Kayne Anderson MLP Investment CO
Form N-CSR
February 08, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM N-CSR
CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES
Investment Company Act file number 811-21593
Kayne Anderson MLP Investment Company
(Exact name of registrant as specified in charter)

717 Texas Avenue, Suite 3100, Houston, Texas	77002
(Address of principal executive offices)	(Zip code)

David Shladovsky, Esq.
KA Fund Advisors, LLC, 717 Texas Avenue, Suite 3100, Houston, Texas, 77002
(Name and address of agent for service)
Registrant s telephone number, including area code: (713) 493-2020
Date of fiscal year end: November 30, 2009
Date of reporting period: November 30, 2009

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

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Item 1. Reports to Stockholders.

The report of Kayne Anderson MLP Investment Company (the Registrant) to stockholders for the annual period ended November 30, 2009 is attached below.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS: This report contains forward-looking statements as defined under the U.S. federal securities laws. Generally, the words believe, expect, intend, estimate, anticipate, project, will and similar expressions identify forward-looking statements, which ge are not historical in nature. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to materially differ from the Company s historical experience and its present expectations or projections indicated in any forward-looking statements. These risks include, but are not limited to, changes in economic and

political conditions; regulatory and legal changes; MLP industry risk; leverage risk; valuation risk; interest rate risk; tax risk; and other risks discussed in the Company s filings with the SEC. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. The Company undertakes no obligation to update or revise any forward-looking statements made herein. There is no assurance that the Company s investment objectives will be attained.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
LETTER TO STOCKHOLDERS

January 26, 2010

Dear Fellow Stockholders:

What a difference a year makes! At the end of fiscal year 2008, we had witnessed the collapse of the credit markets, the disappearance of many of Wall Street s most prominent firms, the onset of a worldwide recession, and sharp declines in the overall capital markets, the energy markets and the MLP market. It was the worst year on record for the Alerian MLP index which declined an astonishing 39% in the twelve months ended November 30, 2008. While there were signs of improvement in January 2009, the market retreated again in February and March and retested the lows that were set in October and November of 2008. Quite fortunately, the picture at the end of fiscal year 2009 is remarkably different. The world economy shows signs of recovery. Commodity prices have strengthened, and futures prices for crude oil, natural gas and other energy commodities reflect expectations of a global economic recovery and higher worldwide demand for energy.

After retesting multi-year lows during the first calendar quarter of 2009, stock market performance for the last three quarters of the year was quite strong, which we believe was a reflection of increased confidence in an economic recovery and a desire on the part of investors to increase exposure to equities. The S&P 500 and the Dow Jones Industrial Average increased 22% and 17%, respectively, in the twelve months ended November 30, 2009. The performance of MLPs was even more impressive. As commodity prices increased and new capital became readily available, the MLP market staged an unprecedented recovery, with the Alerian MLP index delivering a total return of over 59% for the twelve months ended November 30, 2009. This represented the best annual performance ever by MLPs. Fortunately, this strong performance has continued into fiscal 2010, with the Alerian MLP index rising 11% between November 30, 2009 and January 25, 2010.

At the beginning of fiscal 2009, the MLP sector suffered from three major issues: low commodity prices, uncertain access to capital, and general investor caution towards owning equity securities. The recession resulted in lower demand for energy-related commodities, causing commodity prices to fall significantly from their peaks in July 2008. Peak to trough, crude oil prices fell by 77%, natural gas prices fell by 82%, and prices for natural gas liquids (NGLs) fell by 78%. Exploration and production (E&P) companies cut their capital expenditure budgets and shut in production as a result of weak commodity prices. Declining NGL prices squeezed processing margins for gathering and processing (G&P) MLPs. All this led to concerns that declining throughput, prices and margins would force certain MLPs to cut their distributions.

At the same time, access to the capital markets became extremely limited, making it difficult for certain MLPs to fund capital obligations for growth projects and increasing the risk that other MLPs would not be able to refinance their debt obligations when due. Virtually every MLP faced concerns regarding its ability to finance the capital expenditures required to fund growth projects or acquisitions, and in turn, its ability to sustain distribution increases.

As fiscal 2009 progressed, many of these fears were allayed as commodity prices rallied and operating fundamentals improved. Crude oil prices increased 128% from their lows of approximately $34 per barrel in mid-February to approximately $77 per barrel at November 30, 2009. This increase was driven primarily by strong demand for crude from rapidly growing economies like China and India and, to a lesser extent, a weaker U.S. dollar. Likewise, NGL prices increased almost two-fold as the price of a typical NGL basket increased from $0.59 per gallon at the start of the fiscal year to $1.09 per gallon at the end of the fiscal year.

Natural gas prices, on the other hand, declined consistently through the first nine months of the year. Unlike crude oil, natural gas is primarily a domestic product in terms of both supply and demand. Domestic natural gas demand was off substantially during 2009 due to the recession, weather and consumer conservation. Industrial demand declined as the recession led to lower levels of manufacturing activity. Residential demand declined as an unusually cool summer reduced the need for air conditioning and as consumers continued conservation efforts. On the supply side, production increased slightly during 2009 as the successful development of several shale plays more than offset the impact of significantly lower drilling activity during the year.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
LETTER TO STOCKHOLDERS

Despite the difficult operating environment, MLPs were, for the most part, able to preserve or even increase their cash distributions. This was in marked contrast to banks, other financial stocks and REITS the traditional sources of investment income which in many cases were forced to severely cut back or eliminate their dividends. While there were a number of MLPs that were forced to reduce or eliminate their distributions, these cuts were generally limited to commodity-sensitive Upstream MLPs and certain of the smaller G&P MLPs. Because most of the cuts were in the smaller MLPs, the average cash distribution for the MLP universe, on a market capitalization weighted basis, increased by 2.4% in fiscal 2009 despite these cuts.

MLPs access to the capital markets improved substantially as the year progressed. At the beginning of the year, only the large, diversified, fee-based, investment-grade MLPs could raise capital, and interest rates on new issuances of debt were significantly higher than historical norms. By the end of the year, however, a wide variety of MLPs ranging from investment grade names to the more commodity-price sensitive Upstream, G&P and Coal MLPs were able to raise capital. To our surprise, by the end of the year, $7 billion of equity and $11 billion of debt had been raised. In terms of follow-on public offerings, more capital was raised in 2009 than in any previous year. Also of note was a clear change in the use of proceeds as the year progressed: At the beginning of the year, MLPs raised money as a defensive measure to increase liquidity, but by the end of the year, they raised capital to fund growth projects that would drive distribution growth in 2010 and beyond.

