
Subtotal	2.4	2.5	2.5	2.5	3.4	1.5	1.2
Interest expense and distributions on mandatory	1.9	2.5	3.4	2.3	1.7	0.8	0.0

redeemable preferred stock							
Income tax expense	13.3	25.4	(8)	3.5	13.8	6.4	3.5
Total expenses	17.6%	30.4%	5.9%	8.3%	18.9%	8.7%	4.7%
Ratio of net investment income/(loss) to average net assets	(1.7)%	(2.0)%	(2.8)%	(2.3)%	(2.4)%	(0.7)%	0.5%
Net increase/(decrease) in net assets to common stockholders resulting from operations to average net assets	11.3%(6)	43.2%	(51.2)%	7.3%	21.7%	10.0%	0.9%(6)
Portfolio turnover rate	8.1%(6)	28.9%	6.7%	10.6%	10.0%	25.6%	11.8%(6)
Average net assets	$ 1,225,646	$ 774,999	$ 1,143,192	$ 1,302,425	$ 986,908	$ 870,672	$ 729,280
Senior Notes outstanding, end of period	480,000	370,000	304,000	505,000	320,000	260,000	
Revolving credit facility outstanding, end of period				97,000	17,000		

See accompanying notes to financial statements.

Table of Contents

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

	For the Six Months Ended May 31, 2010 (Unaudited)	For the Fiscal Year Ended November 30, 2009	2008	2007	2006	2005	For the Period September 28, 2004[(1)] through November 30, 2004
Supplemental Data and Ratios continued[(7)]							
Auction Rate Preferred Stock, end of period		$ 75,000	$ 75,000	$ 75,000	$ 75,000	$ 75,000	
Mandatory Redeemable Preferred Stock, end of period	$ 110,000						
Average shares of common stock outstanding	56,570,072	46,894,632	43,671,666	41,134,949	37,638,314	34,077,731	33,165,900
Asset coverage of total debt[(9)]	389.2%	400.9%	338.9%	328.4%	449.7%	487.3%	
Asset coverage of total leverage (debt and preferred stock)[(10)]	316.6%	333.3%	271.8%	292.0%	367.8%	378.2%	
Average amount of borrowings per share of common stock during the period[(2)]	$ 7.35	$ 6.79	$ 11.52	$ 12.14	$ 8.53	$ 5.57	

(1)

Commencement of operations.

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

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

(4) The information presented for the six months ended May 31, 2010 is an estimate of the characterization of the distribution paid and is based on the Company s operating results during the period. The information presented for each other period is an actual characterization of a portion of the total distributions paid to preferred stockholders and common stockholders as either a dividend (ordinary income) or a distribution

(return of capital) and is based on the Company s earnings and profits.

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

(6) Not annualized.

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

(8) For the year ended November 30, 2008, the Company accrued deferred income tax benefits of

$339,991 (29.7% of average net assets) primarily related to unrealized losses on investments. Realization of a deferred tax benefit is dependent on whether there will be sufficient taxable income of the appropriate character within the carryforward periods to realize a portion or all of the deferred tax benefit. No deferred income tax benefit has been included for the purpose of calculating total expense.

(9) Calculated pursuant to section 18(a)(1)(A) of the 1940 Act. Represents the value of total assets less all liabilities not represented by senior notes or any other senior securities representing indebtedness divided by the aggregate amount of senior notes and

any other senior securities representing indebtedness. Under the 1940 Act, the Company may not declare or make any distribution on its common stock nor can it incur additional indebtedness if, at the time of such declaration or incurrence, its asset coverage with respect to senior securities representing indebtedness would be less than 300%. For purposes of this test, the revolving credit facility is considered a senior security representing indebtedness.

(10) Calculated pursuant to section 18(a)(2)(A) of the 1940 Act. Represents the value of total assets less all liabilities not represented by senior notes, any other senior securities representing indebtedness and preferred stock divided by

the aggregate amount of senior notes, any other senior securities representing indebtedness and preferred stock. Under the 1940 Act, the Company may not declare or make any distribution on its common stock nor can it incur additional preferred stock if at the time of such declaration or incurrence its asset coverage with respect to all senior securities would be less than 200%. For purposes of this test, the revolving credit facility is considered a senior security representing indebtedness.

See accompanying notes to financial statements.

KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2010
(amounts in 000 s, except share and per share amounts)
(UNAUDITED)

1. Organization

Kayne Anderson MLP Investment Company (the Company) was organized as a Maryland corporation on June 4, 2004, and is a non-diversified closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Company s investment objective is to obtain a high after-tax total return by investing at least 85% of its net assets plus any borrowings (total assets) in energy-related master limited partnerships and their affiliates (collectively, MLPs), and in other companies that, as their principal business, operate assets used in the gathering, transporting, processing, storing, refining, distributing, mining or marketing of natural gas, natural gas liquids (including propane), crude oil, refined petroleum products or coal (collectively with MLPs, Midstream Energy Companies). The Company commenced operations on September 28, 2004. The Company s shares of common stock are listed on the New York Stock Exchange, Inc. (NYSE) under the symbol KYN.

2. Significant Accounting Policies

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

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

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

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

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

KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2010
(amounts in 000 s, except 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 initially valued by KA Fund Advisors, LLC (KAFA or the Adviser) investment professionals responsible for the portfolio investments.

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

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

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

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

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

At May 31, 2010, the Company held 0.4% of its net assets applicable to common stockholders (0.2% of total assets) in securities valued at fair value, as determined pursuant to procedures adopted by the Board of Directors, with fair value of $4,760. See Note 7 Restricted Securities.

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

F-13

KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2010
(amounts in 000 s, except share and per share amounts)
(UNAUDITED)

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

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

The Company may also sell short against the box (*i.e.,* the Company enters into a short sale as described above while holding an offsetting long position in the security which it sold short). If the Company enters into a short sale against the box, the Company segregates an equivalent amount of securities owned as collateral while the short sale is outstanding. At May 31, 2010, the Company had no open short sales.

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

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

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

	Three Months Ended May 31, 2010	Six Months Ended May 31, 2010
Estimated return of capital portion of distributions received	89%	88%
Return of capital attributable to Net Realized Gains	$ 4,677	$ 7,912
Return of capital attributable to Net Change in Unrealized Gains	24,563	48,639
Total return of capital	$ 29,240	$ 56,551

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

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

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

Table of Contents

KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2010
(amounts in 000 s, except share and per share amounts)
(UNAUDITED)

The Company s stock dividends and distributions consist of additional units of Enbridge Energy Management, L.L.C. and Kinder Morgan Management, LLC. The additional units are not reflected in investment income during the period received but are recorded as unrealized gains. During the three and six months ended May 31, 2010, the Company received the following stock dividends from Enbridge Energy Management, L.L.C. and Kinder Morgan Management, LLC.

	Three Months Ended May 31, 2010	Six Months Ended May 31, 2010
Enbridge Energy Management, L.L.C.	$ 768	$ 1,508
Kinder Morgan Management, LLC	2,627	4,891
Total stock dividends	$ 3,395	$ 6,399

I. *Distributions to Stockholders* Distributions to common stockholders are recorded on the ex-dividend date. Distributions to Mandatory redeemable preferred stockholders are accrued on a daily basis as described in Note 12 Preferred Stock. As required by the Distinguishing Liabilities from Equity topic of the FASB Accounting Standards Codification, the Company includes the accrued distributions on its mandatory redeemable preferred stock as an operating expense due to the fixed term of this obligation. The estimated characterization of the distributions paid to preferred and common stockholders will be either a dividend (ordinary income) or distribution (return of capital). This estimate is based on the Company s operating results during the period. The actual characterization of the preferred and common stock distributions made during the current year will not be determinable until after the end of the fiscal year when the Company can determine earnings and profits and, therefore, the characterization may differ from the preliminary estimates.

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

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

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

The Company s policy is to classify interest and penalties associated with underpayment of federal and state income taxes, if any, as income tax expense on its Statement of Operations. As of May 31, 2010, the Company does not have any interest or penalties associated with the underpayment of any income taxes. All tax years since inception remain open and subject to examination by tax jurisdictions.

Table of Contents

KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2010
(amounts in 000 s, except share and per share amounts)
(UNAUDITED)

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

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

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

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

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

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

When the Company writes a call option, an amount equal to the premium received by the Company is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Company on the expiration date as realized gains from investments. If the Company repurchases a written call option prior to its exercise, the difference between the premium received and the amount paid to repurchase the option is treated as a realized gain or loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the Company has realized a gain or loss. The Company, as the writer of an option, bears the market risk of an unfavorable change in the price of the security underlying the written option. See Note 8 Derivative Financial Instruments.

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

Table of Contents

KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2010
(amounts in 000 s, except share and per share amounts)
(UNAUDITED)

3. Fair Value

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

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

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

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

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

The following table presents the Company s assets measured at fair value at May 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	$ 1,989,556	$ 1,989,556	$	$
Energy debt investments	40,910		36,150	4,760
Repurchase agreement	26,983		26,983	
Total assets at fair value	$ 2,057,449	$ 1,989,556	$ 63,133	$ 4,760
Liabilities at Fair Value				
Option contracts written	$ 646	$	$ 646	$

(1) The Company s investments in Level 3 represent its

investments in Clearwater Natural Resources, L.P. and CNR GP Holdco, LLC as more fully described in Note 7 Restricted Securities.

Table of Contents

KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2010
(amounts in 000 s, except share and per share amounts)
(UNAUDITED)

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

Assets at Fair Value Using Unobservable Inputs (Level 3)	**Long-Term Investments**
Balance February 28, 2010	$ 4,420
Transfers out of Level 3	
Realized gains/(losses)	
Unrealized gains, net	340
Purchases, issuances or settlements	
Balance May 31, 2010	$ 4,760

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	680
Purchases, issuances or settlements	
Balance May 31, 2010	$ 4,760

The $340 and $680 of unrealized gains presented in the table above for the three and six months ended May 31, 2010 related to investments that are still held at May 31, 2010 and the Company includes these unrealized gains in the Statement of Operations Net Change in Unrealized Gains/(Losses).

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

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

4. Concentration of Risk

The Company s investment objective is to obtain a high after-tax total return with an emphasis on current income paid to its stockholders. Under normal circumstances, the Company intends to invest at least 85% of its total assets in securities of MLPs and other Midstream Energy Companies, and to invest at least 80% of its total assets in MLPs, which are subject to certain risks, such as supply and demand risk, depletion and exploration risk, commodity pricing risk, acquisition risk, and the risk associated with the hazards inherent in midstream energy industry activities. A substantial portion of the cash flow received by the Company is derived from investment in equity securities of MLPs. The amount of cash that an MLP has available for distributions and the tax character of such distributions are dependent upon the amount of cash generated by the MLP s operations. The Company may invest up to 15% of its total assets in any single issuer and a decline in value of the securities of such an issuer could significantly impact the net asset value of the Company. The Company may invest up to 20% of its total assets in debt securities, which may include below investment grade securities. The Company may, for defensive purposes, 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.

Table of Contents

KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2010
(amounts in 000 s, except share and per share amounts)
(UNAUDITED)

5. Agreements and Affiliations

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

B. *Investment Management Agreement* The Company has entered into an investment management agreement with KAFA under which the Adviser, subject to the overall supervision of the Company s Board of Directors, manages the day-to-day operations of, and provides investment advisory services to, the Company. For providing these services, the Adviser receives a management fee from the Company. On June 15, 2010, the Company renewed its agreement with the Adviser for a period of one year. The agreement may be renewed annually upon approval of the Company s Board of Directors. For the six months ended May 31, 2010, the Company paid management fees at an annual rate of 1.375% of average total assets.

For purposes of calculating the management fee, the Company s total assets are equal to the Company s gross asset value (which includes assets attributable to or proceeds from the Company s use of preferred stock, commercial paper or notes and other borrowings and excludes any net deferred tax asset), minus the sum of the Company s accrued and unpaid distributions on any outstanding common stock and accrued and unpaid distributions on any outstanding preferred stock and accrued liabilities (other than liabilities associated with borrowing or leverage by the Company and any accrued taxes, including, a deferred tax liability). Liabilities associated with borrowing or leverage by the Company include the principal amount of any borrowings, commercial paper or notes issued by the Company, the liquidation preference of any outstanding preferred stock, and other liabilities from other forms of borrowing or leverage such as short positions and put or call options held or written by the Company.

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

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

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

Table of Contents

KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2010
(amounts in 000 s, except share and per share amounts)
(UNAUDITED)

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

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

Plains All American, L.P. and PAA Natural Gas Storage, L.P. Robert V. Sinnott is chief executive officer of Kayne Anderson Capital Advisors, L.P. (KACALP), the managing member of KAFA. Mr. Sinnott also serves as a director on the board of Plains All American GP LLC, the general partner of Plains All American Pipeline, L.P. Members of senior management and various advisory clients of KACALP and KAFA indirectly own units of Plains All American GP LLC. Various advisory clients of KACALP and KAFA, including the Company, own units in Plains All American Pipeline, L.P. and PAA Natural Gas Storage, L.P. The Company believes that it is an affiliate of Plains All American Pipeline, L.P. and PAA Natural Gas Storage, L.P. under the 1940 Act.

6. Income Taxes

Deferred income taxes reflect (i) taxes on unrealized gains/(losses), which are attributable to the difference between fair market value and tax basis, (ii) the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and (iii) the net tax benefit of accumulated net operating losses. Components of the Company s deferred tax assets and liabilities as of May 31, 2010 are as follows:

Deferred tax assets:		
Net operating loss carryforwards Federal	$	48,168
Net operating loss carryforwards State		3,964
Capital loss carryforwards		48,594
Other		105
Deferred tax liabilities:		
Net unrealized gains on investment securities, interest rate swap contracts and option contracts		(268,368)
Basis reductions resulting from estimated return of capital		(11,738)
Total net deferred tax liability	$	(179,275)

At May 31, 2010, the Company had federal net operating loss carryforwards of $142,069 (deferred tax asset of $48,168). Realization of the deferred tax assets and net operating loss carryforwards are dependent, in part, on generating sufficient taxable income prior to expiration of the loss carryforwards. If not utilized, $40,950; $52,182; $26,118 and $22,819 of the net operating loss carryforward will expire in 2026, 2027, 2028 and 2029, respectively. As of May 31, 2010, the Company had federal and state capital loss carryforwards of approximately $131,432 (deferred tax asset of $48,594). If not utilized, $44,623 and $86,809 of capital loss carry forwards will expire in 2013 and 2014, respectively. For corporations, capital losses can only be used to offset capital gains and cannot be used to offset ordinary income. In addition, the Company has state net operating losses of $128,834 (deferred tax asset of $3,964). These state net operating losses begin to expire in 2011 through 2029.

Table of Contents

KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2010
(amounts in 000 s, except share and per share amounts)
(UNAUDITED)

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

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

Total income taxes were different from the amount computed by applying the federal statutory income tax rate of 35% to the net investment loss and realized and unrealized gains (losses) on investments and interest rate swap contracts before taxes for the three and six months ended May 31, 2010, as follows:

	Three Months Ended May 31, 2010	Six Months Ended May 31, 2010
Computed expected federal income tax	$ 4,545	$ 76,992
State income tax, net of federal tax expense	268	4,408
Other	154	154
Total income tax expense	$ 4,967	$ 81,554

At May 31, 2010, the cost basis of investments for federal income tax purposes was $1,328,467 and the net cash received on option contracts written was $292. The cost basis of investments includes a $168,123 reduction in basis attributable to the Company s portion of the allocated losses from its MLP investments. At May 31, 2010, gross unrealized appreciation and depreciation of investments and options for federal income tax purposes were as follows:

Gross unrealized appreciation of investments (including options)	$ 790,833
Gross unrealized depreciation of investments (including options)	(62,204)
Net unrealized appreciation before tax and interest rate swap contracts	728,629
Net unrealized depreciation on interest rate swap contracts	
Net unrealized appreciation before tax	$ 728,629
Net unrealized appreciation after tax	$ 459,036

F-21

Table of Contents

KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2010
(amounts in 000 s, except share and per share amounts)
(UNAUDITED)

7. Restricted Securities

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

At May 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	0.4%	0.2%
CNR GP Holdco, LLC	LLC Interests	3/5/08	(2)	n/a	1,083			
Total of securities valued in accordance with procedures established by the Board of Directors(4)					$ 87,633	$ 4,760	0.4%	0.2%
Niska Gas Storage U.S., LLC	Senior Notes	2/26/10	(5)	$ 5,000	$ 5,022	$ 5,025	0.4%	0.2%
Total of securities valued by prices provided by market maker or					$ 5,022	$ 5,025	0.4%	0.2%

independent pricing services				
Total of all restricted securities	$ 92,655	$ 9,785	0.8%	0.4%

(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. Note 5 Agreements and Affiliations for a status update.

(3) The Company purchased term loans on January 11, 2008; February 28, 2008; May 5, 2008; July 8, 2008; August 6, 2008; and September 29, 2008. The Company is not accruing interest income on this investment.

(4) Restricted securities that are classified as a Level 3. Security is valued using inputs reflecting the Company s own assumptions as more

fully described in Note 2 Significant Accounting Policies.

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

Table of Contents

KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2010
(amounts in 000 s, except share and per share amounts)
(UNAUDITED)

8. Derivative Financial Instruments

Option Contracts Transactions in option contracts for the six months ended May 31, 2010 were as follows:

	Number of Contracts	Premium
Put Options Purchased		
Options outstanding at beginning of period	1,386	$ 89
Options expired	(1,386)	(89)
Options outstanding at end of period		$
Call Options Written		
Options outstanding at beginning of period	7,000	$ 584
Options written	17,650	1,740
Options subsequently repurchased [1]	(5,070)	(561)
Options exercised	(13,831)	(1,384)
Options expired	(1,526)	(87)
Options outstanding at end of period	4,223	$ 292

(1) The price at which the Company subsequently repurchased the options was $170.

Interest Rate Swap Contracts The Company may enter into interest rate swap contracts to partially hedge itself from increasing interest expense on its leverage resulting from increasing short-term interest rates. A decline in future interest rates may result in a decline in the value of the swap contracts, which, everything else being held constant, would result in a decline in the net assets of the Company. In addition, if the counterparty to the interest rate swap contracts defaults, the Company would not be able to use the anticipated receipts under the swap contracts to offset the interest payments on the Company s leverage. At the time the interest rate swap contracts reach their scheduled termination, there is a risk that the Company would not be able to obtain a replacement transaction or that the terms of the replacement transaction would not be as favorable as on the expiring transaction. In addition, if the Company is required to terminate any swap contract early, then the Company could be required to make a termination payment. On April 22, 2010, the Company terminated $125,000 aggregate notional amount of interest rate swap contract for $350.

As of May 31, 2010, the Company did not have any interest rate swap contracts outstanding.

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

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

Derivatives Not Accounted for as Hedging Instruments	**Statement of Assets and Liabilities Location**	**Fair Value as of May 31, 2010**
Liabilities		
Call options	Call option contracts written	$ 646

F-23

Table of Contents

KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2010
(amounts in 000 s, except share and per share amounts)
(UNAUDITED)

The following tables set forth the effect of derivative instruments in the Statement of Operations.

		For the Three Months Ended May 31, 2010	
Derivatives Not Accounted For as Hedging Instruments	**Location of Gains/(Losses) on Derivatives Recognized in Income**	**Net Realized Gains/(Losses) on Derivatives Recognized in Income**	**Change in Unrealized Gains/ (Losses) on Derivatives Recognized in Income**
Call options	Options	$ 405	$ (315)
Interest rate swap contracts	Interest rate swap contracts	(424)	416
		$ (19)	$ 101

		For the Six Months Ended May 31, 2010	
Derivatives Not Accounted For as Hedging Instruments	**Location of Gains/(Losses) on Derivatives Recognized in Income**	**Net Realized Gains/(Losses) on Derivatives Recognized in Income**	**Change in Unrealized Gains/ (Losses) on Derivatives Recognized in Income**
Put options	Options	$ (90)	$ 76
Call options	Options	479	452
Interest rate swap contracts	Interest rate swap contracts	(664)	205
		$ (275)	$ 733

9. Investment Transactions

For the six months ended May 31, 2010, the Company purchased and sold securities in the amounts of $415,335 and $154,171 (excluding short-term investments, options and interest rate swaps), respectively.

10. Revolving Credit Facility

On June 26, 2009, the Company established an unsecured revolving credit facility (the Credit Facility) with availability of $80,000. Interest on the Credit Facility was charged at interest rates between LIBOR plus 2.25% and LIBOR plus 3.50% depending on asset coverage ratios. The Credit Facility was scheduled to mature on June 26, 2010, but was replaced by an amended and restated unsecured revolving credit facility (the New Credit Facility) on June 11, 2010. The New Credit Facility is a three year facility with availability of $100,000. See Note 14 Subsequent Events. For the six months ended May 31, 2010, the average amount outstanding under the Company s credit facilities was $30,102 with a weighted average interest rate of 2.79%. As of May 31, 2010, the Company had no outstanding borrowings on the Credit Facility.

Table of Contents

KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2010
(amounts in 000 s, except share and per share amounts)
(UNAUDITED)

11. Senior Unsecured Notes

At May 31, 2010, the Company had $480,000, aggregate principal amount, of senior unsecured fixed and floating rate notes (the Senior Unsecured Notes) outstanding.

On May 7, 2010, the Company completed a private placement with institutional investors of $110,000 of Senior Unsecured Notes. Net proceeds from the offering, combined with net proceeds from the Company s preferred stock offering described below, were used to repay short-term borrowings, to redeem the Company s Series D Auction Rate Preferred Stock, to make new portfolio investments and for general corporate purposes.

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

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

Holders of the fixed rate Senior Unsecured Notes (Series G, Series I, Series K, Series M and Series O) are entitled to receive cash interest payments semi-annually (on June 19 and December 19) at the fixed rate. Holders of the floating rate Senior Unsecured Notes (Series N and Series P) are entitled to receive cash interest payments quarterly (on March 19, June 19, September 19 and December 19) at the floating rate equal to the 3-month LIBOR plus 1.85% and 3-month LIBOR plus 160%, respectively.

During the period, the average principal balance outstanding was $385,110 with a weighted average interest rate of 2.53%.

The Senior Unsecured Notes were issued in private placement offerings to institutional investors and are not listed on any exchange or automated quotation system. The Senior Unsecured Notes contain various covenants related to other indebtedness, liens and limits on the Company s overall leverage. Under the 1940 Act and the terms of the Senior Unsecured Notes, the Company may not declare dividends or make other distributions on shares of common stock or purchases of such shares if, at any time of the declaration, distribution or purchase, asset coverage with respect to the outstanding Senior Unsecured Notes would be less than 300%. The Senior Unsecured Notes are redeemable in certain circumstances at the option of the Company. The Senior Unsecured Notes are also subject to a mandatory redemption to the extent needed to satisfy certain requirements if the Company fails to meet an asset coverage ratio required by law and is not able to cure the coverage deficiency by the applicable deadline, or fails to cure a deficiency as stated in the Company s rating agency guidelines in a timely manner.

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

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

Table of Contents

KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2010
(amounts in 000 s, except share and per share amounts)
(UNAUDITED)

12. Preferred Stock

On May 7, 2010, the Company completed a private placement with institutional investors and issued 4,400,000 shares of Series A mandatory redeemable preferred shares (MRP Shares) totaling $110,000. Net proceeds from such offerings were used to repay short-term borrowings, to redeem all of the Company s Series D Auction Rate Preferred Stock (ARP Shares) ($75,000 outstanding), to make new portfolio investments and for general corporate purposes. The MRP Shares have a seven-year term with a redemption date of May 7, 2017 and have a liquidation value of $25.00 per share.

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

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

The holders of the MRP Shares have one vote per share and will vote together with the holders of common stock as a single class except on matters affecting only the holders of MRP Shares or the holders of common stock. The holders of the MRP Shares, voting separately as a single class, have the right to elect at least two directors of the Company.

13. Common Stock

The Company has 199,990,000 shares of common stock authorized and 58,355,112 shares outstanding at May 31, 2010. As of that date, KACALP owned 4,000 shares. Transactions in common shares for the six months ended May 31, 2010 were as follows:

Shares outstanding at November 30, 2009	51,579,541
Shares issued through reinvestment of distributions	483,971
Shares issued in connection with offerings of common stock (1)	6,291,600
Shares outstanding at May 31, 2010	58,355,112

(1) On January 20, 2010, the Company closed its public offering of 6,291,600 shares of common stock at a price of $23.61 per share. Total net proceeds from the offering were $142,431 and were used

by the Company to make additional portfolio investments that are consistent with the Company s investment objective, and for general corporate purposes.

14. Subsequent Events

On June 10, 2010 and June 15, 2010, the Company completed two private placements of unregistered common stock to members of senior management of Magellan Midstream Partners, L.P. (MMP) and Inergy Holdings, L.P. (NRGP), respectively. The Company issued a total of 1,511,173 common shares at an average price of $23.90 per share. The shares were issued based on a 5% discount to the five-day volume-weighted average price before the closing date of each transaction. Simultaneous with the issuance of the Company s common stock, the Company purchased $26,250 of NRGP common units and $9,862 of MMP common units owned by such members of senior management. The common units purchased in each transaction are unregistered, and the purchase price in each transaction was calculated based on a 5% discount to the five-day volume-weighted average price before the closing date of each transaction. In addition, the Company purchased $8,750 of unregistered NRGP common units owned by members of NRGP senior management with cash at a 6% discount to five-day volume-weighted average price before the closing date. The pricing for these transactions reflects the fact that the securities exchanged are unregistered and therefore less liquid than registered securities until certain holding period requirements are met.

Table of Contents

KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2010
(amounts in 000 s, except share and per share amounts)
(UNAUDITED)

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

On June 15, 2010, the Company declared its quarterly distribution of $0.48 per common share for the period March 1, 2010 through May 31, 2010 for a total of $28,736. The distribution was paid on July 9, 2010 to shareholders of record on July 7, 2010. Of this total, pursuant to the Company s dividend reinvestment plan, $6,914 was reinvested into the Company through the issuance of 280,725 shares of common stock.

Table of Contents

BASE PROSPECTUS

$500,000,000

Common Stock
Preferred Stock

We are a non-diversified, closed-end management investment company that began investment activities on September 28, 2004 following our initial public offering. Our investment objective is to obtain a high after-tax total return by investing at least 85% of our total assets in energy-related partnerships and their affiliates (collectively, MLPs), and in other companies that, as their principal business, operate assets used in the gathering, transporting, processing, storing, refining, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, refined petroleum products or coal (collectively with MLPs, Midstream Energy Companies). We 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. Additionally, we may invest in debt securities of MLPs and other Midstream Energy Companies. Substantially all of our total assets consist of publicly traded securities of MLPs and other Midstream Energy Companies. 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 offer, from time to time, shares of our common stock ($0.001 par value per share) or shares of our preferred stock ($0.001 par value per share), which we refer to in this prospectus collectively as our securities, in one or more offerings. We may offer our common stock or preferred stock, separately or together, in amounts, at prices and on terms set forth in a prospectus supplement to this prospectus. You should read this prospectus and the related prospectus supplement carefully before you decide to invest in any of our securities.

We may offer and sell our securities to or through underwriters, through dealers or agents that we designate from time to time, directly to purchasers or through a combination of these methods. If an offering of our securities involves any underwriters, dealers or agents, then the applicable prospectus supplement will name the underwriters, dealers or agents and will provide information regarding any applicable purchase price, fee, commission or discount arrangements made with those underwriters, dealers or agents or the basis upon which such amount may be calculated. For more information about the manners in which we may offer our securities, see Plan of Distribution. We may not sell our securities through agents, underwriters or dealers without delivery of a prospectus supplement.

(continued on the following page)

Investing in our securities may be speculative and involve a high degree of risk and should not constitute a complete investment program. Before buying any securities, you should read the discussion of the material risks of investing in our securities in Risk Factors beginning on page 13 of this prospectus. You should consider carefully these risks together with all of the other information contained in this prospectus and any prospectus supplement before making a decision to purchase our securities.

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. Any representation to the contrary is a criminal offense.

The date of this prospectus is July 9, 2010.

(continued from the previous page)

We are managed by KA Fund Advisors, LLC, a subsidiary of Kayne Anderson Capital Advisors, L.P. (together, Kayne Anderson), a leading investor in MLPs. As of May 31, 2010, Kayne Anderson and its affiliates managed approximately $9.0 billion, including approximately $4.6 billion in MLPs and other Midstream Energy Companies.

Shares of our common stock are listed on the New York Stock Exchange (NYSE) under the symbol KYN. The net asset value of our common stock at the close of business on June 30, 2010 was $23.36 per share, and the last sale price per share of our common stock on the NYSE as of that date was $26.17. See Market and Net Asset Value Information.

Shares of common stock of closed-end investment companies, like ours, frequently trade at discounts to their net asset values. If our common stock trades at a discount to our net asset value, the risk of loss may increase for purchasers in this offering, especially for those investors who expect to sell their common stock in a relatively short period after purchasing shares in this offering. See Risk Factors Additional Risks Related to Our Common Stock Market Discount From Net Asset Value Risk.

Our common stock is junior in liquidation and distribution rights to our debt securities and preferred stock. The issuance of our debt securities and preferred stock represents the leveraging of our common stock. See Use of Leverage Effects of Leverage, Risk Factors Additional Risks Related to Our Common Stock Leverage Risk to Common Stockholders and Description of Capital Stock. The issuance of any additional common stock offered by this prospectus will enable us to increase the aggregate amount of our leverage. Our preferred stock is senior in liquidation and distribution rights to our common stock and junior in liquidation and distribution rights to our debt securities. Our debt securities are our unsecured obligations and, upon our liquidation, dissolution or winding up, rank: (1) senior to all of our outstanding common stock and any preferred stock; (2) on a parity with our obligations to any unsecured creditors and any unsecured senior securities representing our indebtedness; and (3) junior to our obligations to any secured creditors. Holders of our floating rate senior unsecured notes are entitled to receive quarterly cash interest payments at an annual rate that may vary for each rate period. Holders of our fixed rate senior unsecured notes are entitled to receive semi-annual cash interest payments at an annual rate per the terms of such notes.

You should rely only on the information contained or incorporated by reference in this prospectus and any related prospectus supplement. We have not authorized any other person 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. You should assume that the information appearing in this prospectus and any prospectus supplement is accurate only as of the respective dates on their front covers, regardless of the time of delivery of this prospectus, any prospectus supplement, or any sale of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

TABLE OF CONTENTS

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission (the SEC), using the shelf registration process. Under the shelf registration process, we may offer, from time to time, separately or together in one or more offerings, the securities described in this prospectus. The securities may be offered at prices and on terms described in one or more supplements to this prospectus. This prospectus provides you with a general description of the securities that we may offer. Each time we use this prospectus to offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. This prospectus, together with any prospectus supplement, sets forth concisely the information about us that a prospective investor ought to know before investing. You should read this prospectus and the related prospectus supplement before deciding whether to invest and retain them for future reference. A Statement of Additional Information, dated July 9, 2010 (the SAI), containing additional information about us, has been filed with the SEC and is incorporated by reference in its entirety into this prospectus.

You may request a free copy of our SAI, the table of contents of which is on page 70 of this prospectus, request a free copy of our annual, semi-annual and quarterly reports, request other information or make stockholder inquiries, by calling toll-free at (877) 657-3863, or by writing to us at 717 Texas Avenue, Suite 3100, Houston, Texas 77002. Our annual, semi-annual and quarterly reports and the SAI also are available on our website at www.kaynefunds.com. Information included on such website does not form part of this prospectus.

Table of Contents

We file reports (including our annual, semi-annual and quarterly reports, and the SAI), proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Such reports, proxy statements and other information, as well as the registration statement and the amendments, exhibits and schedules thereto, can be inspected and copied at the public reference facilities maintained by the SEC in Washington, D.C. Information about the operation of the public reference facilities may be obtained by calling the SEC at (202) 551-8090. Copies of such material may also be obtained from the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. You can obtain the same information free of charge from the SEC s website at www.sec.gov. You may also e-mail requests for these documents to publinfo@sec.gov or make a request in writing to the SEC s Public Reference Section, 100 F Street, N.E., Room 1580, Washington, D.C. 20549.

Table of Contents

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before investing in our securities offered by this prospectus. You should carefully read the entire prospectus, any related prospectus supplement and the SAI, including the documents incorporated by reference into them, particularly the section entitled Risk Factors and the financial statements and related notes. Except where the context suggests otherwise, the terms we, us, and our refer to Kayne Anderson MLP Investment Company; Kayne Anderson refers to KA Fund Advisors, LLC and its managing member, Kayne Anderson Capital Advisors, L.P. and its predecessor; midstream energy assets refers to 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; MLPs refers to (i) energy-related partnerships, as well as (ii) energy-related limited liability companies treated as partnerships and (iii) affiliates of those energy-related partnerships, substantially all of whose assets consist of interests in publicly traded partnerships; and Midstream Energy Companies means (i) MLPs and (ii) other companies that, as their principal business, operate midstream energy assets.

ABOUT KAYNE ANDERSON MLP INVESTMENT 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 (as defined above) so long as MLP is in our name. Our outstanding shares of common stock are listed on the New York Stock Exchange, or NYSE, under the symbol KYN.

We began investment activities in September 2004 following our initial public offering. As of June 30, 2010, we had approximately 59.9 million shares of common stock outstanding, net assets applicable to our common stock of approximately $1.4 billion and total assets of approximately $2.2 billion.