Against this backdrop, MLP prices increased substantially and MLP yields began to return to long-term averages as investors sought yield securities and gained confidence in the MLP growth story. Given the substantial increase in MLP equity prices, we have spent a great deal of time analyzing current valuation levels of MLPs. While MLP valuation levels are significantly higher than a year ago, we believe they remain slightly undervalued relative to historical norms. In coming to this conclusion, we compare current MLP valuations to historical levels using metrics such as absolute yields for MLPs, as well as MLP yields relative to certain fixed income benchmarks.

The yield for the Alerian MLP index was 7.9% as of November 30, 2009 which is 57 basis points above the five-year average of 7.3%. Of note, before the onset of the financial crisis in September 2008, MLP yields had averaged 6.6% for the preceding five-year period and were lower than current levels for over 95% of that period. The yield spreads between the Alerian MLP index and other fixed income indices have narrowed as well, but they remain higher than historical averages. For example, the spreads between the yield on the Alerian MLP Index and the 10-year Treasury and Baa bonds were 467 bps and 167 bps, respectively, as of our fiscal year end. This compares to an average spread of 219 bps and 11 bps for the five-year period before the global financial crisis unfolded in September 2008. This information supports our belief that many MLPs are trading at modest discounts to fair value.

2009 Performance

Our stock price performance reflected the very strong performance of the underlying MLP sector, with the $24.43 per share closing price on November 30, 2009 more than double the $11.12 per share closing price on December 1, 2008. Likewise, our performance in terms of Net Asset Value was very strong, with Net Asset Value increasing from $14.74 per share on November 30, 2008 to $20.13 per share on November 30, 2009.

One of the measures we employ to evaluate our performance is Net Asset Value Return, which is to the sum of the change in net asset value per share plus the distributions paid during the period being measured, assuming reinvestment in our dividend reinvestment program. During fiscal 2009, our Net Asset Value Return was 51.7%.

Much of our performance this year was attributable to a decision we made in the first quarter to maintain our exposure to the G&P MLPs, even though this sector had been one of the worst performers in late 2008 and early 2009. Instead, we chose to focus on those gathering and processing names we believed had the most potential for stabilizing their operations and recovering in value. Our decision proved to be a wise one, as an index of 10 G&P MLPs increased by 157% during calendar 2009.

On the negative side, as a result of distribution cuts at certain of our portfolio companies, we were forced to reduce our quarterly distribution in the first fiscal quarter from $0.50 per share to $0.48 per share, a reduction of 4%. We have maintained the $0.48 per share distribution in each of the last four quarters.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
LETTER TO STOCKHOLDERS

2010 Outlook

In many ways we expect 2010 to be a return to normal. With improved access to the capital markets, MLPs are once again focusing on acquisitions and growth projects that we expect, over time, will lead to distribution increases. Valuations have returned to more normalized levels, and we expect low double-digit total returns for MLPs over both the short term and long term. We also expect the IPO market to return with a flurry of deals in 2010, and expect the asset quality of these new deals to be higher and the valuations to be more reasonable than some of the deals completed in 2007 and early 2008.

Going forward, we believe that new energy infrastructure development will provide long-term growth for the MLP sector. Production in new basins especially the Haynesville Shale in Louisiana, the Marcellus Shale in Pennsylvania and the Eagle Ford Shale and Barnett Shale in Texas will drive the construction of new energy infrastructure to transport this natural gas to major population centers. We also expect to see the continued expansion of infrastructure to bring natural gas out of the Rocky Mountains and to bring crude oil produced from Canadian oil sands to U.S. refineries that can handle heavy crude oil.

As growth activity for MLPs increases, we anticipate that new investment opportunities will arise. We have completed two follow-on equity offerings over the last five months to ensure we have capital to allocate to attractive investments. While the majority of such opportunities over the past year was in the form of follow-on public offerings, we anticipate that during fiscal 2010 we will have the opportunity to provide capital to MLPs on a privately negotiated basis. These transactions will likely call for creative financial solutions to satisfy MLP capital needs in specific situations where the public markets are not available or not appropriate and should provide opportunities to generate attractive rates of returns.

In December 2009, we announced that our Board of Directors is actively considering refinancing alternatives for the Series D Auction Rate Preferred Stock (ARP Shares). We and our Board of Directors continue to explore alternatives for the repurchase or redemption of the ARP Shares. It is our goal to repurchase or redeem the ARP Shares during 2010, but in order accomplish that goal we must develop a solution that balances the interests of both common and preferred shareholders.

We look forward to continuing to execute on our business plan of achieving high after-tax total returns by investing in MLPs and other midstream energy companies. We invite you to visit our website at *www.kaynefunds.com* for the latest updates.

Sincerely,

Kevin S. McCarthy
Chairman of the Board of Directors,
President and Chief Executive Officer

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KAYNE ANDERSON MLP INVESTMENT COMPANY
PORTFOLIO SUMMARY
FOR THE FISCAL YEARS ENDED
(UNAUDITED)
Portfolio Investments by Category *

November 30, 2009 **November 30, 2008**

* *As a percentage of total investments*

Top 10 Holdings by Issuer

Holding	Sector	Percent of Total Investments as of November 30, 2009	2008
1. Plains All American Pipeline, L.P.	Midstream MLP	9.1%	10.7%
2. Magellan Midstream Partners, L.P.	Midstream MLP	7.9	8.1
3. Enterprise Products Partners L.P.	Midstream MLP	7.7	8.6
4. Inergy, L.P.	Propane MLP	6.8	5.3
5. Kinder Morgan Management, LLC	MLP Affiliates	6.0	8.9
6. MarkWest Energy Partners, L.P.	Midstream MLP	5.3	3.1
7. Energy Transfer Partners, L.P.	Midstream MLP	4.8	11.2
8. Copano Energy L.L.C.	Midstream MLP	4.5	4.6
9. Energy Transfer Equity, L.P.	General Partner MLP	4.4	
10. Enbridge Energy Partners, L.P.	Midstream MLP	4.2	3.9

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KAYNE ANDERSON MLP INVESTMENT COMPANY
MANAGEMENT DISCUSSION
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2009

This discussion contains forward-looking statements and good faith estimates. The reader is referred to the disclosure on such matters at the beginning of this annual report.