RECENT DEVELOPMENTS

On May 7, 2010, we completed the private placement of $110 million of Series A Mandatory Redeemable Preferred Stock (the Series A MRP Shares) and $110 million of Senior Unsecured Notes, comprised of $65 million aggregate principal amount of 4.21% Series O Fixed Rate Notes due May 7, 2015 (the Series O Notes) and $45 million aggregate principal amount of Floating Rate Series P Senior Unsecured Notes due May 7, 2015 (the Series P Notes). On May 7, 2010, we also provided notice of redemption of all of our issued and outstanding Series D Auction Rate Preferred Shares (the ARP Shares) to the holders, auction agent and paying agent of the ARP Shares, with a redemption payment date which occurred on May 28, 2010. On the same date, we used a portion of the proceeds of the above-referenced private placement of Series A MRP Shares, Series O Notes and Series P Notes, and irrevocably deposited with the paying agent the funds necessary to effect such redemption. The Series O Notes and the Series P Notes, together with our Series G, I, K, M and N Senior Notes, are collectively referred to herein as the Senior Notes.

Pursuant to the Articles Supplementary for the ARP Shares, as a result of giving notice of redemption to the auction agent for the ARP Shares and irrevocably depositing funds sufficient to redeem the ARP Shares with the paying agent, the ARP Shares shall not be deemed to be outstanding for purposes of calculating whether we have maintained the basic maintenance amount for the ARP Shares as set forth under the applicable rating agency guidelines or the 1940

Act asset coverage requirement of at least 200% with respect of all outstanding securities of the Company which are stock.

On June 10, 2010 and June 15, 2010, we completed two private placements of unregistered common stock to members of senior management of Magellan Midstream Partners, L.P. (MMP) and Inergy Holdings,

Table of Contents

L.P. (NRGP), respectively. We issued a total of approximately 1.5 million shares at an average price of $23.90 per share. The shares were issued based on a 5% discount to the five-day volume-weighted average price before the closing date of each transaction. Simultaneous with the issuances of our common stock, we purchased $26.3 million of NRGP common units and $9.9 million of MMP common units owned by such members of senior management. The common units purchased in each transaction are unregistered, and the purchase price in each transaction was calculated based on a 5% discount to the five-day volume-weighted average price before the closing date of each transaction. The purchase price was funded by the issuance of the 1.5 million shares of our common stock referenced above. In addition, we purchased $8.8 million of unregistered NRGP common units owned by members of NRGP senior management with cash at a 6% discount to five-day volume-weighted average price before the closing date.

OUR 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. Finally, we may also, from time to time, invest in debt securities of MLPs and other Midstream Energy Companies with varying maturities of up to 30 years.

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

We are permitted to invest up to 20% of our total assets in debt securities of MLPs and other Midstream Energy Companies, including below investment grade debt securities rated, at the time of investment, at least B3 by Moody s Investors Service, Inc. (Moody s), B- by Standard & Poor s or Fitch Ratings (Fitch) or, if unrated, determined by Kayne Anderson to be of comparable quality. In addition, up to one-quarter of our permitted investments in debt securities (or up to 5% of our total assets) may include unrated debt securities of private companies.

As of June 30, 2010, we held $2.2 billion in equity investments and $41 million in fixed income investments. As of that date, we held restricted securities with a fair market value of $54 million. Our top 10 largest holdings by issuer as of that date were:

	Company	Sector	Type of Securities	Amount ($ millions)	Percent of Long Term Investments
1.	Plains All American Pipeline, L.P.	Midstream MLP	Common Units	$ 168.8	7.6%
2.	Magellan Midstream Partners, L.P.	Midstream MLP	Common Units	163.1	7.4
3.	Enterprise Products Partners L.P.	Midstream MLP	Common Units	159.7	7.2
4.	Kinder Morgan Management, LLC	MLP Affiliate	Common Shares	142.3	6.4
5.	MarkWest Energy Partners, L.P.	Midstream MLP	Common Units	121.6	5.5
6.	Inergy, L.P.	Propane MLP	Common Units	120.8	5.5
7.		Midstream MLP	Common Units	98.1	4.4

	Copano Energy, L.L.C.				
8.	Energy Transfer Equity, L.P.	General Partner MLP	Common Units	86.8	3.9
9.	Enbridge Energy Partners, L.P.	Midstream MLP	Common Units	83.7	3.8
10.	Energy Transfer Partners, L.P.	Midstream MLP	Common Units	82.5	3.7

Table of Contents

On a limited basis, we may also use derivative investments to hedge against interest rate and market risks. We may also utilize short sales to hedge such risks and as part of short sale investment strategies.

ABOUT OUR INVESTMENT ADVISER

KA Fund Advisors, LLC, or KAFA, is our investment adviser, responsible for implementing and administering our investment strategy. KAFA is a subsidiary of Kayne Anderson Capital Advisors, L.P. (KACALP and together with KAFA, Kayne Anderson). Both KAFA and KACALP are SEC-registered investment advisers. As of May 31, 2010, Kayne Anderson and its affiliates managed approximately $9.0 billion, including approximately $4.6 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.

THE OFFERING

We may offer, from time to time, up to $500,000,000 of our common stock or preferred stock at prices and on terms to be set forth in one or more prospectus supplements to this prospectus.

We may offer and sell our securities to or through underwriters, through dealers or agents that we designate from time to time, directly to purchasers or through a combination of these methods. If an offering of securities involves any underwriters, dealers or agents, then the applicable prospectus supplement will name the underwriters, dealers or agents and will provide information regarding any applicable purchase price, fee, commission or discount arrangements made with those underwriters, dealers or agents or the basis upon which such amount may be calculated. See Plan of Distribution. We may not sell any of our securities through agents, underwriters or dealers without delivery of a prospectus supplement describing the method and terms of the offering of our securities.

USE OF FINANCIAL LEVERAGE

We may leverage our common stock through the issuance of preferred stock and debt securities, our revolving credit facility and other borrowings. The timing and terms of any leverage transactions will be determined by our Board of Directors. The issuance of additional common stock offered by this prospectus will enable us to increase the aggregate amount of our leverage. Throughout this prospectus, our debt securities, including Senior Notes, our revolving credit facility or other borrowings are collectively referred to as Borrowings.

Under normal market conditions, our policy is to utilize our Borrowings and our preferred stock, (each a Leverage Instrument and collectively Leverage Instruments) in an amount that represents approximately 30% of our total assets, including proceeds from such Leverage Instruments. However, based on market conditions at the time, we may use Leverage Instruments in amounts that represent greater than 30% leverage to the extent permitted by the 1940 Act. As of June 30, 2010, our Leverage Instruments represented approximately 26.5% of our total assets. Leverage Instruments have seniority in liquidation and distribution rights over our common stock. Costs associated with any issuance of preferred stock are borne immediately by common stockholders and result in a reduction of the net asset value of our common stock. See Use of Leverage.

Because Kayne Anderson s fee is based upon a percentage of our average total assets, Kayne Anderson s fee is higher since we employ leverage. Therefore, Kayne Anderson has a financial incentive to use leverage, which may create a conflict of interest between Kayne Anderson and our common stockholders.

Table of Contents

There can be no assurance that our leveraging strategy will be successful during any period in which it is used. The use of leverage involves significant risks and creates a greater risk of loss, as well as potential for more gain, for holders of our common stock than if leverage is not used. See Risk Factors Additional Risks Related to Our Common Stock Leverage Risk to Common Stockholders and Additional Risks Related to Our Preferred Stock Senior Leverage Risk to Preferred Stockholders.

DISTRIBUTIONS AND INTEREST

As of the date of this prospectus, we have paid distributions to common stockholders every fiscal quarter since inception. Cumulative distributions paid since inception total $10.54 per share (inclusive of the distribution to be paid to our common stockholders on July 9, 2010) and our distribution rate has increased by 28% from an indicative quarterly rate of $0.375 per share to our most recent quarterly distribution of $0.48. We intend to continue to pay quarterly distributions to our common stockholders. Payment of future distributions is subject to approval by our Board of Directors, as well as meeting the covenants of our senior securities and the asset coverage requirements of the 1940 Act. We will pay distributions and interest on our preferred stock and debt securities, respectively, in accordance with their terms. See Distributions and Tax Matters.

USE OF PROCEEDS

We intend to use the net proceeds of any sales of our securities pursuant to this prospectus to make investments in portfolio companies in accordance with our investment objective and policies, to repay indebtedness or for general corporate purposes. Pending such investments, we anticipate either investing the proceeds in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations or money market instruments. The supplement to this prospectus relating to an offering will more fully identify the use of proceeds from such offering. See Use of Proceeds.

TAXATION

We are treated as a corporation for federal income tax purposes and, as a result, we are subject to corporate income tax to the extent we recognize net taxable income. As a partner in MLPs, we report our allocable share of each MLP s taxable income or loss in computing our taxable income or loss, whether or not we actually receive any cash from such MLP. See Tax Matters.

Table of Contents

FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus constitute forward-looking statements, which involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, those listed under Risk Factors in this prospectus and our SAI. In this prospectus, we use words such as anticipates, believes, expects, intends and similar expressions to identify forward-looking statements.

The forward-looking statements contained in this prospectus include statements as to:

- our operating results;
- our business prospects;
- the impact of investments that we expect to make;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- our ability to source favorable private investments;
- the ability of the MLPs and other Midstream Energy Companies in which we invest to achieve their objectives;
- our expected financings and investments;
- our use of financial leverage;
- our tax status;
- the tax status of the MLPs in which we intend to invest;
- the adequacy of our cash resources and working capital; and
- the timing and amount of distributions and dividends from the MLPs and other Midstream Energy Companies in which we intend to invest.

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 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 this prospectus. We do not undertake any obligation to update, amend or clarify these forward-looking statements or the risk factors contained in this prospectus, whether as a result of new information, future events or otherwise, except as may be required under the federal securities laws. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including our annual reports. We acknowledge that, notwithstanding the foregoing statement, the safe harbor for forward-looking statements under the Private Securities Litigation Reform Act of 1995 does not apply to investment companies such as us.

Table of Contents

KAYNE ANDERSON MLP INVESTMENT COMPANY

We are a non-diversified, closed-end management investment company registered under the 1940 Act. We were formed as a Maryland corporation in June 2004 and began investment activities in September 2004 after our initial public offering. Our common stock is listed on the NYSE under the symbol KYN.

As of June 30, 2010, we had (a) 59.9 million common shares outstanding, (b) $1 million borrowed under our revolving credit facility, (c) $480 million in Senior Notes outstanding and (d) $110 million of Series A MRP Shares outstanding. As of this date, we had net assets applicable to our common stock of approximately $1.4 billion and total assets of approximately $2.2 billion.

The following table sets forth information about our outstanding securities as of June 30, 2010 (the information in the table is unaudited; and amounts are in 000s):

Title of Class	Amount of Shares/ Aggregate Principal Amount Authorized	Amount Held by Us or for Our Account	Actual Amount Outstanding
Common Stock	199,990	0	59,866
Series A Mandatory Redeemable Preferred Shares(1)	$ 110,000	$ 0	$ 110,000
Senior Notes, Series G	$ 75,000	$ 0	$ 75,000
Senior Notes, Series I	$ 60,000	$ 0	$ 60,000
Senior Notes, Series K	$ 125,000	$ 0	$ 125,000
Senior Notes, Series M	$ 60,000	$ 0	$ 60,000
Senior Notes, Series N	$ 50,000	$ 0	$ 50,000
Senior Notes, Series O	$ 65,000	$ 0	$ 65,000
Senior Notes, Series P	$ 45,000	$ 0	$ 45,000

(1) *Each share has a liquidation preference of $25.00 ($110 million aggregate liquidation preference for outstanding shares).*

Our principal office is located at 717 Texas Avenue, Suite 3100, Houston, Texas 77002, and our telephone number is (713) 493-2020.

Table of Contents

FEES AND EXPENSES

The following table contains information about the costs and expenses that common stockholders will bear directly or indirectly. The Annual Expense table below assumes that leverage is 31.5% of our total assets, which represents our average leverage levels for the fiscal year ended November 30, 2009.

Stockholder Transaction Expenses:	
Sales Load Paid (as a percentage of offering price)(1)	%
Offering Expenses Borne (as a percentage of offering price)(2)	%
Dividend Reinvestment Plan Fees(3)	None
Total Stockholder Transaction Expenses (as a percentage of offering price)(4)	%

PERCENTAGE OF NET ASSETS ATTRIBUTABLE TO COMMON STOCK(5)

Annual Expenses:	
Management Fees(6)	2.07%
Interest Payments on Borrowed Funds	2.50%
Dividend Payments on Preferred Stock	0.07%
Other Expenses (exclusive of current and deferred income tax expense)	0.44%
Annual Expenses (exclusive of current and deferred income tax expense)	5.08%
Current Income Tax Expense(7)	%
Deferred Income Tax Expense(7)	25.43%
Total Annual Expenses (including current and deferred income tax expenses)	30.51%

(1) *The sales load will apply only if the common stock to which this prospectus relates are sold to or through underwriters. In such case, a corresponding prospectus supplement will disclose the applicable sales load.*

(2) *The related prospectus supplement will disclose the estimated amount of offering expenses, the offering price and the offering expenses as a percentage of the offering price.*

(3) *The expenses of administering our dividend reinvestment plan are included in Other Expenses. You will pay brokerage charges if you direct American Stock Transfer & Trust Company, as agent for our common stockholders (the Plan Administrator), to sell your common stock held in a dividend reinvestment account. See Dividend Reinvestment Plan.*

(4) *The related prospectus supplement will disclose the offering price and the total stockholder transaction expenses as a percentage of the offering price.*

(5) *The annual expenses in the table are calculated using (i) such expenses as reported on our statement of operations for the fiscal year ended November 30, 2009 and (ii) our average net assets for the fiscal year ended November 30, 2009.*

(6) *Pursuant to the terms of the investment management agreement between us and KAFA, the management fee is calculated at an annual rate of 1.375% of our average total assets (excluding net deferred income tax assets, if any). Management fees in the table above are calculated as a percentage of net assets attributable to common stock, which results in a higher percentage than the percentage attributable to average total assets. See* *Management Investment Management Agreement.*

(7) *For the fiscal year ended November 30, 2009, we recorded no current tax expense and net deferred tax expense of $197 million attributable to our net investment loss, realized losses and unrealized gains.*

The purpose of the table above and the example below is to help you understand all fees and expenses that you would bear directly or indirectly as a holder of our common stock. See Management and Dividend Reinvestment Plan.

EXAMPLE

The following example illustrates the expenses that common stockholders would pay on a $1,000 investment in our common stock, assuming total annual expenses before tax are as stated in the Annual Expense table above for the entire period. The following example assumes that all distributions are reinvested at net asset value, assumes an annual rate of return of 5% on our portfolio securities, and expenses include income tax expense associated with the 5% assumed rate of return on such portfolio securities.

	1 Year	3 Years	5 Years	10 Years
Expenses	$ 61	$ 185	$ 313	$ 653

THE EXAMPLE AND THE EXPENSES IN THE TABLE ABOVE SHOULD NOT BE CONSIDERED A REPRESENTATION OF FUTURE EXPENSES. The example assumes that the estimated Annual Expenses (exclusive of current and deferred income tax expense) set forth in the Annual Expenses table are accurate and that all distributions are reinvested at net asset value. ACTUAL EXPENSES (INCLUDING THE COST OF DEBT, IF ANY, AND OTHER EXPENSES) MAY BE GREATER OR LESS THAN THOSE SHOWN. Moreover, our actual rate of return may be greater or less than the hypothetical 5% return shown in the example.

FINANCIAL HIGHLIGHTS

The Financial Highlights for the period September 28, 2004 through November 30, 2004 and the fiscal years ended November 30, 2005, 2006, 2007, 2008 and 2009, including accompanying notes thereto and the reports of PricewaterhouseCoopers LLP thereon, contained in our Annual Report to Stockholders for the year ended November 30, 2009 contained in our Form N-CSR filed with the SEC on February 8, 2010 are hereby incorporated by reference into, and are made part of, this prospectus. A copy of such Annual Report to Stockholders must accompany the delivery of this prospectus.

Table of Contents

SENIOR SECURITIES

Information about our outstanding senior securities (including ARP Shares, Senior Notes and other indebtedness) is shown in the following table as of each fiscal year ended November 30 since we commenced operations. The information for the fiscal years ended 2005, 2006, 2007, 2008 and 2009, and for the period ended November 30, 2004 has been derived from our financial statements which have been audited by PricewaterhouseCoopers LLP, whose report thereon is included in the financial statements incorporated by reference herein.