Overview

Kayne Anderson MLP Investment Company (the Company) is a non-diversified, closed-end management investment company. The Company s investment objective is to obtain a high after-tax total return by investing at least 85% of its total assets in energy-related master limited partnerships (MLPs) and their affiliates, 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).

The Company invests principally in equity securities of (i) energy-related MLPs, (ii) owners of such interests in MLPs (MLP Affiliates), and (iii) other Midstream Energy Companies. The Company may, from time to time, invest in debt securities of MLPs and other Midstream Energy Companies.

At November 30, 2009, the Company s long-term investments were as follows:

Category	Number of Portfolio Companies	Amount ($ in 000s)	Percentage of Long-Term Investments
Equity			
MLP	44	$ 1,432,379	90.1%
MLP Affiliate	2	126,547	8.0
Total Equity	46	1,558,926	98.1
Debt			
MLP	5	30,973	1.9
Total	51	$ 1,589,899	100.0%

As a limited partner in the MLPs, the Company reports its allocable share of the MLP s taxable income in computing its own taxable income. During the year ended November 30, 2009 (fiscal 2009), the Company estimated that taxable income associated with its ownership in MLPs was equal to 10% of the distributions received from such MLPs. As a result, the Company estimated that 90% of the MLP distributions will be treated as a return of capital for tax purposes. For financial reporting purposes, the Company reflects its MLP distributions net of the return of capital portion. As a result, only 10% of the cash distributions from MLPs received during fiscal 2009 are included in investment income. The remaining 90% of distributions from MLPs that are treated as a return of capital are reflected as a reduction in the cost basis of the Company s portfolio securities, which has the effect of increasing realized and unrealized gains by that same amount.

Financial Review

During fiscal 2009, the Company had a net increase in net assets resulting from operations of $335.2 million before dividends to preferred stockholders of $0.5 million. The components of this increase are (i) a net investment loss of $15.4 million ($24.4 million before taxes), (ii) net realized losses of $18.4 million ($29.2 million before taxes) and (iii) net change in unrealized gains of $369.0 million ($586.0 million before taxes).

The Company incurred a net investment loss (before taxes) of $24.4 million during fiscal year 2009. This consisted of net dividends and distributions from MLPs and other Midstream Energy Companies of $12.3 million, which was after

the deduction of $90.0 million of cash dividends and distributions received by the Company that were treated as a return of capital. Interest income on investments and repurchase agreements was $2.1 million. Expenses were $38.8 million, including $16.0 million of investment management fees and $19.4 million of interest expense. Investment management fees were equal to an annual rate of 1.375% of average total assets.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
MANAGEMENT DISCUSSION
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2009

Net realized losses (before taxes) during fiscal 2009 were $29.2 million, consisting of realized losses on investments of $10.7 million, $1.8 realized losses on options and $16.7 million of payments pursuant to interest rate swap contracts (including $14.4 million related to termination of certain contracts). The majority of these contracts were terminated in order to reduce the fixed interest rate paid by the Company. Payments made or received pursuant to those swap contracts are not reflected in interest expense, but are reflected as realized gains or losses. During fiscal 2009, the Company s portfolio turnover rate was 28.9%, which reflects its sale of long-term investments, compared to average market value of its long-term investments during the year.

Net change in unrealized gains (before taxes) during fiscal 2009 was $586.0 million, including unrealized gains on investments of $577.6 million and an increase in the mark-to-market value of the interest rate swap contracts of $8.7 million.

The Company is taxed as a corporation for federal and state income tax purposes. As a result, the Company records income tax expense or benefit based on the investment income (loss) and realized gains (losses). Similarly, the Company records an income tax expense (benefit) based on the unrealized gains (losses), which are equal to the difference between the current market value of its assets and liabilities compared to the tax basis of those assets and liabilities. At November 30, 2009, the Company was in a net operating loss position that results in its income taxes being deferred. During fiscal 2009, the Company recorded a deferred tax benefit of $9.0 million attributable to its net investment loss; a deferred tax benefit of $10.8 million attributable to its realized losses; and a deferred tax expense of $217 million attributable to its unrealized gains. The Company s taxes were computed based on an effective tax rate of approximately 37% for the fiscal year ended November 30, 2009.

On August 5, 2009, the Company issued 6,223,700 shares of common stock in a public offering. Net proceeds from the offering of approximately $121 million were used to make new portfolio investments.

On November 4, 2009, the Company completed a $110 million private placement of Senior Notes and redeemed $20 million Series H Senior Unsecured Note, $24 million Series J Senior Unsecured Note and repaid $64 million borrowed under the credit facility.

As of November 30, 2009, the Company had one interest rate swap contract with a notional amount of $125 million with a fixed rate of 0.99% and duration of 2 years. Under this contract, the Company pays a fixed rate of interest and receives a floating rate of interest based on the London Interbank Offered Rate (LIBOR).

As of November 30, 2009, the Company had no outstanding borrowings on its $80 million revolving credit facility.

Distributions

The Company paid quarterly distributions totaling $89.6 million or $1.94 per share to its common stockholders during fiscal 2009. Payment of future distributions is subject to board approval, as well as meeting the covenants of the Company s senior debt and the asset coverage requirements of the Investment Company Act of 1940, as amended (the 1940 Act).

Recent Events

On January 15, 2010, the Company paid a distribution to its common stockholders in the amount of $0.48 per share, for a total of $24.8 million. Of this total, $5.6 million was reinvested into the Company, pursuant to the Company s dividend reinvestment plan. In connection with that reinvestment, 247,503 shares of common stock were issued.