Year	Title of Security	Total Amount Outstanding(1) ($ in 000s)	Asset Coverage Per $1,000 of Principal or Liquidation Preference Amount	Involuntary Liquidating Preference Per Amount(2) ($ in 000s)	Average Market Value Per Unit(3)
2004	N/A	N/A	N/A	N/A	N/A
2005					
	Senior Notes				
	Series A	$ 85,000	$ 4,873	$ 85,000	N/A
	Series B	85,000	4,873	85,000	N/A
	Series C	90,000	4,873	90,000	N/A
	ARP Shares	75,000	3,782	75,000	N/A
2006					
	Senior Notes				
	Series A	$ 85,000	$ 4,497	$ 85,000	N/A
	Series B	85,000	4,497	85,000	N/A
	Series C	90,000	4,497	90,000	N/A
	Series E	60,000	4,497	60,000	N/A
	Revolving Credit Facility	17,000	4,497	17,000	N/A
	ARP Shares	75,000	3,678	75,000	N/A
2007					
	Senior Notes				
	Series A	$ 85,000	$ 3,284	$ 85,000	N/A
	Series B	85,000	3,284	85,000	N/A
	Series C	90,000	3,284	90,000	N/A
	Series E	60,000	3,284	60,000	N/A
	Series F	185,000	3,284	185,000	N/A
	Revolving Credit Facility	97,000	3,284	97,000	N/A
	ARP Shares	75,000	2,920	75,000	N/A
2008					
	Senior Notes				
	Series G	$ 75,000	$ 3,389	$ 75,000	N/A
	Series H	20,000	3,389	20,000	N/A
	Series I	60,000	3,389	60,000	N/A

Series J	24,000	3,389	24,000	N/A
Series K	125,000	3,389	125,000	N/A
ARP Shares	75,000	2,718	75,000	N/A

Table of Contents

Year	Title of Security	Total Amount Outstanding(1) ($ in 000s)	Asset Coverage Per $1,000 of Principal or Liquidation Preference Amount	Involuntary Liquidating Preference Per Amount(2) ($ in 000s)	Average Market Value Per Unit(3)
2009					
	Senior Notes				
	Series G	$ 75,000	$ 4,009	$ 75,000	N/A
	Series I	60,000	4,009	60,000	N/A
	Series K	125,000	4,009	125,000	N/A
	Series M	60,000	4,009	60,000	N/A
	Series N	50,000	4,009	50,000	N/A
	ARP Shares	75,000	3,333	75,000	N/A

(1) *Total amount of each class of senior securities outstanding at the end of the period presented.*

(2) *The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it.*

(3) *Not applicable, as senior securities are not registered for public trading.*

MARKET AND NET ASSET VALUE INFORMATION

Shares of our common stock are listed on the NYSE under the symbol KYN. Our common stock commenced trading on the NYSE on September 28, 2004.

Our common stock has traded both at a premium and at a discount in relation to its net asset value. Although our common stock has traded at a premium to net asset value, we cannot assure that this will continue after the offering or that the common stock will not trade at a discount in the future. Our issuance of common stock may have an adverse effect on prices in the secondary market for our common stock by increasing the number of shares of common stock available, which may create downward pressure on the market price for our common stock. Shares of closed-end investment companies frequently trade at a discount to net asset value. See Risk Factors Additional Risks Related to Our Common Stock Market Discount From Net Asset Value Risk.

Table of Contents

The following table sets forth for each of the fiscal quarters indicated the range of high and low closing sales price of our common stock and the quarter-end sales price, each as reported on the NYSE, the net asset value per share of common stock and the premium or discount to net asset value per share at which our shares were trading. Net asset value is generally determined on the last business day of each calendar month. See Net Asset Value for information as to the determination of our net asset value.

	Quarterly Closing Sales Price		Quarter-End Closing		
	High	Low	Sales Price	Net Asset Value Per Share of Common Stock(1)	Premium/ (Discount) of Quarter-End Sales Price to Net Asset Value(2)
Fiscal Year 2010					
Second Quarter	$ 27.46	$ 24.75	$ 25.25	$ 21.90	15.3%
First Quarter	26.31	22.99	24.86	22.23	11.8
Fiscal Year 2009					
Fourth Quarter	$ 24.95	$ 20.24	$ 24.43	$ 20.13	21.4%
Third Quarter	22.25	19.17	20.35	18.02	12.9
Second Quarter	21.00	14.96	21.00	17.04	23.2
First Quarter	19.84	11.12	17.32	14.84	16.7
Fiscal Year 2008					
Fourth Quarter	$ 27.39	$ 12.17	$ 13.37	$ 14.74	(9.3)%
Third Quarter	31.43	25.34	27.13	25.09	8.1
Second Quarter	30.87	26.21	30.68	28.00	9.6
First Quarter	31.00	27.10	29.55	28.41	4.0

Source of market prices: Reuters Group PLC.

(1) *NAV per share is determined as of close of business on the last day of the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low closing sales prices, which may or may not fall on the last day of the quarter. NAV per share is calculated as described in Net Asset Value.*

(2) *Calculated as of the quarter-end closing sales price divided by the quarter-end NAV.*

On June 30, 2010, the last reported sales price of our common stock on the NYSE was $26.17, which represented a premium of approximately 12.0% to the NAV per share reported by us on that date.

As of June 30, 2010, we had approximately 59.9 million shares of common stock outstanding and we had net assets applicable to common stockholders of approximately $1.4 billion.

Table of Contents

USE OF PROCEEDS

Unless otherwise specified in a prospectus supplement, we will use the net proceeds from any sales of our securities pursuant to this prospectus to make investments in portfolio companies in accordance with our investment objectives and policies, to repay indebtedness, or for general corporate purposes. The supplement to this prospectus relating to an offering will more fully identify the use of proceeds from such offering.

To the extent a portion of the proceeds from such offering are used to make investments in portfolio companies, the relevant prospectus supplement will include an estimate of the length of time it is expected to take to invest such proceeds. We anticipate such length of time will be less than three months in most circumstances. To the extent a portion of the proceeds from such offering are used to repay indebtedness, such transactions will be effected as soon as practicable after completion of the relevant offering.

Pending the use of proceeds, as described above, we anticipate either investing the proceeds in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations or money market instruments. 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.

As of June 30, 2010, we had $1 million borrowed on our credit facility. The credit facility has a three-year commitment terminating on June 11, 2013. Amounts repaid under our credit facility will remain available for future borrowings. Outstanding balances under the credit facility accrue interest daily at a rate equal to the one-month LIBOR plus 1.75% per annum based on current asset coverage ratios. The interest rate may vary between LIBOR plus 1.75% and LIBOR plus 3.00% depending on asset coverage ratios. We will pay a fee equal to a rate of 0.40% per annum on any unused amounts of the credit facility.

RISK FACTORS

Investing in our securities involves risk, including the risk that you may receive little or no return on your investment or that you may lose part or all of your investment. The following discussion summarizes some of the risks that a potential investor should carefully consider before deciding whether to invest in our securities offered hereby. For additional information about the risks associated with investing in our securities, see Our Investments in our SAI, as well as any risk factors included in the applicable prospectus supplement.

RISKS RELATED TO OUR INVESTMENTS AND INVESTMENT TECHNIQUES

INVESTMENT AND MARKET RISK

An investment in our securities is subject to investment risk, including the possible loss of the entire amount that you invest. Your investment in our securities represents an indirect investment in the securities owned by us, some of which will be traded on a national securities exchange or in the over-the-counter markets. An investment in our securities is not intended to constitute a complete investment program and should not be viewed as such. The value of these publicly traded securities, like other market investments, may move up or down, sometimes rapidly and unpredictably. The value of the securities in which we invest may affect the value of our securities. Your securities at any point in time may be worth less than your original investment, even after taking into account the reinvestment of our distributions. We are primarily a long-term investment vehicle and should not be used for short-term trading.

ENERGY SECTOR RISK

Certain risks inherent in investing in MLPs and other Midstream Energy Companies include the following:

Supply and Demand Risk. A decrease in the production of natural gas, natural gas liquids, crude oil, coal or other energy commodities or a decrease in the volume of such commodities available for transportation, mining, processing, storage or distribution may adversely impact the financial performance of MLPs and other Midstream Energy Companies. Production declines and volume decreases could be caused by various factors, including catastrophic events affecting production, depletion of resources, labor difficulties, environmental proceedings, increased regulations, equipment failures and unexpected maintenance problems, import supply disruption, increased competition from alternative energy sources or curtailed drilling activity due to low commodity prices.

Economic Risks. A sustained decline in demand for natural gas, natural gas liquids, crude oil, coal or other energy commodities could also adversely affect the financial performance of MLPs and other Midstream Energy Companies. Factors which could lead to a decline in demand include economic recession or other adverse economic conditions, higher fuel taxes or governmental regulations, increases in fuel economy, consumer shifts to the use of alternative fuel sources, changes in commodity prices, or weather.

Depletion and Exploration Risk. Most MLPs and other Midstream Energy Companies are engaged in the transporting, storing, distributing and processing of natural gas, natural gas liquids, crude oil, refined petroleum products or coal on behalf of shippers. In addition, some MLPs and Midstream Energy Companies are engaged in the production of such commodities. To maintain or grow their revenues, these companies need to maintain or expand their reserves through exploration of new sources of supply, through the development of existing sources, through acquisitions, or through long-term contracts to acquire reserves. The financial performance of MLPs and other Midstream Energy Companies may be adversely affected if they, or the companies to whom they provide the service, are unable to cost-effectively acquire additional reserves sufficient to replace the natural decline.

Regulatory Risk. MLPs and other Midstream Energy Companies are subject to significant federal, state and local government regulation in virtually every aspect of their operations, including how facilities are constructed, maintained and operated, environmental and safety controls, and the prices they may charge for the products and services they provide. Various governmental authorities have the power to enforce compliance with these regulations and the permits issued under them, and violators are subject to administrative, civil and criminal penalties, including civil fines, injunctions or both. Stricter laws, regulations or enforcement policies could be enacted in the future which would likely increase compliance costs and may adversely affect the financial performance of MLPs and other Midstream Energy Companies.

Commodity Pricing Risk. The operations and financial performance of MLPs and other Midstream Energy Companies may be directly affected by energy commodity prices, especially those MLPs and other Midstream Energy Companies which own the underlying energy commodity or receive payments for services that are based on commodity prices. Commodity prices fluctuate for several reasons, including changes in market and economic conditions, the impact of weather on demand, levels of domestic production and imported commodities, energy conservation, domestic and foreign governmental regulation and taxation and the availability of local, intrastate and interstate transportation systems. Volatility of commodity prices, which may lead to a reduction in production or supply, may also negatively impact the performance of MLPs and other Midstream Energy Companies which are solely involved in the transportation, processing, storing, distribution or marketing of commodities. Volatility of commodity prices may also make it more difficult for MLPs and other Midstream Energy Companies to raise capital to the extent the market perceives that their performance may be directly or indirectly tied to commodity prices. In addition to the volatility of commodity prices, extremely high commodity prices that remain at such level or higher may drive further energy conservation efforts which may adversely affect the performance of MLPs and other Midstream Energy Companies.

Acquisition Risk. The abilities of MLPs to grow and to increase distributions to unitholders can be highly dependent on their ability to make acquisitions that result in an increase in cash available for distribution. In the event that MLPs are unable to make such accretive acquisitions because they are unable to identify attractive acquisition candidates, negotiate acceptable purchase contracts, because they are unable to raise financing for such acquisitions on economically acceptable terms, or because they are outbid by competitors, their future growth and ability to raise distributions will be limited. Furthermore, even if MLPs do consummate acquisitions that they believe will be accretive, the acquisitions may instead result in a decrease in cash available for distribution. Any acquisition involves risks, including, among other things: mistaken assumptions about revenues and costs, including synergies; the assumption of unknown liabilities; limitations on rights to indemnity from the seller; the diversion of management s attention from other business concerns; unforeseen difficulties operating in new product or geographic areas; and customer or key employee losses at the acquired businesses.

Interest Rate Risk. Rising interest rates could adversely impact the financial performance of MLPs and other Midstream Energy Companies by increasing their costs of capital. This may reduce their ability to execute acquisitions or expansion projects in a cost-effective manner. MLP valuations are based on numerous factors, including sector and business fundamentals, management expertise, and expectations of future operating results. However, MLP yields are also susceptible in the short-term to fluctuations in interest rates and the prices of MLP securities may decline when interest rates rise. Because we will principally invest in MLP equity securities, our investment in such securities means that the net asset value and market price of our securities may decline if interest rates rise.

Affiliated Party Risk. Certain MLPs are dependent on their parents or sponsors for a majority of their revenues. Any failure by an MLP s parents or sponsors to satisfy their payments or obligations would impact the MLP s revenues and cash flows and ability to make distributions.

Catastrophe Risk. The operations of MLPs and other Midstream Energy Companies are subject to many hazards inherent in the transporting, processing, storing, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, coal, refined petroleum products or other hydrocarbons, or in the exploring, managing or producing of such commodities, including: damage to pipelines, storage tanks or related equipment and surrounding properties caused by hurricanes, tornadoes, floods, fires and other natural disasters or by acts of terrorism; inadvertent damage from construction and farm equipment; leaks of natural gas, natural gas liquids, crude oil, refined petroleum products or other hydrocarbons; fires and explosions. These risks could result in substantial losses due to personal injury or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage and may result in the curtailment or suspension of their related operations. Not all MLPs and other Midstream Energy Companies are fully insured against all risks inherent to their businesses. If a significant accident or event occurs that is not fully insured, it could adversely affect their operations and financial condition.

Terrorism/Market Disruption Risk. The terrorist attacks in the United States on September 11, 2001 had a disruptive effect on the economy and the securities markets. United States military and related action in Iraq and Afghanistan is ongoing and events in the Middle East could have significant adverse effects on the U.S. economy, financial and commodities markets. Uncertainty surrounding retaliatory military strikes or a sustained military campaign may affect MLP and other Midstream Energy Company operations in unpredictable ways, including disruptions of fuel supplies and markets, and transmission and distribution facilities could be direct targets, or indirect casualties, of an act of terror. The U.S. government has issued warnings that energy assets, specifically the United States pipeline infrastructure, may be the future target of terrorist organizations. In addition, changes in the insurance markets have made certain types of insurance more difficult, if not impossible, to obtain and have generally resulted in increased premium costs.

MLP Risks. An investment in MLP units involves certain risks which differ from an investment in the securities of a corporation. Holders of MLP units have limited control and voting rights on matters affecting the partnership. In addition, there are certain tax risks associated with an investment in MLP units and conflicts of interest exist between common unit holders and the general partner, including those arising from incentive distribution payments.

Concentration Risk. Our investments will be concentrated in one or more industries within the energy sector. The focus of our portfolio on a specific industry or industries within the energy sector may present more risks than if our portfolio were broadly diversified over numerous industries and sectors of the economy. A downturn in one or more industries within the energy sector would have a larger impact on us than on an investment company that does not concentrate in such sector. At times the performance of securities of companies in the energy sector will lag the performance of other industries or sectors or the broader market as a whole.

Weather Risk. Extreme weather conditions, such as Hurricane Ivan in 2004, Hurricanes Katrina and Rita in 2005 and Hurricane Ike in 2008, could result in substantial damage to the facilities of certain MLPs and other Midstream Energy Companies located in the affected areas and significant volatility in the supply of natural resources, commodity prices and the earnings of MLPs and other Midstream Energy Companies, and could therefore adversely affect their securities.

MLPs AND OTHER MIDSTREAM ENERGY COMPANY RISK

MLPs and other Midstream Energy Companies are also subject to risks that are specific to the industry they serve.

MLPs and other Midstream Energy Companies that provide crude oil, refined product, natural gas liquids and natural gas services are subject to supply and demand fluctuations in the markets they serve which will be impacted by a wide range of factors, including fluctuating commodity prices, weather, increased conservation or use of alternative fuel sources, increased governmental or environmental regulation, depletion, rising interest rates, declines in domestic or foreign production, accidents or catastrophic events, and economic conditions, among others.

MLPs and other Midstream Energy Companies with propane assets are subject to earnings variability based upon weather conditions in the markets they serve, fluctuating commodity prices, increased use of alternative fuels, increased governmental or environmental regulation, and accidents or catastrophic events, among others. Further, extremely high commodity prices that remain at such level or higher may adversely affect the demand for services provided by MLPs and other Midstream Energy Companies.

MLPs and other Midstream Energy Companies with coal assets are subject to supply and demand fluctuations in the markets they serve, which will be impacted by a wide range of factors including, fluctuating commodity prices, the level of their customers coal stockpiles, weather, increased conservation or use of alternative fuel sources, increased governmental or environmental regulation, depletion, declines in domestic or foreign production, mining accidents or catastrophic events, health claims and economic conditions, among others.

MLPs and other Midstream Energy Companies engaged in the exploration and production business are subject to overstatement of the quantities of their reserves based upon any reserve estimates that prove to be inaccurate, that no commercially productive oil, natural gas or other energy reservoirs will be discovered as a result of drilling or other exploration activities, the curtailment, delay or cancellation of exploration activities are as a result of a unexpected conditions or miscalculations, title problems, pressure or irregularities in formations, equipment failures or accidents, adverse weather conditions, compliance with environmental and other governmental requirements and cost of, or shortages or delays in the availability of, drilling rigs and other exploration equipment, and operational risks and hazards associated with the development of the underlying properties, including natural disasters, blowouts, explosions, fires, leakage of crude oil, natural gas or other resources, mechanical failures, cratering, and pollution.

MLPs and other Midstream Energy Companies engaged in marine transportation are exposed to many of the same risks as MLPs and other Midstream Energy Companies as summarized above. In addition, the highly cyclical nature of the marine transportation industry may lead to volatile changes in charter rates and vessel values, which may adversely affect the earnings of marine transportation companies in our portfolio. Fluctuations in charter rates result from changes in the supply and demand for vessel capacity and changes in the supply and demand for oil and oil products. Historically, the marine transportation markets have been volatile because many conditions and factors can affect the supply and demand for vessel capacity. Changes in demand for transportation of oil, refined products, natural gas liquids and liquefied natural gas over longer distances and supply of vessels to carry such commodities may materially affect revenues, profitability and cash flows of marine transportation companies.

The successful operation of vessels in the charter market depends upon, among other things, obtaining profitable spot charters and minimizing time spent waiting for charters and traveling unladen to pick up cargo. The value of vessels may fluctuate and could adversely affect the value of marine transportation company securities in our portfolio. Declining vessel values could affect the ability of marine transportation companies to raise cash by limiting their ability to refinance their vessels, thereby adversely impacting such companies liquidity.

Marine transportation company vessels are at risk of damage or loss because of events such as mechanical failure, collision, human error, war, terrorism, piracy, cargo loss and bad weather. In addition, changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes, boycotts and government requisitioning of vessels. These sorts of events could interfere with shipping lanes and result in market disruptions and a significant loss of marine transportation company earnings.

CASH FLOW RISK

A substantial portion of the cash flow received by us is derived from our investment in equity securities of MLPs. The amount of cash that an MLP has available for distributions and the tax character of such distributions depends upon the amount of cash generated by the MLP s operations. Cash available for distribution will vary from quarter to quarter and is largely dependent on factors affecting the MLP s operations and factors affecting the energy industry in general. In addition to the risk factors described above, other factors which may reduce the amount of cash an MLP has available for distribution include increased operating costs, maintenance capital expenditures, acquisition costs, expansion, construction or exploration costs and borrowing costs.

Table of Contents

CAPITAL MARKETS RISK

Global financial markets and economic conditions have been, and continue to be, volatile due to a variety of factors. As a result, the cost of raising capital in the debt and equity capital markets has increased while the ability to raise capital from those markets has diminished. In particular, as a result of concerns about the general stability of financial markets and specifically the solvency of lending counterparties, the cost of raising capital from the credit markets generally has increased as many lenders and institutional investors have increased interest rates, enacted tighter lending standards, refused to refinance debt on existing terms or at all and reduced, or in some cases ceased to provide, funding to borrowers. In addition, lending counterparties under existing revolving credit facilities and other debt instruments may be unwilling or unable to meet their funding obligations. Due to these factors, MLPs may be unable to obtain new debt or equity financing on acceptable terms. If funding is not available when needed, or is available only on unfavorable terms, MLPs may not be able to meet their obligations as they come due. Moreover, without adequate funding, MLPs may be unable to execute their growth strategies, complete future acquisitions, take advantage of other business opportunities or respond to competitive pressures, any of which could have a material adverse effect on their revenues and results of operations.

TAX RISKS

Tax Risk of MLPs. Our ability to meet our investment objective will depend on the level of taxable income and distributions and dividends we receive from the MLP and other Midstream Energy Company securities in which we invest, a factor over which we have no control. The benefit we derive from our investment in MLPs is largely dependent on the MLPs being treated as partnerships and not as corporations for federal income tax purposes. As a partnership, an MLP has no tax liability at the entity level. If, as a result of a change in current law or a change in an MLP s business, an MLP were treated as a corporation for federal income tax purposes, such MLP would be obligated to pay federal income tax on its income at the corporate tax rate. If an MLP were classified as a corporation for federal income tax purposes, the amount of cash available for distribution by the MLP would be reduced and distributions received by us would be taxed under federal income tax laws applicable to corporate dividends (as dividend income, return of capital, or capital gain). Therefore, treatment of an MLP as a corporation for federal income tax purposes would result in a reduction in the after-tax return to us, likely causing a reduction in the value of our common stock.

Tax Law Change Risk. Changes in tax laws or regulations, or interpretations thereof in the future, could adversely affect us or the MLPs in which we invest. Any such changes could negatively impact our common stockholders. Legislation could also negatively impact the amount and tax characterization of distributions received by our common stockholders. Under current law, qualified dividend income received by individual stockholders is taxed at a maximum federal tax rate of 15% for individuals, provided a holding period requirement and certain other requirements are met. This reduced rate of tax on qualified dividend income is currently scheduled to revert to ordinary income rates for taxable years beginning after December 31, 2010 and the maximum 15% federal income tax rate for long-term capital gain is scheduled to revert to 20% for such taxable years.

Deferred Tax Risks. As a limited partner in the MLPs in which we invest, we will be allocated our distributive share of income, gains, losses, deductions, and credits from those MLPs. Historically, a significant portion of income from such MLPs has been offset by tax deductions. We will incur a current tax liability on our distributive share of an MLP s income and gains that is not offset by tax deductions, losses, and credits, or our capital or net operating loss carryforwards or other applicable deductions, if any. The percentage of an MLP s income and gains which is offset by tax deductions, losses, and credits will fluctuate over time for various reasons. A significant slowdown in acquisition activity or capital spending by MLPs held in our portfolio could result in a reduction of accelerated depreciation generated by new acquisitions, which may result in increased current tax liability to us.

We 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 capital or deferred taxes. Such estimates are made in good faith. From time to time, as new information becomes available, we modify our estimates or assumptions regarding our deferred taxes.

Deferred income taxes reflect (1) taxes on unrealized gains/(losses) which are attributable to the difference between the fair market value and tax basis of our investments and (2) the tax benefit of accumulated capital or net operating losses. We will accrue a net deferred tax liability if our future tax liability on our unrealized gains exceeds the tax benefit of our accumulated capital or net operating losses, if any. We will accrue a net deferred tax asset if our future tax liability on our unrealized gains is less than the tax benefit of our accumulated capital or net operating losses or if we have net unrealized losses on our investments.

To the extent we have a net 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 based on the criterion established by the Statement of Financial Standards, *Accounting for Income Taxes* (ASC 740) that it is more likely than not that some portion or all of the deferred tax asset will not be realized. In our 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 MLP cash distributions), the duration of statutory carryforward periods and the associated risk that capital or net operating loss carryforwards may expire unused.

If a valuation allowance is required to reduce a deferred tax asset in the future, it could have a material impact on our net asset value and results of operations in the period it is recorded.

Deferred Tax Risks of Investing in our Common Stock. A reduction in the return of capital portion of the distributions that we receive or an increase in our earnings and profits and portfolio turnover may reduce that portion of our distribution, paid to common stockholders, treated as a tax-deferred return of capital and increase that portion treated as a dividend, resulting in lower after-tax distributions to our common stockholders. See the Tax Matters in this prospectus and also in our SAI.

EQUITY SECURITIES RISK

MLP common units and other equity securities may be subject to general movements in the stock market and a significant drop in the stock market may depress the price of securities to which we have exposure. MLP units and other equity securities prices fluctuate for several reasons, including changes in the financial condition of a particular issuer (generally measured in terms of distributable cash flow in the case of MLPs), investors perceptions of MLPs and other Midstream Energy Companies, the general condition of the relevant stock market, or when political or economic events affecting the issuers occur. In addition, the prices of MLP units and other Midstream Energy Company equity securities may be sensitive to rising interest rates given their yield-based nature.

Certain of the MLPs and other Midstream Energy Companies in which we invest have comparatively smaller capitalizations than other companies. Investing in the securities of smaller MLPs and other Midstream Energy Companies presents some unique investment risks. These MLPs and other Midstream Energy Companies may have limited product lines and markets, as well as shorter operating histories, less experienced management and more limited financial resources than larger MLPs and other Midstream Energy Companies and may be more vulnerable to adverse general market or economic developments. Stocks of smaller MLPs and other Midstream Energy Companies may be less liquid than those of larger MLPs and other Midstream Energy Companies and may experience greater price fluctuations than larger MLPs and other Midstream Energy Companies. In addition, small-cap securities may not be widely followed by the investment community, which may result in reduced demand.

RISKS ASSOCIATED WITH AN INVESTMENT IN INITIAL PUBLIC OFFERINGS (IPOs)

Securities purchased in IPOs are often subject to the general risks associated with investments in companies with small market capitalizations, and typically to a heightened degree. Securities issued in IPOs have no

Table of Contents

trading history, and information about the companies may be available for very limited periods. In addition, the prices of securities sold in an IPO may be highly volatile. At any particular time or from time to time, we may not be able to invest in IPOs, or to invest to the extent desired, because, for example, only a small portion (if any) of the securities being offered in an IPO may be available to us. In addition, under certain market conditions, a relatively small number of companies may issue securities in IPOs. Our investment performance during periods when it is unable to invest significantly or at all in IPOs may be lower than during periods when it is able to do so.

IPO securities may be volatile, and we cannot predict whether investments in IPOs will be successful. As we grow in size, the positive effect of IPO investments on the Company may decrease.

RISKS ASSOCIATED WITH A PRIVATE INVESTMENT IN A PUBLIC ENTITY (PIPE) TRANSACTION

PIPE investors purchase securities directly from a publicly traded company in a private placement transaction, typically at a discount to the market price of the company s common stock. Because the sale of the securities is not registered under the Securities Act of 1933, as amended (the Securities Act), the securities are restricted and cannot be immediately resold by the investors into the public markets. Until we can sell such securities into the public markets, our holdings will be less liquid and any sales will need to be made pursuant to an exemption under the Securities Act.

PRIVATELY HELD COMPANY RISK

Investing in privately held companies involves risk. For example, privately held companies are not subject to SEC reporting requirements, are not required to maintain their accounting records in accordance with generally accepted accounting principles, and are not required to maintain effective internal controls over financial reporting. As a result, the Investment Adviser may not have timely or accurate information about the business, financial condition and results of operations of the privately held companies in which the Fund invests. In addition, the securities of privately held companies are generally illiquid, and entail the risks described under Liquidity Risk below.

LIQUIDITY RISK

Although common units of MLPs and common stocks of other Midstream Energy Companies trade on the NYSE, NYSE Alternext U.S. (formerly known as the American Stock Exchange), and the NASDAQ Stock Market (NASDAQ), certain securities may trade less frequently, particularly those with smaller capitalizations. Securities with limited trading volumes may display volatile or erratic price movements. Also, Kayne Anderson is one of the largest investors in MLPs and Midstream Energy Companies. Thus, it may be more difficult for us to buy and sell significant amounts of such securities without an unfavorable impact on prevailing market prices. Larger purchases or sales of these securities by us in a short period of time may cause abnormal movements in the market price of these securities. As a result, these securities may be difficult to dispose of at a fair price at the times when we believe it is desirable to do so. These securities are also more difficult to value, and Kayne Anderson s judgment as to value will often be given greater weight than market quotations, if any exist. Investment of our capital in securities that are less actively traded or over time experience decreased trading volume may restrict our ability to take advantage of other market opportunities.

We also invest in unregistered or otherwise restricted securities. The term restricted securities refers to securities that are unregistered or are held by control persons of the issuer and securities that are subject to contractual restrictions on their resale. Unregistered securities are securities that cannot be sold publicly in the United States without registration under the Securities Act of 1933, as amended (the Securities Act), unless an exemption from such registration is available. Restricted securities may be more difficult to value and we may have difficulty disposing of such assets either in a timely manner or for a reasonable price. In order to dispose of an unregistered security, we, where we have contractual rights to do so, may have to cause such security to be registered. A considerable period may elapse between the time the decision is made to sell

Table of Contents

the security and the time the security is registered so that we could sell it. Contractual restrictions on the resale of securities vary in length and scope and are generally the result of a negotiation between the issuer and acquiror of the securities. We would, in either case, bear the risks of any downward price fluctuation during that period. The difficulties and delays associated with selling restricted securities could result in our inability to realize a favorable price upon disposition of such securities, and at times might make disposition of such securities impossible.

Our investments in restricted securities may include investments in private companies. Such securities are not registered under the Securities Act until the company becomes a public company. Accordingly, in addition to the risks described above, our ability to dispose of such securities on favorable terms would be limited until the portfolio company becomes a public company.

NON-DIVERSIFICATION RISK

We are a non-diversified, closed-end investment company under the 1940 Act and will not be treated as a regulated investment company under the Internal Revenue Code of 1986, as amended, or the Code. Accordingly, there are no regulatory requirements under the 1940 Act or the Code on the minimum number or size of securities we hold. As of May 31, 2010, we held investments in approximately 45 issuers.

As of May 31, 2010, substantially all of our total assets were invested in publicly traded securities of MLPs and other Midstream Energy Companies. As of May 31, 2010, there were 68 publicly traded MLPs (partnerships) which manage and operate energy assets. We primarily select our investments in publicly traded securities from securities issued by MLPs in this small pool, together with securities issued by newly public MLPs, if any. We also invest in publicly traded securities issued by other Midstream Energy Companies.

As a result of selecting our investments from this small pool of publicly traded securities, a change in the value of the securities of any one of these publicly traded MLPs could have a significant impact on our portfolio. In addition, as there can be a correlation in the valuation of the securities of publicly traded MLPs, a change in value of the securities of one such MLP could negatively influence the valuations of the securities of other publicly traded MLPs that we may hold in our portfolio.

As we may invest up to 15% of our total assets in any single issuer, a decline in value of the securities of such an issuer could significantly impact the value of our portfolio.

INTEREST RATE RISK

Interest rate risk is the risk that securities will decline in value because of changes in market interest rates. The yields of equity and debt securities of MLPs are susceptible in the short-term to fluctuations in interest rates and may decline when interest rates increase. Accordingly, our net asset value and the market price of our common stock may decline when interest rates rise. Further, rising interest rates could adversely impact the financial performance of Midstream Energy Companies by increasing their costs of capital. This may reduce their ability to execute acquisitions or expansion projects in a cost-effective manner.

Certain debt instruments, particularly below investment grade securities, may contain call or redemption provisions which would allow the issuer thereof to prepay principal prior to the debt instrument s stated maturity. This is known as prepayment risk. Prepayment risk is greater during a falling interest rate environment as issuers can reduce their cost of capital by refinancing higher yielding debt instruments with lower yielding debt instruments. An issuer may also elect to refinance their debt instruments with lower yielding debt instruments if the credit standing of the issuer improves. To the extent debt securities in our portfolio are called or redeemed, we may be forced to reinvest in lower yielding securities.

INTEREST RATE HEDGING RISK

We may in the future hedge against interest rate risk resulting from our leveraged capital structure. We do not intend to hedge interest rate risk of portfolio holdings. Interest rate transactions that we may use for hedging purposes will expose us to certain risks that differ from the risks associated with our portfolio holdings. There are economic costs of hedging reflected in the price of interest rate swaps, caps and similar techniques, the cost of which can be significant. In addition, our success in using hedging instruments is subject to Kayne Anderson s ability to predict correctly changes in the relationships of such hedging instruments to our leverage risk, and there can be no assurance that Kayne Anderson s judgment in this respect will be accurate. To the extent there is a decline in interest rates, the value of interest rate swaps or caps could decline, and result in a decline in the net asset value of our common stock. In addition, if the counterparty to an interest rate swap or cap defaults, we would not be able to use the anticipated net receipts under the interest rate swap or cap to offset our cost of financial leverage.

INFLATION RISK

Inflation risk is the risk that the value of assets or income from investment will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of our securities and distributions that we pay declines.

PORTFOLIO TURNOVER RISK

We anticipate that our annual portfolio turnover rate will range between 10%-15%, but the rate may vary greatly from year to year. Portfolio turnover rate is not considered a limiting factor in Kayne Anderson s execution of investment decisions. The types of MLPs in which we intend to invest have historically made cash distributions to limited partners, the substantial portion of which would not be taxed as income to us in that tax year but rather would be treated as a non-taxable return of capital and would have the effect of lowering our basis in such investment. As a result, most of the tax related to such distribution would be deferred until subsequent sale of our MLP units, at which time we would pay any required tax on gains based on the difference between our basis in the investment and the sales price. As a result, we may be required to pay taxes on such sales even if the sales price is below the original purchase price. Therefore, the sooner we sell such MLP units, the sooner we would be required to pay tax on resulting gains, and the cash available to us to pay distributions to our common stockholders in the year of such tax payment would be less than if such taxes were deferred until a later year. These taxable gains may increase our current and accumulated earnings and profits, resulting in a greater portion of our common stock distributions being treated as dividend income to our common stockholders. In addition, a higher portfolio turnover rate results in correspondingly greater brokerage commissions and other transactional expenses that are borne by us. See Investment Objective and Policies Investment Practices Portfolio Turnover and Tax Matters.