On January 20, 2010 the Company issued 6,291,600 shares of common stock in a public offering. Net proceeds from the offering of approximately $142 million will be used to make additional portfolio investments in accordance with the Company s investment objective and policies and for general corporate purposes.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
SCHEDULE OF INVESTMENTS
NOVEMBER 30, 2009
(amounts in 000 s, except number of option contracts)

Description	No. of Shares/Units	Value
Long-Term Investments 153.1%		
Equity Investments(a) 150.1%		
Midstream MLP(b) 107.0%		
Boardwalk Pipeline Partners, LP	329	$ 9,293
Buckeye Partners, L.P.	738	38,880
Copano Energy, L.L.C.(c)	3,476	70,209
Crosstex Energy, L.P.(d)	3,084	18,502
DCP Midstream Partners, LP	786	19,765
Duncan Energy Partners L.P.	429	9,639
El Paso Pipeline Partners, L.P.	643	15,232
Enbridge Energy Partners, L.P.(c)	1,373	67,687
Energy Transfer Partners, L.P.(c)	1,760	76,195
Enterprise Products Partners L.P.	4,110	122,425
Exterran Partners, L.P.	1,001	19,342
Global Partners LP	1,318	30,956
Holly Energy Partners, L.P.	402	14,771
Magellan Midstream Partners, L.P.(c)	3,069	126,120
MarkWest Energy Partners, L.P.	3,210	82,326
Martin Midstream Partners L.P.	341	8,970
ONEOK Partners, L.P.	657	38,586
Plains All American Pipeline, L.P.(e)	2,876	145,545
Quicksilver Gas Services LP	323	6,773
Regency Energy Partners LP	2,820	56,209
Spectra Energy Partners, LP	304	8,416
Targa Resources Partners LP	478	9,548
TC PipeLines, LP	814	29,475
TransMontaigne Partners L.P.	283	7,350
Western Gas Partners, LP	785	15,254
Williams Partners L.P.(c)	1,757	49,455
Williams Pipeline Partners L.P.	644	14,062
		1,110,985
General Partner MLP(b) 12.8%		
Alliance Holdings GP L.P.	680	16,386
Energy Transfer Equity, L.P.	2,398	70,737
Enterprise GP Holdings L.P.	1,169	43,254
Inergy Holdings, L.P.	49	2,641
		133,018

MLP Affiliates(b) 12.2%		
Enbridge Energy Management, L.L.C.(f)	639	31,186
Kinder Morgan Management, LLC(c)(f)	1,897	95,361
		126,547

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
SCHEDULE OF INVESTMENTS
NOVEMBER 30, 2009
(amounts in 000 s, except number of option contracts)

Description				No. of Shares/Units	Value
Propane MLP 10.5%					
Inergy, L.P.				3,297	$ 108,986
Shipping MLP 6.0%					
Capital Product Partners L.P.				895	6,782
K-Sea Transportation Partners L.P.				635	6,620
Navios Maritime Partners L.P.				976	13,815
Teekay LNG Partners L.P.				946	23,034
Teekay Offshore Partners L.P.				700	12,516
					62,767
Coal MLP 0.7%					
Alliance Resource Partners, L.P.				83	3,262
Natural Resources Partners L.P.				78	1,851
Penn Virginia Resource Partners, L.P.				98	1,905
					7,018
Upstream MLP 0.4%					
Legacy Reserves LP				230	4,075
Other MLP 0.5%					
Calumet Specialty Products Partners, L.P.				308	5,530
Total Equity Investments (Cost $1,196,528)					1,558,926
	Interest Rate	**Maturity Date**		**Principal Amount**	
Energy Debt Investments 3.0%					
Upstream MLP(b) 1.9%					
Atlas Energy Resources, LLC	12.13%	8/1/17	$	9,000	10,058
Atlas Energy Resources, LLC	10.75	2/1/18		8,747	9,512
					19,570

Midstream MLP 0.7%				
Copano Energy, L.L.C.	7.75	6/1/18	1,800	1,791
Copano Energy, L.L.C.	8.13	3/1/16	500	500
MarkWest Energy Partners, L.P.	6.88	11/1/14	2,000	1,860
Regency Energy Partners LP	9.38	6/1/16	3,000	3,172
				7,323
Coal MLP 0.4%				
Clearwater Natural Resources, LP(d)(g)(h)	(i)	12/3/09	13,601	4,080
Total Energy Debt Investments (Cost $37,257)				30,973
Total Long-Term Investments (Cost $1,233,785)				1,589,899

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
SCHEDULE OF INVESTMENTS
NOVEMBER 30, 2009
(amounts in 000 s, except number of option contracts)

Description	Interest Rate	Maturity Date	Value
Short-Term Investment 0.6%			
Repurchase Agreement 0.6%			
J.P. Morgan Securities Inc. (Agreement dated 11/30/09 to be repurchased at $6,340), collateralized by $6,448 in U.S. Treasury note (Cost $6,340)	0.07%	12/1/09	$ 6,340

	No. of Contracts	
Put Option Contracts Purchased 0.0%(d)		
Midstream MLP		
Copano Energy, L.L.C., put option expiring 12/19/09 @ $17.50 (Cost $89)	1,386	14
Total Short-Term Investments (Cost $6,429)		6,354
Total Investments 153.7% (Cost $1,240,214)		1,596,253
Liabilities		
Option Contracts Written(d)		
Midstream MLP		
Copano Energy, L.L.C., call option expiring 12/19/09 @ $20.00	1,000	(50)
Enbridge Energy Partners, L.P., call option expiring 12/19/09 @ $50.00	1,000	(50)
Energy Transfer Partners, L.P., call option expiring 12/19/09 @ $45.00	1,000	(20)
Magellan Midstream Partners, L.P., call option expiring 12/19/09 @ $40.00	1,000	(110)
Williams Partners L.P., call option expiring 12/19/09 @ $25.00	3,000	(1,161)
Total Call Option Contracts Written (Premiums Received $584)		(1,391)
Senior Unsecured Notes		(370,000)
Unrealized Depreciation on Interest Rate Swap Contracts		(205)
Deferred Tax Liability		(97,721)
Other Liabilities		(18,824)
Total Liabilities		(488,141)
Other Assets		5,165
Total Liabilities in Excess of Other Assets		(482,976)
Preferred Stock at Redemption Value		(75,000)

Net Assets Applicable to Common Stockholders	$ 1,038,277

(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 or interest rate swap contracts.

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
SCHEDULE OF INVESTMENTS
NOVEMBER 30, 2009
(amounts in 000 s, except number of option contracts)

(d) Security is non-income producing.

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

(f) Distributions are paid in-kind.

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

(h) Clearwater Natural Resources, LP is a privately-held MLP that the Company believes is a controlled affiliate. On January 7, 2009, Clearwater Natural Resources, LP (Clearwater) filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code. 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 November 30, 2009. 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 November 30, 2009, and believes it is a controlled affiliate. See Notes 3, 5, 7 and 15.

(i) Floating rate unsecured working capital term loan. Interest is paid-in-kind at a rate of the higher of (i) one year LIBOR or (ii) 4.75%, plus 900 basis points (13.75% as of November 30, 2009). As

described in
Note 2(i), the
Company is not
accruing interest
on this
investment.

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
STATEMENT OF ASSETS AND LIABILITIES
NOVEMBER 30, 2009
(amounts in 000 s, except share and per share amounts)

ASSETS	
Investments at fair value:	
Non-affiliated (Cost $1,064,894)	$ 1,440,274
Affiliated (Cost $81,258)	145,545
Controlled (Cost $87,633)	4,080
Put option contracts purchased (Cost $89)	14
Repurchase agreement (Cost $6,340)	6,340
Total investments (Cost $1,240,214)	1,596,253
Deposits with brokers	553
Receivable for securities sold	770
Interest, dividends and distributions receivable	894
Income tax receivable	63
Deferred debt issuance costs and other, net	2,885
Total Assets	1,601,418
LIABILITIES	
Payable for securities purchased	5,528
Investment management fee payable	4,980
Accrued directors fees and expenses	44
Call option contracts written (Premiums received $584)	1,391
Accrued expenses and other liabilities	8,272
Unrealized depreciation on interest rate swap contracts	205
Deferred tax liability	97,721
Senior Unsecured Notes	370,000
Total Liabilities	488,141
PREFERRED STOCK	
$25,000 liquidation value per share applicable to 3,000 outstanding shares (10,000 shares authorized)	75,000
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS	$ 1,038,277
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS CONSIST OF	
Common stock, $0.001 par value (51,579,541 shares issued and outstanding, 199,990,000 shares authorized)	$ 52
Paid-in capital	884,907
Accumulated net investment loss, net of income taxes, less dividends	(119,508)
Accumulated realized gains on investments and interest rate swap contracts, net of income taxes	51,122

Net unrealized gains on investments and interest rate swap contracts, net of income taxes		221,704
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS	$	1,038,277
NET ASSET VALUE PER COMMON SHARE	$	20

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
STATEMENT OF OPERATIONS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2009
(amounts in 000 s)

INVESTMENT INCOME	
Income	
Dividends and distributions:	
Non-affiliated investments	$ 91,837
Affiliated investments	10,420
Total dividends and distributions	102,257
Return of capital	(89,987)
Net dividends and distributions	12,270
Interest	
Non-affiliated investments	1,938
Controlled investments, net of $779 of bad debt expense	176
Total interest	2,114
Total Investment Income	14,384
Expenses	
Investment management fees	16,040
Professional fees	925
Administration fees	598
Reports to stockholders	246
Insurance	225
Directors fees	190
Custodian fees	174
Other expenses	1,021
Total Expenses Before Interest Expense and Taxes	19,419
Interest expense	19,400
Total Expenses Before Taxes	38,819
Net Investment Loss Before Taxes	(24,435)
Deferred tax benefit	9,047
Net Investment Loss	(15,388)
REALIZED AND UNREALIZED GAINS/(LOSSES)	
Net Realized Gains/(Losses)	
Investments	(10,715)

Options	(1,815)
Payments on interest rate swap contracts	(16,736)
Deferred tax benefit	10,835
Net Realized Losses	(18,431)
Net Change in Unrealized Gains/(Losses)	
Investments	577,587
Options	(282)
Interest rate swap contracts	8,672
Deferred tax expense	(216,950)
Net Change in Unrealized Gains	369,027
Net Realized and Unrealized Gains	350,596
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	335,208
DISTRIBUTION TO PREFERRED STOCKHOLDERS	(539)
NET INCREASE IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM OPERATIONS	$ 334,669

See accompanying notes to financial statements.

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

	For the Fiscal Year Ended November 30, 2009	2008
OPERATIONS		
Net investment loss, net of tax	$ (15,388)	$ (31,676)
Net realized losses, net of tax	(18,431)	(628)
Net change in unrealized gains/(losses), net of tax	369,027	(549,121)
Net Increase/(Decrease) in Net Assets Resulting from Operations	335,208	(581,425)
DIVIDENDS/DISTRIBUTIONS TO PREFERRED STOCKHOLDERS[1]		
Dividends		
Distributions return of capital	(539)	(4,176)
Dividends/Distributions to Preferred Stockholders	(539)	(4,176)
DIVIDENDS/DISTRIBUTIONS TO COMMON STOCKHOLDERS[1]		
Dividends		
Distributions return of capital	(89,586)	(86,757)
Dividends/Distributions to Common Stockholders	(89,586)	(86,757)
CAPITAL STOCK TRANSACTIONS		
Proceeds from common stock public offerings of 6,223,700 shares of common stock	126,030	
Underwriting discounts and offering expenses associated with the issuance of common stock	(5,524)	
Issuance of 1,179,655 and 950,637 shares of common stock from reinvestment of distributions, respectively	21,532	23,484
Net Increase in Net Assets Applicable to Common Stockholders from Capital Stock Transactions	142,038	23,484
Total Increase/(Decrease) in Net Assets Applicable to Common Stockholders	387,121	(648,874)
NET ASSETS ATTRIBUTABLE TO COMMON STOCKHOLDERS		
Beginning of year	651,156	1,300,030
End of year	$ 1,038,277	$ 651,156

(1) The information presented in each of these items is a characterization of a portion of the total dividends and distributions paid to preferred and common stockholders for the fiscal years ended November 30, 2009 and 2008 as either dividends (ordinary income) or distributions (return of capital). This characterization is based on the Company s earnings and profits.