DERIVATIVES RISK

We may purchase and sell derivative investments such as exchange-listed and over-the-counter put and call options on securities, equity, fixed income and interest rate indices, and other financial instruments, enter into various interest rate transactions such as swaps, caps, floors or collars or credit transactions and credit default swaps. We also may purchase derivative investments that combine features of these instruments. The use of derivatives has risks, including the imperfect correlation between the value of such instruments and the underlying assets, the possible default of the other party to the transaction or illiquidity of the derivative investments. Furthermore, the ability to successfully use these techniques depends on our ability to predict pertinent market movements, which cannot be assured. Thus, the use of derivatives may result in losses greater than if they had not been used, may require us to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation we can realize on an investment or may cause us to hold a security that we might otherwise sell.

Additionally, amounts paid by

Table of Contents

us as premiums and cash or other assets held in margin accounts with respect to derivative transactions are not otherwise available to us for investment purposes.

We may write covered call options. As the writer of a covered call option, during the option s life we give up the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but we retain the risk of loss should the price of the underlying security decline. The writer of an option has no control over the time when it may be required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security at the exercise price. There can be no assurance that a liquid market will exist when we seek to close out an option position. If trading were suspended in an option purchased by us, we would not be able to close out the option. If we were unable to close out a covered call option that we had written on a security, we would not be able to sell the underlying security unless the option expired without exercise.

Depending on whether we would be entitled to receive net payments from the counterparty on a swap or cap, which in turn would depend on the general state of short-term interest rates at that point in time, a default by a counterparty could negatively impact the performance of our common stock. In addition, at the time an interest rate or commodity swap or cap transaction reaches its scheduled termination date, there is a risk that we would not be able to obtain a replacement transaction or that the terms of the replacement would not be as favorable as on the expiring transaction. If this occurs, it could have a negative impact on the performance of our common stock. If we fail to maintain any required asset coverage ratios in connection with any use by us of Leverage Instruments, we may be required to redeem or prepay some or all of the Leverage Instruments. Such redemption or prepayment would likely result in our seeking to terminate early all or a portion of any swap or cap transactions. Early termination of a swap could result in a termination payment by or to us. Early termination of a cap could result in a termination payment to us.

We segregate liquid assets against or otherwise cover our future obligations under such swap or cap transactions, in order to provide that our future commitments for which we have not segregated liquid assets against or otherwise covered, together with any outstanding Borrowings, do not exceed 331/3% of our total assets less liabilities (other than the amount of our Borrowings). In addition, such transactions and other use of Leverage Instruments by us are subject to the asset coverage requirements of the 1940 Act, which generally restrict us from engaging in such transactions unless the value of our total assets less liabilities (other than the amount of our Borrowings) is at least 300% of the principal amount of our Borrowings and the value of our total assets less liabilities (other than the amount of our Leverage Instruments) are at least 200% of the principal amount of our Leverage Instruments.

The use of interest rate and commodity swaps and caps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. Depending on market conditions in general, our use of swaps or caps could enhance or harm the overall performance of our common stock. For example, we may use interest rate swaps and caps in connection with any use by us of Leverage Instruments. To the extent interest rates decline, the value of the interest rate swap or cap could decline, and could result in a decline in the net asset value of our common stock. In addition, if short-term interest rates are lower than our fixed rate of payment on the interest rate swap, the swap will reduce common stock net earnings. Buying interest rate caps could decrease the net earnings of our common stock in the event that the premium paid by us to the counterparty exceeds the additional amount we would have been required to pay had we not entered into the cap agreement. As of June 30, 2010, we had no interest rate swaps outstanding.

Interest rate and commodity swaps and caps do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of loss with respect to interest rate and commodity swaps is limited to the net amount of interest payments that we are contractually obligated to make. If the counterparty defaults, we would not be able to use the anticipated net receipts under the swap or cap to offset any declines in the value of our portfolio assets being hedged or the increase in our cost of financial leverage. Depending on whether we would be entitled to receive net payments from the counterparty on the swap or cap, which in

22

turn would depend on the general state of the market rates at that point in time, such a default could negatively impact the performance of our common stock.

SHORT SALES RISK

Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the short seller to profit from declines in market prices to the extent such declines exceed the transaction costs and the costs of borrowing the securities. A short sale creates the risk of an unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Our obligation to replace a borrowed security is secured by collateral deposited with the broker-dealer, usually cash, U.S. government securities or other liquid securities similar to those borrowed. We also are required to segregate similar collateral to the extent, if any, necessary so that the value of both collateral amounts in the aggregate is at all times equal to at least 100% of the current market value of the security sold short. Depending on arrangements made with the broker-dealer from which we borrowed the security regarding payment over of any payments received by us on such security, we may not receive any payments (including interest) on the collateral deposited with such broker-dealer.

DEBT SECURITIES RISKS

Debt securities in which we invest are subject to many of the risks described elsewhere in this section. In addition, they are subject to credit risk, and, depending on their quality, other special risks.

Credit Risk. An issuer of a debt security may be unable to make interest payments and repay principal. We could lose money if the issuer of a debt obligation is, or is perceived to be, unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. The downgrade of a security by rating agencies may further decrease its value. Additionally, a portfolio company may issue to us a debt security that has payment-in-kind interest, which represents contractual interest added to the principal balance and due at the maturity date of the debt security in which we invest. It is possible that by effectively increasing the principal balance payable to us or deferring cash payment of such interest until maturity, the use of payment-in-kind features will increase the risk that such amounts will become uncollectible when due and payable.

Below Investment Grade and Unrated Debt Securities Risk. Below investment grade debt securities in which we may invest are rated from B3 to Ba1 by Moody s, from B- to BB+ by Fitch or Standard & Poor s, or comparably rated by another rating agency. Below investment grade and unrated debt securities generally pay a premium above the yields of U.S. government securities or debt securities of investment grade issuers because they are subject to greater risks than these securities. These risks, which reflect their speculative character, include the following: greater yield and price volatility; greater credit risk and risk of default; potentially greater sensitivity to general economic or industry conditions; potential lack of attractive resale opportunities (illiquidity); and additional expenses to seek recovery from issuers who default.

In addition, the prices of these below investment grade and unrated debt securities are more sensitive to negative developments, such as a decline in the issuer s revenues, downturns in profitability in the energy industry or a general economic downturn, than are the prices of higher grade securities. Below investment grade and unrated debt securities tend to be less liquid than investment grade securities and the market for below investment grade and unrated debt securities could contract further under adverse market or economic conditions. In such a scenario, it may be more difficult for us to sell these securities in a timely manner or for as high a price as could be realized if such securities were more widely traded. The market value of below investment grade and unrated debt securities may be more volatile than the market value of investment grade securities and generally tends to reflect the market s perception of the creditworthiness of the issuer and short-term market developments to a greater extent than investment grade securities, which primarily reflect fluctuations in general levels of interest rates. In the event of a default by a below investment grade or unrated debt security held in our portfolio in the payment of principal or interest, we may incur additional expense to the extent we are required to seek recovery of such principal or interest. For a further description of below investment grade and unrated debt securities and the risks associated therewith, see Investment Policies in our SAI.

RISKS RELATED TO OUR BUSINESS AND STRUCTURE

USE OF LEVERAGE

We currently utilize Leverage Instruments and intend to continue to do so. Under normal market conditions, our policy is to utilize Leverage Instruments in an amount that represents approximately 30% of our total assets, including proceeds from such Leverage Instruments. However, based on market conditions at the time, we may use Leverage Instruments in amounts that represent greater than 30% leverage to the extent permitted by the 1940 Act. As of June 30, 2010, our Leverage Instruments represented approximately 26.5% of our total assets. Leverage Instruments have seniority in liquidation and distribution rights over our common stock.

As of June 30, 2010, we had $480 million of debt outstanding, and had $1 million borrowed under our revolving credit facility. Our revolving credit facility has a term of three years and matures on June 11, 2013. Our Senior Notes have maturity dates ranging from 2011 to 2015. If we are unable to refinance our Senior Notes as they mature, we may be forced to sell securities in our portfolio to repay debt as it matures. If we are required to sell portfolio securities to repay outstanding debt, such sales may be at prices lower than what we would otherwise realize if were not required to sell such securities at such time. Additionally, we may be unable to refinance our debt or sell a sufficient amount of portfolio securities to repay debt as it matures, which could cause an event of default on our debt securities.

INTEREST RATE RISK

Interest rate risk is the risk that equity and debt securities will decline in value because of changes in market interest rates. Two series of our Senior Notes pays interest expense based on short-term interest rates and our interest expense on borrowings under our credit facility is based on short-term interest rates. If short-term interest rates rise, interest rates on our debt securities, collectively referred to as senior securities, may rise so that the amount of interest payable to holders of our senior securities would exceed the amount of income from our portfolio securities. This might require us to sell portfolio securities at a time when we otherwise would not do so, which may affect adversely our future earnings ability. While we intend to manage this risk through interest rate transactions, there is no guarantee that we will implement these strategies or that we will be successful in reducing or eliminating interest rate risk. In addition, rising market interest rates could impact negatively the value of our investment portfolio, reducing the amount of assets serving as asset coverage for our senior securities.

MLP yields are susceptible in the short-term to fluctuations in interest rates and may decline when interest rates increase. Because we will principally invest in MLP equity securities, the net asset value and market price of our common stock may decline if interest rates rise. See Risks Related to Our Investments and Investment Techniques Energy Sector Risk. A material decline in the net asset value of our common stock may impair our ability to maintain required levels of asset coverage for our senior securities.

MANDATORY REDEEMABLE PREFERRED SHARES ACCOUNTING DESIGNATION RISK

We believe that because our mandatory redeemable preferred shares have a fixed term, under generally accepted accounting principles, we will need to classify those outstanding preferred shares as debt securities on our financial statements.

MANAGEMENT RISK; DEPENDENCE ON KEY PERSONNEL OF KAYNE ANDERSON

Our portfolio is subject to management risk because it is actively managed. Kayne Anderson applies investment techniques and risk analyses in making investment decisions for us, but there can be no guarantee that they will produce the desired results.

We depend upon Kayne Anderson s key personnel for our future success and upon their access to certain individuals and investments in the midstream energy industry. In particular, we depend on the diligence, skill and network of business contacts of our portfolio managers, who evaluate, negotiate, structure, close and monitor our investments. These individuals do not have long-term employment contracts with Kayne Anderson, although they do have equity interests and other financial incentives to remain with Kayne Anderson. For a description of Kayne Anderson, see Management Investment Adviser. We also depend on the senior management of Kayne Anderson. The departure of any of our portfolio managers or the senior management of Kayne Anderson could have a material adverse effect on our ability to achieve our investment objective. In addition, we can offer no assurance that Kayne Anderson will remain our investment adviser or that we will continue to have access to Kayne Anderson s industry contacts and deal flow.

CONFLICTS OF INTEREST OF KAYNE ANDERSON

Conflicts of interest may arise because Kayne Anderson and its affiliates generally carry on substantial investment activities for other clients in which we will have no interest. Kayne Anderson or its affiliates may have financial incentives to favor certain of such accounts over us. Any of their proprietary accounts and other customer accounts may compete with us for specific trades. Kayne Anderson or its affiliates may buy or sell securities for us which differ from securities bought or sold for other accounts and customers, even though their investment objectives and policies may be similar to ours. Situations may occur when we could be disadvantaged because of the investment activities conducted by Kayne Anderson or its affiliates for their other accounts. Such situations may be based on, among other things, legal or internal restrictions on the combined size of positions that may be taken for us and the other accounts, thereby limiting the size of our position, or the difficulty of liquidating an investment for us and the other accounts where the market cannot absorb the sale of the combined position.

Our investment opportunities may be limited by affiliations of Kayne Anderson or its affiliates with MLPs or other Midstream Energy Companies. Additionally, to the extent that Kayne Anderson sources and structures private investments in MLPs, certain employees of Kayne Anderson may become aware of actions planned by MLPs, such as acquisitions, that may not be announced to the public. It is possible that we could be precluded from investing in an MLP about which Kayne Anderson has material non-public information; however, it is Kayne Anderson s intention to ensure that any material non-public information available to certain Kayne Anderson employees not be shared with those employees responsible for the purchase and sale of publicly traded MLP securities.

KAFA also manages Kayne Anderson Energy Total Return Fund, Inc., a closed end investment company listed on the NYSE under the ticker KYE, Kayne Anderson Energy Development Company, a business development company listed on the NYSE under the ticker KED, and KA First Reserve, LLC, a private investment fund with approximately $525 million in total assets and $250 million of undrawn equity commitments as of June 30, 2010, and KACALP manages several private investment funds (collectively, Affiliated Funds). Some of the Affiliated Funds have investment objectives that are similar to or overlap with ours. In particular, certain Affiliated Funds invest in MLPs and other Midstream Energy Companies. Further, Kayne Anderson may at some time in the future, manage other investment funds with the same investment objective as ours.

Investment decisions for us are made independently from those of Kayne Anderson s other clients; however, from time to time, the same investment decision may be made for more than one fund or account. When two or more clients advised by Kayne Anderson or its affiliates seek to purchase or sell the same publicly traded securities, the securities actually purchased or sold are allocated among the clients on a good faith equitable

Table of Contents

basis by Kayne Anderson in its discretion in accordance with the clients various investment objectives and procedures adopted by Kayne Anderson and approved by our Board of Directors. In some cases, this system may adversely affect the price or size of the position we may obtain. In other cases, however, our ability to participate in volume transactions may produce better execution for us.

From time to time, we may control or may be an affiliate of one or more of our portfolio companies, each as defined in the 1940 Act. In general, under the 1940 Act, we would control a portfolio company if we owned 25% or more of its outstanding voting securities and would be an affiliate of a portfolio company if we 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 our investment adviser), principal underwriters and affiliates of those affiliates or underwriters.

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

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

There is no assurance that the SEC staff will not consider that other limited partnership securities that we own 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, we will be required to abide by the restrictions on control or affiliate transactions as proscribed in the 1940 Act. We or any portfolio company that we control, and our 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. We cannot assure you, however, that we would be able to satisfy the conditions of these rules with respect to any particular eligible transaction, or even if we were allowed to engage in such a transaction that the terms would be more or as favorable to us or any company that we control as those that could be obtained in arms length transaction. As a result of these prohibitions, restrictions may be imposed on the size of positions that may be taken for us or on the type of investments that we could make.

As discussed above, under the 1940 Act, we and our affiliates, including Affiliated Funds, may be precluded from co-investing in private placements of securities, including in any portfolio companies that we control. Except as permitted by law, Kayne Anderson will not co-invest its other clients assets in the private transactions in which we invest. Kayne Anderson will allocate private investment opportunities among its clients, including us, based on allocation policies that take into account several suitability factors, including the size of the investment opportunity, the amount each client has available for investment and the client s investment objectives. These allocation policies may result in the allocation of investment opportunities to an Affiliated Fund rather than to us. The policies contemplate that Kayne Anderson will exercise discretion, based on several factors relevant to the determination, in allocating the entirety, or a portion, of such investment opportunities to an Affiliated Fund, in priority to other prospectively interested advisory clients, including us. In this regard, when applied to specified investment opportunities that would normally be suitable for us, the allocation policies may result in certain Affiliated Funds having greater priority than us to participate in such opportunities depending on the totality of the considerations, including, among other things, our available capital for investment, our existing holdings, applicable tax and diversification standards to which we may then be subject and the ability to efficiently liquidate a portion of our existing portfolio in a timely and prudent fashion in the time period required to fund the transaction.

The investment management fee paid to Kayne Anderson is based on the value of our assets, as periodically determined. A significant percentage of our assets may be illiquid securities acquired in private transactions for which market quotations will not be readily available. Although we will adopt valuation procedures designed to determine valuations of illiquid securities in a manner that reflects their fair value, there typically is a range of prices that may be established for each individual security. Senior management of Kayne Anderson, our Board of Directors and its Valuation Committee, and a third-party valuation firm participate in the valuation of our securities. See Net Asset Value.

CERTAIN AFFILIATIONS

We are affiliated with KA Associates, Inc., a Financial Industry Regulatory Authority, Inc., or FINRA, member broker-dealer. Absent an exemption from the SEC or other regulatory relief, we are generally precluded from effecting certain principal transactions with affiliated brokers, and our ability to utilize affiliated brokers for agency transactions is subject to restrictions. This could limit our ability to engage in securities transactions and take advantage of market opportunities.

COMPETITION RISK

At the time we completed our initial public offering in September 2004, we were one of the few publicly traded investment companies offering access to a portfolio of MLPs and other Midstream Energy Companies. There are now a limited number of other companies, including other publicly traded investment companies and private funds, which may serve as alternatives to us for investment in a portfolio of MLPs and other Midstream Energy Companies. In addition, tax law changes have increased, and future tax law changes may again increase, the ability of mutual funds and other regulated investment companies to invest in MLPs. These competitive conditions may positively impact MLPs in which we invest, but future tax law changes could adversely impact our ability to make desired investments in the MLP market. As a taxable corporation, we are not subject to the limitations on investments in MLPs that apply to mutual funds and other regulated investment companies under current tax law.