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2009
(amounts in 000 s)

CASH FLOWS FROM OPERATING ACTIVITIES	
Net increase in net assets resulting from operations	$ 335,208
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Net deferred tax expense	197,068
Return of capital distributions	89,987
Net realized losses	29,266
Unrealized gains on investments, interest rate swap contracts and options written	(585,977)
Accretion of bond discount, net	(240)
Purchase of investments	(552,147)
Proceeds from sale of investments	332,219
Proceeds from sale of short-term investments, net	21,328
Sale of option contracts, net	5,636
Decrease in deposits with brokers	1,762
Decrease in receivable for securities sold	1,749
Increase in interest, dividend and distributions receivable	(212)
Decrease in income tax receivable	669
Decrease in deferred debt issuance costs and other, net	805
Increase in payable for securities purchased	5,499
Increase in investment management fee payable	352
Decrease in accrued directors fees and expenses	(8)
Increase in accrued expenses and other liabilities	109
Net Cash Used in Operating Activities	(116,927)
CASH FLOWS FROM FINANCING ACTIVITIES	
Issuance of shares of common stock, net of offering costs	120,506
Proceeds from issuance of senior unsecured notes	110,000
Redemption of senior unsecured notes	(44,000)
Payment of debt issuance costs	(986)
Cash distributions paid to preferred stockholders	(539)
Cash distributions paid to common stockholders	(68,054)
Net Cash Provided by Financing Activities	116,927
NET CHANGE IN CASH	
CASH BEGINNING OF YEAR	
CASH END OF YEAR	$

Supplemental disclosure of cash flow information:
Non-cash financing activities not included herein consist of reinvestment of distributions of $21,532 pursuant to the Company s dividend reinvestment plan.

During the fiscal year ended November 30, 2009, the Company received federal and state income tax refunds of $669 and interest paid was $18,733.

See accompanying notes to financial statements.

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

	For the 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	$ 14.74	$ 30.08	$ 28.99	$ 25.07	$ 23.91	$ 23.70[3]
Net investment income/(loss)	(0.33)	(0.73)	(0.73)	(0.62)	(0.17)	0.02
Net realized and unrealized gain/(loss) on investments, securities sold short, options and interest rate swap contracts	7.50	(12.56)	3.58	6.39	2.80	0.19
Total income from investment operations	7.17	(13.29)	2.85	5.77	2.63	0.21
Preferred Stockholder Dividends [4]			(0.10)		(0.05)	
Preferred Stockholder Distributions return of capital [4]	(0.01)	(0.10)		(0.10)		
Total dividends and distributions Preferred Stockholders	(0.01)	(0.10)	(0.10)	(0.10)	(0.05)	
Common Stockholder Dividends [4]			(0.09)		(0.13)	
Common Stockholder Distributions return of capital [4]	(1.94)	(1.99)	(1.84)	(1.75)	(1.37)	
	(1.94)	(1.99)	(1.93)	(1.75)	(1.50)	

Total dividends and distributions Common Stockholders						
Underwriting discounts and offering costs on the issuance of preferred stock					(0.03)	
Anti-dilutive effect due to issuance of common stock, net of underwriting discounts and offering costs	0.12		0.26		0.11	
Anti-dilutive effect due to shares issued in reinvestment of dividends	0.05	0.04	0.01			
Total capital stock transactions	0.17	0.04	0.27		0.08	
Net asset value, end of period	$ 20.13	$ 14.74	$ 30.08	$ 28.99	$ 25.07	$ 23.91
Market value per share of common stock, end of period	$ 24.43	$ 13.37	$ 28.27	$ 31.39	$ 24.33	$ 24.90
Total investment return based on common stock market value[5]	103.0%	(48.8)%	(4.4)%	37.9%	3.7%	(0.4)%
Supplemental Data and Ratios[7]						
Net assets applicable to common stockholders, end of period	$ 1,038,277	$ 651,156	$ 1,300,030	$ 1,103,392	$ 932,090	$ 792,836
Ratio of Expenses to Average Net Assets[8]						
Management fees	2.1%	2.2%	2.3%	3.2%	1.2%	0.8%
Other expenses	0.4	0.3	0.2	0.2	0.3	0.4
Subtotal	2.5%	2.5%	2.5%	3.4%	1.5%	1.2%
Interest expense and auction agent fees	2.5	3.4	2.3	1.7	0.8	0.0
Income tax expense/(benefit)	25.4	(29.7)	3.5	13.8	6.4	3.5
Total expenses	30.4%	(23.8)%	8.3%	18.9%	8.7%	4.7%

Ratio of net investment income/(loss) to average net assets	(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	43.2%	(51.2)%	7.3%	21.7%	10.0%	0.9%
Portfolio turnover rate	28.9%	6.7%	10.6%	10.0%	25.6%	11.8%
Average net assets	$ 774,999	$ 1,143,192	$ 1,302,425	$ 986,908	$ 870,672	$ 729,280
Senior Notes outstanding, end of period	$ 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.

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

	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[11]						
Auction Rate Preferred Stock, end of period	$ 75,000	$ 75,000	$ 75,000	$ 75,000	$ 75,000	
Asset coverage of total debt[9]	400.9%	338.9%	328.4%	449.7%	487.3%	
Asset coverage of total leverage (Debt and Preferred Stock)[10]	333.3%	271.8%	292.0%	367.8%	378.2%	
Average amount of borrowings outstanding per share of common stock during the period[2]	$ 6.79	$ 11.52	$ 12.14	$ 8.53	$ 5.57	

(1) Commencement of operations.

(2) Based on average shares of common stock outstanding of 46,894,632; 43,671,666; 41,134,949; 37,638,314; 34,077,731 and 33,165,900 for fiscal years ended November 30, 2009 through 2005 and the period September 28,

2004 through November 30, 2004.

(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 is a 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 assumed 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) The following table sets forth the components of the Company s ratio of expenses to average total assets for each period presented in the Company s Financial Highlights.

	For the Fiscal Year Ended November 30,					For the Period September 28, 2004[1] through November 30,
	2009	**2008**	**2007**	**2006**	**2005**	**2004**
Management fees	1.3%	1.4%	1.4%	2.0%	0.9%	0.7%
Other expenses	0.3	0.2	0.2	0.2	0.3	0.4
Subtotal	1.6%	1.6%	1.6%	2.2%	1.2%	1.1%
Interest expense and auction agent fees	1.5	2.1	1.3	1.1	0.6	0.0

Income tax expense/(benefit)	15.8	(18.5)	2.2	8.9	5.0	3.3
Total expenses	18.9%	(14.8)%	5.1%	12.2%	6.8%	4.4%
Average total assets	$ 1,245,442	$ 1,841,311	$ 2,105,217	$ 1,520,322	$ 1,137,399	$ 778,899

See accompanying notes to financial statements.