VALUATION RISK

Market prices may not be readily available for subordinated units, direct ownership of general partner interests, restricted or unregistered securities of certain MLPs or interests in private companies, and the value of such investments will ordinarily be determined based on fair valuations determined by the Board of Directors or its designee pursuant to procedures adopted by the Board of Directors. Restrictions on resale or the absence of a liquid secondary market may adversely affect our ability to determine our net asset value. The sale price of securities that are not readily marketable may be lower or higher than our most recent determination of their fair value. Additionally, the value of these securities typically requires more reliance on the judgment of Kayne Anderson than that required for securities for which there is an active trading market. Due to the difficulty in valuing these securities and the absence of an active trading market for these investments, we may not be able to realize these securities true value or may have to delay their sale in order to do so. In addition, we will 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 our portfolio and to estimate associated deferred tax liability for purposes of financial statement reporting and determining our net asset value. From time to time, we will modify our estimates or assumptions regarding our deferred tax liability (or deferred tax asset) as new information becomes available. To the extent we modify our estimates or assumptions, our net asset value would likely fluctuate. See Net Asset Value.

Table of Contents

ANTI-TAKEOVER PROVISIONS

Our Charter, Bylaws and the Maryland General Corporation Law include provisions that could limit the ability of other entities or persons to acquire control of us, to convert us to open-end status, or to change the composition of our Board of Directors. We have also adopted other measures that may make it difficult for a third party to obtain control of us, including provisions of our Charter classifying our Board of Directors in three classes serving staggered three-year terms, and provisions authorizing our Board of Directors to classify or reclassify shares of our stock in one or more classes or series to cause the issuance of additional shares of our stock, and to amend our Charter, without stockholder approval, to increase or decrease the number of shares of stock that we have authority to issue. These provisions, as well as other provisions of our Charter and Bylaws, could have the effect of discouraging, delaying, deferring or preventing a transaction or a change in control that might otherwise be in the best interests of our stockholders. As a result, these provisions may deprive our common stockholders of opportunities to sell their common stock at a premium over the then current market price of our common stock. See Description of Capital Stock.

ADDITIONAL RISKS RELATED TO OUR COMMON STOCK

MARKET DISCOUNT FROM NET ASSET VALUE RISK

Our common stock has traded both at a premium and at a discount to our net asset value. The last reported sale price, as of June 30, 2010 was $26.17 per share. Our net asset value per share and percentage premium to net asset value per share of our common stock as of June 30, 2010 were $23.36 and 12.0%, respectively. There is no assurance that this premium will continue after the date of this prospectus or that our common stock will not again trade at a discount. Shares of closed-end investment companies frequently trade at a discount to their net asset value. This characteristic is a risk separate and distinct from the risk that our net asset value could decrease as a result of our investment activities and may be greater for investors expecting to sell their shares in a relatively short period following completion of this offering. Although the value of our net assets is generally considered by market participants in determining whether to purchase or sell shares, whether investors will realize gains or losses upon the sale of our common stock depends upon whether the market price of our common stock at the time of sale is above or below the investor s purchase price for our common stock. Because the market price of our common stock is affected by factors such as net asset value, dividend or distribution levels (which are dependent, in part, on expenses), supply of and demand for our common stock, stability of distributions, trading volume of our common stock, general market and economic conditions, and other factors beyond our control, we cannot predict whether our common stock will trade at, below or above net asset value or at, below or above the offering price.

LEVERAGE RISK TO COMMON STOCKHOLDERS

The issuance of Leverage Instruments represents the leveraging of our common stock. Leverage is a technique that could adversely affect our common stockholders. Unless the income and capital appreciation, if any, on securities acquired with the proceeds from Leverage Instruments exceed the costs of the leverage, the use of leverage could cause us to lose money. When leverage is used, the net asset value and market value of our common stock will be more volatile. There is no assurance that our use of leverage will be successful.

Our common stockholders bear the costs of leverage through higher operating expenses. Our common stockholders also bear management fees, whereas, holders of Senior Notes or preferred stock do not bear management fees. Because management fees are based on our total assets, our use of leverage increases the effective management fee borne by our common stockholders. In addition, the issuance of additional senior securities by us would result in offering expenses and other costs, which would ultimately be borne by our common stockholders. Fluctuations in interest rates could increase our interest or dividend payments on Leverage Instruments and could reduce cash available for distributions on common stock. Certain Leverage Instruments are subject to covenants regarding asset coverage, portfolio composition and other matters, which may affect our ability to pay distributions to our common stockholders in certain instances. We may also be required to pledge our assets to the lenders in connection with certain other types of borrowing.

Table of Contents

Leverage involves other risks and special considerations for common stockholders including: the likelihood of greater volatility of net asset value and market price of our common stock than a comparable portfolio without leverage; the risk of fluctuations in dividend rates or interest rates on Leverage Instruments; that the dividends or interest paid on Leverage Instruments may reduce the returns to our common stockholders or result in fluctuations in the distributions paid on our common stock; the effect of leverage in a declining market, which is likely to cause a greater decline in the net asset value of our common stock than if we were not leveraged, which may result in a greater decline in the market price of our common stock; and when we use financial leverage, the investment management fee payable to Kayne Anderson may be higher than if we did not use leverage.

Leverage Instruments constitute a substantial lien and burden by reason of their prior claim against our income and against our net assets in liquidation. The rights of lenders to receive payments of interest on and repayments of principal of any Borrowings are senior to the rights of holders of common stock and preferred stock, with respect to the payment of distributions or upon liquidation. We may not be permitted to declare dividends or other distributions, including dividends and distributions with respect to common stock or preferred stock or purchase common stock or preferred stock unless at such time, we meet certain asset coverage requirements and no event of default exists under any Borrowing. In addition, we may not be permitted to pay distributions on common stock unless all dividends on the preferred stock and/or accrued interest on Borrowings have been paid, or set aside for payment.

In an event of default under any Borrowing, the lenders have the right to cause a liquidation of collateral (*i.e.*, sell MLP units and other of our assets) and, if any such default is not cured, the lenders may be able to control the liquidation as well. If an event of default occurs, or in an effort to avoid an event of default, we may be forced to sell securities at inopportune times and, as a result, receive lower prices for such security sales.

Certain types of leverage, including the Senior Notes, subject us to certain affirmative covenants relating to asset coverage and our portfolio composition, and may impose special restrictions on our use of various investment techniques or strategies or in our ability to pay distributions on common stock in certain instances. In addition, we are subject to certain negative covenants relating to transactions with affiliates, mergers and consolidation, among others. We are also subject to certain restrictions on investments imposed by guidelines of one or more rating agencies, which issue ratings for Leverage Instruments issued by us. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed by the 1940 Act. Kayne Anderson does not believe that these covenants or guidelines will impede it from managing our portfolio in accordance with our investment objective and policies.

While we may from time to time consider reducing leverage in response to actual or anticipated changes in interest rates in an effort to mitigate the increased volatility of current income and net asset value associated with leverage, there can be no assurance that we will actually reduce leverage in the future or that any reduction, if undertaken, will benefit our common stockholders. Changes in the future direction of interest rates are very difficult to predict accurately. If we were to reduce leverage based on a prediction about future changes to interest rates, and that prediction turned out to be incorrect, the reduction in leverage would likely result in a reduction in income and/or total returns to common stockholders relative to the circumstance if we had not reduced leverage. We may decide that this risk outweighs the likelihood of achieving the desired reduction to volatility in income and the price of our common stock if the prediction were to turn out to be correct, and determine not to reduce leverage as described above.

Finally, the 1940 Act provides certain rights and protections for preferred stockholders which may adversely affect the interests of our common stockholders. See Description of Capital Stock.

ADDITIONAL RISKS RELATED TO OUR PREFERRED STOCK

An investment in our preferred stock is subject to the following additional risks:

RATINGS AND ASSET COVERAGE RISK

Moody s and Fitch have assigned ratings of Aaa and AAA, respectively, to our outstanding Series G, I, K, M and N Senior Notes. On December 23, 2009, Moody s announced that it has placed on review for possible downgrade our Series G, I, K, M and N Senior Notes. On February 17, 2010, Moody s announced that it had downgraded the Series A, B and C Senior Notes of Kayne Anderson Energy Total Return Fund, Inc. (KYE) to Aa1 from Aaa. KYE is an affiliated fund managed by Kayne Anderson. If Moody s rates our Senior Notes in a similar fashion, we do not anticipate such ratings will have a material impact on our business or financial prospects. On May 7, 2010, Fitch assigned ratings of AAA to our Series O and P Senior Notes and AA to our Series A MRP Shares. We did not request a rating from a nationally recognized statistical rating organization other than Fitch.

A rating may not fully or accurately reflect all of the credit and market risks associated with a senior security. A rating agency could downgrade our senior securities, which may make your securities less liquid in the secondary market. If a rating agency downgrades the ratings assigned to our senior securities, we may be required to alter our portfolio or redeem our senior securities. We may voluntarily redeem our senior securities under certain circumstances to the extent permitted under the terms of such securities, which may require that we meet specified asset maintenance tests and other requirements.

To the extent that preferred stock offered hereby are rated of similar or the same ratings as those respectively assigned to outstanding Series A MRP Shares and Senior Notes, the ratings do not eliminate or necessarily mitigate the risks of investing in our senior securities.

We have issued Senior Notes, which constitute or will constitute senior securities representing indebtedness, as defined in the 1940 Act. Accordingly, the value of our total assets, less all our liabilities and indebtedness not represented by such Senior Notes and debt securities, must be at least equal to 300% of the aggregate principal value of such Senior Notes and debt securities. Upon the issuance of our preferred stock, the value of our total assets, less all our liabilities and indebtedness not represented by senior securities must be at least equal, immediately after the issuance of preferred stock, to 200% of the aggregate principal value of the Senior Notes, any debt securities and our preferred stock.

We may issue senior securities with asset coverage or portfolio composition provisions in addition to, and more stringent than, those required by the 1940 Act. In addition, restrictions have been and may be imposed by the rating agencies on certain investment practices in which we may otherwise engage. Any lender with respect to any additional Borrowings by us may require additional asset coverage and portfolio composition provisions as well as restrictions on our investment practices.

SENIOR LEVERAGE RISK TO PREFERRED STOCKHOLDERS

Because we have outstanding Borrowings and may issue additional debt securities, which are senior to our preferred stock, we are prohibited from declaring, paying or making any dividends or distributions on our preferred stock unless we satisfy certain conditions. We are also prohibited from declaring, paying or making any distributions on common stock unless we satisfy certain conditions. See Description of Capital Stock Limitations on Distributions.

Our Borrowings may constitute a substantial burden on our preferred stock by reason of their prior claim against our income and against our net assets in liquidation. We may not be permitted to declare dividends or other distributions, including with respect to our preferred stock, or purchase or redeem shares, including preferred stock, unless (1) at the time thereof we meet certain asset coverage requirements and (2) there is no event of default under our Borrowings that is continuing. See Description of Capital Stock Limitations on Distributions. In the event of a default under our Borrowings, the holders of our debt securities have the right to accelerate the maturity of debt securities and the trustee may institute judicial proceedings against us to enforce the rights of holders of debt securities.

INFLATION RISK

Inflation is the reduction in the purchasing power of money resulting from the increase in the price of goods and services. Inflation risk is the risk that the inflation adjusted or real value of your investment in our preferred stock or the income from that investment will be worthless in the future than the amount you originally paid. As inflation occurs, the real value of our preferred stock and dividends payable to holders of our preferred stock declines.

DISTRIBUTIONS

We have paid distributions to common stockholders every fiscal quarter since inception. The following table sets forth information about distributions we paid to our common stockholders, percentage participation by common stockholders in our dividend reinvestment program and reinvestments and related issuances of additional shares of common stock as a result of such participation (the information in the table is unaudited):

Distribution Payment Date to Common Stockholders	Amount of Distribution Per Share	Percentage of Common Stockholders Electing to Participate in Dividend Reinvestment Program	Amount of Corresponding Reinvestment through Dividend Reinvestment Program(1)	Additional Shares of Common Stock Issued through Dividend Reinvestment Program(1)
January 14, 2005	$ 0.2500	65%	$ 5,401	223
April 15, 2005	0.4100	51	7,042	288
July 15, 2005	0.4150	47	6,571	250
October 14, 2005	0.4200	44	6,251	249
January 12, 2006	0.4250	42	6,627	264
April 13, 2006	0.4300	39	6,313	203
July 13, 2006	0.4400	37	6,184	204
October 13, 2006	0.4500	34	5,864	218
January 12, 2007	0.4700	32	5,718	200
April 13, 2007	0.4800	32	5,796	169
July 12, 2007	0.4900	29	6,070	174
October 12, 2007	0.4900	28	6,001	197
January 11, 2008	0.4950	28	5,997	206
April 11, 2008	0.4975	28	5,987	217
July 11, 2008	0.5000	26	5,757	209
October 10, 2008	0.5000	26	5,743	318
January 9, 2009	0.5000	26	5,650	344
April 17, 2009	0.4800	24	5,126	287
July 10, 2009	0.4800	23	4,981	263

October 9, 2009	0.4800	23	5,775	285
January 15, 2010	0.4800	23	5,584	248
April 16, 2010	0.4800	22	6,169	236
July 9, 2010	0.4800	*	*	*

* *Information is not yet available for this period.*

(1) *Numbers in thousands.*

We intend to continue to pay quarterly distributions to our common stockholders, funded in part by the cash and other income generated from our portfolio investments. The cash and other income generated from our portfolio investments is the amount received by us as cash or paid-in-kind distributions from MLPs or other Midstream Energy Companies, interest payments received on debt securities owned by us, other payments on securities owned by us and income tax benefits, if any, less current or anticipated operating expenses, taxes on our taxable income, if any, and our leverage costs. We expect that a significant portion of our future distributions will be treated as a return of capital to stockholders for tax purposes.

Our quarterly distributions to common stockholders, if any, will be determined by our Board of Directors and will be subject to meeting the covenants of our senior securities and asset coverage requirements of the 1940 Act. There is no assurance we will continue to pay regular distributions or that we will do so at a particular rate.

We pay dividends on the Series A MRP Shares in accordance with the terms thereof. The holders of the Series A MRP Shares shall be entitled to receive quarterly cumulative cash dividends, when, as and if authorized by the Board of Directors at a rate equal to 5.57% per annum. Dividend payment dates with respect to the Series A MRP Shares shall be, with respect to each dividend period, the first business day of the month next following each quarterly dividend period. Quarterly dividend periods end on February 28, May 31, August 31 and November 30 of each year.

The 1940 Act generally limits our long-term capital gain distributions to one per year. This limitation does not apply to that portion of our distributions that is not characterized as long-term capital gain (*e.g.*, return of capital or distribution of interest income). Although we have no current plans to do so, we may in the future apply to the SEC for an exemption from Section 19(b) of the 1940 Act and Rule 19b-1 thereunder permitting us to make periodic distributions of long-term capital gains provided that our distribution policy with respect to our common stock calls for periodic (e.g., quarterly) distributions in an amount equal to a fixed percentage of our average net asset value over a specified period of time or market price per common share at or about the time of distribution or pay-out of a level dollar amount. The exemption also would permit us to make distributions with respect to any shares of preferred stock that we may offer hereby in accordance with such shares terms. We cannot assure you that if we apply for this exemption, the requested relief will be granted by the SEC in a timely manner, if at all.

Because the cash distributions received from the MLPs in our portfolio are expected to exceed the earnings and profits associated with owning such MLPs, we expect that a significant portion of our distributions will be paid from sources other than our current or accumulated earnings and profits. The portion of the distribution which exceeds our current or accumulated earnings and profits will be treated as a return of capital to the extent of a stockholder s basis in our common stock, then as capital gain. See Tax Matters.

DIVIDEND REINVESTMENT PLAN

We have adopted a Dividend Reinvestment Plan (the Plan) that provides that unless you elect to receive your dividends or distributions in cash, they will be automatically reinvested by the Plan Administrator, American Stock Transfer & Trust Company, in additional shares of our common stock. If you elect to receive your dividends or distributions in cash, you will receive them in cash paid by check mailed directly to you by the Plan Administrator.

No action is required on the part of a registered stockholder to have their cash distribution reinvested in shares of our common stock. Unless you or your brokerage firm decides to opt out of the Plan, the number of shares of common stock you will receive will be determined as follows:

(1) The number of share to be issued to a stockholder shall be based on share price equal to 95% of the closing price of our common stock one day prior to the dividend payment date.