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

(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) and section 18(a)(2)(B) 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.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2009
(amounts in 000 s, except option contracts, share and per share amounts)

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 at 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. *Subsequent Events* As required by the Subsequent Events Topic of the FASB Accounting Standards Codification, the Company has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the Statement of Assets and Liabilities. For nonrecognized subsequent events that must be disclosed to keep the financial statements from being misleading, the Company will disclose the nature of the event as well as an estimate of its financial effect, or a statement that such an estimate cannot be made. In addition, the Company will disclose the date through which the subsequent events have been evaluated. Management has evaluated any matters requiring such disclosure through the date when such financial statements were issued and has noted no such events. Subsequent events after such date have not been evaluated with respect to the impact on such financial statements.

C. *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.

D. *Investment Valuation* Readily marketable portfolio securities listed on any exchange other than the NASDAQ Stock Market, Inc. (NASDAQ) are valued, except as indicated below, at the last sale price on the business day as of which such value is being determined. If there has been no sale on such day, the securities are valued at the mean of the most recent bid and asked 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.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2009
(amounts in 000 s, except option contracts, share and per share amounts)

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

The Company holds securities that are privately issued or otherwise restricted as to resale. For these securities, as well as any other portfolio security held by the Company for which reliable market quotations are not readily available, valuations are determined in a manner that most fairly reflects fair value of the security on the 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 market 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 November 30, 2009, the Company held 0.4% of its net assets applicable to common stockholders (0.3% of total assets) in securities valued at fair value, as determined pursuant to procedures adopted by the Board of Directors, with fair value of $4,080. See Note 7 Restricted Securities.

E. *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.

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KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2009
(amounts in 000 s, except option contracts, share and per share amounts)

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

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 November 30, 2009, the Company had no open short sales.

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

H. *Return of Capital Estimates* Distributions received from the Company s investments in MLPs 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.

For the fiscal year ended November 30, 2009, the Company estimated that 90% of the MLP distributions received would be treated as a return of capital. The Company recorded as return of capital the amount of $89,987 of dividends and distributions received from its investments. Included in this amount is a decrease of $1,010 attributed to 2008 tax reporting information received by the Company in fiscal 2009. The tax reporting information is used to adjust the Company s prior year return of capital estimate. This resulted in an equivalent reduction in the cost basis of the associated MLP investments. Net Realized Losses and Net Change in Unrealized Gains in the accompanying Statement of Operations were decreased and increased by $34,905 and $55,082, respectively, attributable to the recording of such dividends and distributions as reduction in the cost basis of investments.

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

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 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.

During the fiscal year ended November 30, 2009, the Company recorded $955 in interest income related to its investment in Clearwater Natural Resources, LP (Clearwater). During third quarter 2009, the Company established a full reserve of $779 which represented past due interest accrued from January 1, 2009 to May 31, 2009. The Company received a payment-in-kind note for interest accrued from December 1, 2008 through December 31, 2008. These additional notes received by the Company are included in the Schedule of Investments at fair value. Since the second quarter of 2009, the Company has not accrued interest income on its investment in Clearwater. See Note 15

Subsequent Events.

KAYNE ANDERSON MLP INVESTMENT COMPANY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2009
(amounts in 000 s, except option contracts, share and per share amounts)

During the fiscal year ended November 30, 2009, the Company received $10,052 paid-in-kind stock dividends in total from Enbridge Energy Management, L.L.C. and Kinder Morgan Management, LLC. Paid-in-kind stock dividends 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 upon receipt.

J. *Distributions to Stockholders* Distributions to common stockholders are recorded on the ex-dividend date. Distributions to stockholders of the Company s auction rate preferred stock are accrued on a daily basis and are determined as described in Note 12 Preferred Stock. 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, it may differ from the preliminary estimates.

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

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

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

The Company s policy is to classify interest and penalties associated with underpayment of federal and state income taxes, if any, as income tax expense on its Statement of Operations. As of November 30, 2009, 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.

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

Interest rate swap contracts. The Company uses 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 or cap defaults, the Company would not be able to use the anticipated net receipts under the interest rate swap or cap 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.

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

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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 November 30, 2009. 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	$ 1,558,926	$ 1,558,926	$	$
Equity debt investments	30,973		26,893	4,080
Option contracts purchased	14		14	
Repurchase agreement	6,340		6,340	
Total assets at fair value	$ 1,596,253	$ 1,558,926	$ 33,247	$ 4,080
Liabilities at Fair Value				
Unrealized depreciation on interest rate swaps	$ 205		$ 205	
Option contracts written	1,391		1,391	
Total liabilities at fair value	$ 1,596		$ 1,596	

(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.

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The following table presents the Company s assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period ended November 30, 2009.

Assets at Fair Value Using Unobservable Inputs (Level 3)	**Long-Term Investments**
Balance November 30, 2008	$ 32,987
Transfers out of Level 3	
Realized gains/(losses)	
Unrealized losses, net	(28,907)
Purchases, issuances or settlements	
Balance November 30, 2009	$ 4,080

The $28,907 of unrealized losses presented in the table above relate to investments that are still held at November 30, 2009 and the Company includes these unrealized losses 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 November 30, 2009 and at November 30, 2008.

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.

5. Agreements and Affiliations

A. *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, 2009, 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 fiscal year ended November 30, 2009, the Company paid management fees at an annual rate of 1.375% of average total assets.

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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.

B. *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.

Clearwater Natural Resources, LP At November 30, 2009, 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.

CNR GP Holdco, LLC At November 30, 2009, the Company held an 83.7% interest in CNR GP Holdco, LLC (CNR), which is the general partner of Clearwater. The Company believes that it controls and is an affiliate of CNR under the 1940 Act by virtue of its controlling interest.

On January 7, 2009, 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. On January 12, 2010, Clearwater closed on the sale of substantially all of its reserves and operating assets. See Note 15 Subsequent Events for more detail.