(2) Our Board of Directors may, in its sole discretion, instruct us to purchase shares of its Common Stock in the open market in connection with the implementation of the Plan as follows: If our common stock is trading below net asset value at the time of valuation, upon notice from us, the Plan Administrator will receive the dividend or distribution in cash and will purchase common stock in the open market, on the NYSE or elsewhere, for the

participants accounts, except that the Plan Administrator will endeavor to terminate purchases in the open market and cause us to issue the remaining shares if,

32

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following the commencement of the purchases, the market value of the shares, including brokerage commissions, exceeds the net asset value at the time of valuation. Provided the Plan Administrator can terminate purchases on the open market, the remaining shares will be issued by us at a price equal to the greater of (i) the net asset value at the time of valuation or (ii) 95% of the then current market price. It is possible that the average purchase price per share paid by the Plan Administrator may exceed the market price at the time of valuation, resulting in the purchase of fewer shares than if the dividend or distribution had been paid entirely in common stock issued by us.

You may withdraw from the Plan at any time by giving written notice to the Plan Administrator, or by telephone in accordance with such reasonable requirements as we and the Plan Administrator may agree upon. If you withdraw or the Plan is terminated, you will receive a certificate for each whole share in your account under the Plan and you will receive a cash payment for any fractional shares in your account. If you wish, the Plan Administrator will sell your shares and send the proceeds to you, less brokerage commissions. The Plan Administrator is authorized to deduct a $15 transaction fee plus a $0.10 per share brokerage commission from the proceeds.

The Plan Administrator maintains all common stockholders accounts in the Plan and gives written confirmation of all transactions in the accounts, including information you may need for tax records. Common stock in your account will be held by the Plan Administrator in non-certificated form. The Plan Administrator will forward to each participant any proxy solicitation material and will vote any shares so held only in accordance with proxies returned to us. Any proxy you receive will include all common stock you have received under the Plan.

There is no brokerage charge for reinvestment of your dividends or distributions in common stock. However, all participants will pay a pro rata share of brokerage commissions incurred by the Plan Administrator when it makes open market purchases.

Automatically reinvesting dividends and distributions does not mean that you do not have to pay income taxes due upon receiving dividends and distributions, even though you have not received any cash with which to pay the resulting tax. See Tax Matters.

If you hold your common stock with a brokerage firm that does not participate in the Plan, you will not be able to participate in the Plan and any distribution reinvestment may be effected on different terms than those described above. Consult your financial advisor for more information.

The Plan Administrator s fees under the Plan will be borne by us. There is no direct service charge to participants in the Plan; however, we reserve the right to amend or terminate the Plan, including amending the Plan to include a service charge payable by the participants, if in the judgment of the Board of Directors the change is warranted. Any amendment to the Plan, except amendments necessary or appropriate to comply with applicable law or the rules and policies of the SEC or any other regulatory authority, require us to provide at least 30 days written notice to each participant. Additional information about the Plan may be obtained from American Stock Transfer & Trust Company at 59 Maiden Lane, New York, New York 10038.

INVESTMENT OBJECTIVE AND POLICIES

Our investment objective is to obtain 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. Our investment objective is considered a fundamental policy and therefore may not be changed without the approval of the holders of a majority of the outstanding voting securities. When used with respect to our voting securities, a majority of the outstanding voting securities means (i) 67% or more of the shares present at a meeting, if the holders of more than 50% of the shares are present or represented by proxy, or (ii) more than 50% of the shares, whichever is less. There can be no assurance that we will achieve our investment objective.

Table of Contents

The following investment policies are considered non-fundamental and may be changed by the Board of Directors without the approval of the holders of a majority of the outstanding voting securities, provided that the holders of such voting securities receive at least 60 days prior written notice of any change:

- Ø For as long as the word MLP is in our name, it shall be our policy, under normal market conditions, to invest at least 80% of our total assets in MLPs.

- Ø We intend to invest at least 50% of our total assets in publicly traded securities of MLPs and other Midstream Energy Companies.

- Ø Under normal market conditions, we may invest up to 50% of our total assets in unregistered or otherwise restricted securities of MLPs and other Midstream Energy Companies. The types of unregistered or otherwise restricted securities that we may purchase include common units, subordinated units, preferred units, and convertible units of, and general partner interests in, MLPs, and securities of other public and private Midstream Energy Companies.

- Ø We may invest up to 15% of our total assets in any single issuer.

- Ø We may invest up to 20% of our total assets in debt securities of MLPs and other Midstream Energy Companies, including below investment grade debt securities rated, at the time of investment, at least B3 by Moody s, B- by Standard & Poor s or Fitch, 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 include unrated debt securities of private companies.

- Ø Under normal market conditions, our policy is to utilize our Borrowings and our preferred stock (each a Leverage Instrument and collectively Leverage Instrument) in an amount that represents approximately 30% of our total assets, including proceeds from such Leverage Instruments. However, we reserve the right at any time, if we believe that market conditions are appropriate, to use Leverage Instruments to the extent permitted by the 1940 Act.

- Ø We may, but are not required to, use derivative investments and engage in short sales to hedge against interest rate and market risks.

Unless otherwise stated, all investment restrictions apply at the time of purchase and we will not be required to reduce a position due solely to market value fluctuations.

DESCRIPTION OF MLPs

Master Limited Partnerships. Master limited partnerships are entities that are structured as limited partnerships or as limited liability companies treated as partnerships. The units for these entities are listed and traded on a U.S. securities exchange. To qualify as a master limited partnership, the entity must receive at least 90% of its income from qualifying sources as set forth in Section 7704(d) of the Internal Revenue Code. These qualifying sources include natural resource-based activities such as the exploration, development, mining, production, processing, refining, transportation, storage and marketing of mineral or natural resources. Limited partnerships have two classes of interests general partner interests and limited partner interests. The general partner typically controls the operations and management of the partnership through an equity interest in the limited partnership (typically up to 2% of total equity). Limited partners own the remainder of the partnership and have a limited role in the partnership s operations and management.

Master limited partnerships organized as limited partnerships generally have two classes of limited partner interests common units and subordinated units. The general partner of the master limited partnership is typically owned by an energy company, an investment fund, the direct management of the limited partnership or is an entity owned by one or more of such parties. The general partner interest may be held by either a private or publicly traded corporation or other entity. In many cases, the general partner owns common units, subordinated units and incentive distribution rights, or IDRs, in addition to its general partner interest in the master limited partnership.

MLPs are typically structured such that common units and general partner interests have first priority to receive quarterly cash distributions up to an established minimum amount (minimum quarterly distributions or MQD). Common units also accrue arrearages in distributions to the extent the MQD is not paid. Once common units have been paid, subordinated units receive distributions of up to the MQD; however, subordinated units do not accrue arrearages. Distributable cash in excess of the MQD paid to both common and subordinated units is distributed to both common and subordinated units generally on a pro rata basis. Whenever a distribution is paid to either common unitholders or subordinated unitholders, the general partner is paid a proportional distribution. The holders of IDRs (usually the general partner) are eligible to receive incentive distributions if the general partner operates the business in a manner which results in distributions paid per unit surpassing specified target levels. As cash distributions to the limited partners increase, the IDRs receive an increasingly higher percentage of the incremental cash distributions. A common arrangement provides that the IDRs can reach a tier where the holder receives 48% of every incremental dollar paid to partners. These IDRs encourage the general partner to streamline costs, increase capital expenditures and acquire assets in order to increase the partnership s cash flow and raise the quarterly cash distribution in order to reach higher tiers. Such results benefit all security holders of the master limited partnership.

MLPs in which we invest are currently classified by us as midstream MLPs, propane MLPs, coal MLPs, upstream MLPs and marine transportation MLPs and upstream MLPs.

Ø Midstream MLPs are engaged in (a) the treating, gathering, compression, processing, transmission and storage of natural gas and the transportation, fractionation and storage of natural gas liquids (primarily propane, ethane, butane and natural gasoline); (b) the gathering, transportation, storage and terminalling of crude oil; and (c) the transportation (usually via pipelines, barges, rail cars and trucks), storage and terminalling of refined petroleum products (primarily gasoline, diesel fuel and jet fuel) and other hydrocarbon by-products. MLPs may also operate ancillary businesses including the marketing of the products and logistical services.

Ø Propane MLPs are engaged in the distribution of propane to homeowners for space and water heating and to commercial, industrial and agricultural customers. Propane serves approximately 5% of the household energy needs in the United States, largely for homes beyond the geographic reach of natural gas distribution pipelines. Volumes are weather dependent and a majority of annual cash flow is earned during the winter heating season (October through March).

Ø Coal MLPs are engaged in the owning, leasing, managing, and production and sale of various grades of steam and metallurgical grades of coal. The primary use of steam coal is for electrical generation (steam coal is used as a fuel for steam-powered generators by electrical utilities). The primary use of metallurgical coal is in the production of steel (metallurgical coal is used to make coke, which in turn is used as a raw material in the steel manufacturing process).

Ø Marine transportation MLPs provide transportation and distribution services for energy-related products through the ownership and operation of several types of vessels, such as crude oil tankers, refined product tankers, liquefied natural gas tankers, tank barges and tugboats. Marine transportation plays in important role in domestic and international trade of crude oil, refined petroleum products, natural gas liquids and liquefied natural gas and is expected to benefit from future global economic growth and development.

Ø Upstream MLPs are businesses engaged in the exploration, extraction, production and acquisition of natural gas, natural gas liquids and crude oil, from geological reservoirs. An Upstream MLP s cash flow and distributions are driven by the amount of oil, natural gas, natural gas liquids and crude oil produced and the demand for and price of such commodities. As the underlying reserves of an Upstream MLP are produced, its reserve base is depleted. Upstream MLPs may seek to maintain or expand their reserves and production through the acquisition of reserves from other companies, and the exploration and development of existing resources.

For purposes of our investment objective, the term MLPs includes affiliates of MLPs that own general partner interests or, in some cases, subordinated units, registered or unregistered common units, or other limited partner units in an MLP.

OUR PORTFOLIO

At any given time, we expect that our portfolio will have some or all of the types of the following types of investments: (i) equity securities of MLPs, (ii) equity securities of Midstream Energy Companies, (iii) equity securities of private companies and (iv) debt securities. A description of our investment policies and restrictions and more information about our portfolio investments are contained in this prospectus and our SAI.

INVESTMENT PRACTICES

Hedging and Other Risk Management Transactions. We may, but are not required to, use various hedging and other risk management transactions to seek to manage interest rate and market risks.

We may purchase and sell derivative investments such as exchange-listed and over-the-counter put and call options on securities, equity, fixed income and interest rate indices, and other financial instruments, and enter into various interest rate transactions, such as swaps, caps, floors or collars, or credit transactions and credit default swaps. We also may purchase derivative investments that combine features of these instruments. We generally seek to use these instruments as hedging strategies to seek to manage our effective interest rate exposure, including the dividends and interest paid on any Leverage Instruments issued or used by us, protect against possible adverse changes in the market value of securities held in or to be purchased for our portfolio, or otherwise protect the value of our portfolio. See Risk Factors Risks Related to Our Investments and Investment Techniques Derivatives Risk in the prospectus and Investment Policies in our SAI for a more complete discussion of these transactions and their risks.

We may also short sell Treasury securities to hedge our interest rate exposure. When shorting Treasury securities, the loss is limited to the principal amount that is contractually required to be repaid at maturity and the interest expense that must be paid at the specified times. See Risk Factors Risks Related to Our Investments and Investment Techniques Short Sales Risk.

Use of Arbitrage and Other Strategies. We may use various arbitrage and other strategies to try to generate additional return. As part of such strategies, we may engage in paired long-short trades to arbitrage pricing disparities in securities issued by MLPs or between MLPs and their affiliates; write (or sell) covered call options on the securities of MLPs or other securities held in our portfolio; or, purchase call options or enter into swap contracts to increase our exposure to MLPs; or sell securities short. Paired trading consists of taking a long position in one security and concurrently taking a short position in another security within the same company. With a long position, we purchase a stock outright; whereas with a short position, we would sell a security that we do not own and must borrow to meet our settlement obligations. We will realize a profit or incur a loss from a short position depending on whether the value of the underlying stock decreases or increases, respectively, between the time the stock is sold and when we replace the borrowed security. See Risk Factors Risks Related to Our Investments and Investment Techniques Short Sales Risk.

We may write (or sell) covered call options on the securities of MLPs or other securities held in our portfolio. We will not write uncovered calls. To increase our exposure to certain issuers, we may purchase call options or use swap agreements. We do not anticipate that these strategies will comprise a substantial portion of our investments. See Risk

Factors Risks Related to Our Investments and Investment Techniques Derivatives Risk.

36

We may engage in short sales. Our use of naked short sales of equity securities (*i.e.*, where we have no opposing long position in the securities of the same issuer) will be limited, so that, (i) measured on a daily basis, the market value of all such short sale positions does not exceed 10% of our total assets, and (ii) at the time of entering into any such short sales, the market value of all such short sale positions immediately following such transaction shall not exceed 5% of our total assets. See Risk Factors Risks Related to Our Investments and Investment Techniques Short Sales Risk.

Portfolio Turnover. We anticipate that our annual portfolio turnover rate will range between 10%-15%, but the rate may vary greatly from year to year. Portfolio turnover rate is not considered a limiting factor in Kayne Anderson s execution of investment decisions. The types of MLPs in which we intend to invest historically have made cash distributions to limited partners that would not be taxed as income to us in that tax year but rather would be treated as a non-taxable return of capital to the extent of our basis. As a result, the tax related to such distribution would be deferred until subsequent sale of our MLP units, at which time we would pay any required tax on capital gain. Therefore, the sooner we sell such MLP units, the sooner we would be required to pay tax on resulting capital gains, and the cash available to us to pay distributions to our common stockholders in the year of such tax payment would be less than if such taxes were deferred until a later year. In addition, the greater the number of such MLP units that we sell in any year, *i.e.*, the higher our turnover rate, the greater our potential tax liability for that year. These taxable gains may increase our current and accumulated earnings and profits, resulting in a greater portion of our common stock distributions being treated as dividend income to our common stockholders. In addition, a higher portfolio turnover rate results in correspondingly greater brokerage commissions and other transactional expenses that are borne by us. See Tax Matters.

USE OF LEVERAGE

We generally will seek to enhance our total returns through the use of financial leverage, which may include the issuance of Leverage Instruments. Under normal market conditions, our policy is to utilize our Borrowings and our preferred stock (each a Leverage Instrument and collectively Leverage Instruments) in an amount that represents approximately 30% of our total assets, including proceeds from such Leverage Instruments. However, based on market conditions at the time, we may use Leverage Instruments in amounts that represent greater than 30% leverage to the extent permitted by the 1940 Act. As of June 30, 2010, our Leverage Instruments represented approximately 26.5% of our total assets. Depending on the type of Leverage Instruments involved, our use of financial leverage may require the approval of our Board of Directors. Leverage creates a greater risk of loss, as well as potential for more gain, for our common stock than if leverage is not used. Our common stock is junior in liquidation and distribution rights to our Leverage Instruments. We expect to invest the net proceeds derived from any use of Leverage Instruments according to the investment objective and policies described in this prospectus.

Leverage creates risk for our common stockholders, including the likelihood of greater volatility of net asset value and market price of our common stock, and the risk of fluctuations in dividend rates or interest rates on Leverage Instruments which may affect the return to the holders of our common stock or will result in fluctuations in the distributions paid by us on our common stock. To the extent the return on securities purchased with funds received from Leverage Instruments exceeds their cost (including increased expenses to us), our total return will be greater than if Leverage Instruments had not been used. Conversely, if the return derived from such securities is less than the cost of Leverage Instruments (including increased expenses to us), our total return will be less than if Leverage Instruments had not been used, and therefore, the amount available for distribution to our common stockholders will be reduced. In the latter case, Kayne Anderson in its best judgment nevertheless may determine to maintain our leveraged position if it expects that the benefits to our common stockholders of so doing will outweigh the current reduced return.

The fees paid to Kayne Anderson will be calculated on the basis of our total assets including proceeds from Leverage Instruments. During periods in which we use financial leverage, the investment management fee payable to Kayne

Anderson may be higher than if we did not use a leveraged capital structure. Consequently,

Table of Contents

we and Kayne Anderson may have differing interests in determining whether to leverage our assets. Our Board of Directors monitors our use of Leverage Instruments and this potential conflict. The use of leverage creates risks and involves special considerations. See Risk Factors Additional Risks Related to Our Common Stock Leverage Risk to Common Stockholders.

The Maryland General Corporation Law authorizes us, without prior approval of our common stockholders, to borrow money. In this regard, we may obtain proceeds through Borrowings and may secure any such Borrowings by mortgaging, pledging or otherwise subjecting as security our assets. In connection with such Borrowings, we may be required to maintain minimum average balances with the lender or to pay a commitment or other fee to maintain a line of credit. Any such requirements will increase the cost of Borrowing over the stated interest rate.

Under the requirements of the 1940 Act, we, immediately after issuing any senior securities representing