Plains All American, L.P. Robert V. Sinnott is a senior executive 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 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. The Company

believes that it is an affiliate of Plains All American Pipeline, L.P. under the 1940 Act.

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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 November 30, 2009 are as follows:

Deferred tax assets:	
Net operating loss carryforwards	$ 56,994
Capital loss carryforwards	50,650
Other	105
Deferred tax liabilities:	
Net unrealized gains on investment securities, interest rate swap contracts and option contracts	(198,307)
Basis reductions resulting from estimated return of capital	(7,163)
Total net deferred tax liability	$ (97,721)

At November 30, 2009, the Company had federal net operating loss carryforwards of $155,312 (deferred tax asset of $52,622). 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, $54,194; $52,182; $26,118 and $22,818 of the net operating loss carryforward will expire in 2026, 2027, 2028 and 2029, respectively. As of November 30, 2009, the Company had a capital loss carryforward of approximately $137,076. If not utilized, $50,267 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 $142,078 that represent a deferred tax asset of $4,372. These state net operating losses begin to expire in 2011 through 2029.

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

Based on the Company s assessment, it has determined that it is more likely than not that its deferred tax assets will be realized through future taxable income of the appropriate character. Accordingly, no valuation allowance has been established for the Company s deferred tax assets.

The Company will continue to assess the need for a valuation allowance in the future. Unexpected significant decreases in cash distributions from the Company s MLP holdings or 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.

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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 fiscal year ended November 30, 2009, as follows:

Computed expected federal income tax	$ 186,296
State income tax, net of federal tax expense	10,903
Other	(131)
Total income tax expense	$ 197,068

At November 30, 2009, the cost basis of investments for federal income tax purposes was $1,055,790 and the net cash received on option contracts written was $584. The cost basis of investments includes a $184,424 reduction in basis attributable to the Company s portion of the allocated losses from its MLP investments. At November 30, 2009, gross unrealized appreciation and depreciation of investments and options for federal income tax purposes were as follows:

Gross unrealized appreciation of investments (including options)	$ 624,986
Gross unrealized depreciation of investments (including options)	(85,331)
Net unrealized appreciation before tax and interest rate swap contracts	539,655
Net unrealized depreciation on interest rate swap contracts	(205)
Net unrealized appreciation before tax	539,450
Net unrealized appreciation after tax	$ 339,854

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 November 30, 2009, the Company held the following restricted investments:

Investment	Security	Type of Restriction	Number of Units, Principal ($) (in 000s)	Acquisition Date	Cost Basis	Fair Value	Fair Value per Unit/ Warrant	Percent of Net Assets	Percent of Total Assets
Clearwater Natural Resources, L.P.	Common Units	(1)	3,889	(2)	$ 72,860				
Clearwater Natural	Unsecured Term Loan	(1)	$ 13,601	(3)	13,690	$ 4,080	n/a	0.4%	0.3%

Resources, L.P.									
Clearwater Natural Resources, L.P.	Deferred Participation Units	(1)	41	3/5/2008					
Clearwater Natural Resources, L.P.	Warrants	(1)	34	9/29/2008					
CNR GP Holdco, LLC	LLC Interests	(1)	n/a	3/5/2008	1,083				
Total of securities valued in accordance with procedures established by the Board of Directors(4)					$ 87,633	$ 4,080		0.4%	0.3%
Atlas Energy Resources, LLC	Senior Notes	(5)	$ 8,747	(6)	$ 7,152	$ 9,512	n/a	0.9%	0.6%
Regency Energy Partners LP	Senior Notes	(5)	$ 3,000	(6)	3,016	3,172	n/a	0.3	0.2
Total of securities valued by prices provided by market maker or independent pricing services					$ 10,168	$ 12,684		1.2%	0.8%
Total of all restricted securities					$ 97,801	$ 16,764		1.6%	1.1%

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(1) 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. On January 12, 2010, Clearwater closed on the sale of substantially all of its reserves and operating assets. See Note 15 Subsequent Events for more detail.

(2) The Company purchased common units on August 1, 2005 and October 2, 2006.

(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. Restricted securities that are classified as a Level 2. Securities with 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.

(6) Acquired at various dates throughout the fiscal year ended November 30, 2009.

8. Derivative Financial Instruments

Option Contracts Transactions in option contracts for the fiscal year ended November 30, 2009 were as follows:

	Number of Contracts		Premium
Put Options Purchased			
Options outstanding at beginning of period		$	
Options purchased	1,386		89
Options exercised			
Options expired			
Options outstanding at end of period	1,386	$	89
Call Options Purchased			

Options outstanding at beginning of period	17,100	$	5,243
Options exercised	(14,100)		(3,704)
Options expired	(3,000)		(1,539)
Options outstanding at end of period		$	
Call Options Written			
Options outstanding at beginning of period	800	$	101
Options written	28,929		3,258
Options written and subsequently repurchased	(3,986)		(404)
Options exercised	(14,535)		(1,940)
Options expired	(4,208)		(431)
Options outstanding at end of period	7,000	$	584

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Interest Rate Swap Contracts The Company has entered 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 December 24, 2008, the Company terminated $66,000 aggregate notional amount of interest rate swap contracts with a weighted average fixed interest rate of 3.77% for $3,550. On February 4, 2009, the Company paid $8,700 to reduce the fixed rates paid on the remaining interest rate swap contracts outstanding at the time. On November 23, 2009, the Company terminated $194,000 aggregate notional amount of interest rate swap contracts with a weighted average fixed interest rate of 1.341% for $2,130.

As of November 30, 2009, the Company had entered into an interest rate swap contract with UBS AG as summarized below.

Termination Date	Notional Amount	Fixed Rate Paid by the Company	Net Unrealized Appreciation/ (Depreciation)
11/25/2011	$ 125,000	0.99%	$ (205)

For the interest rate swap contract, the Company receives a floating rate, based on one-month LIBOR.

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 on the Statement of Assets and Liabilities.

Derivatives Not Accounted for as Hedging Instruments	Statement of Assets and Liabilities Location	Fair Value as of November 30, 2009
Assets		
Put options	Put option contracts purchased	$ 14
Liabilities		
Call options	Call option contracts written	$ (1,391)
Interest rate swap contracts	Unrealized depreciation on interest rate swap contracts	(205)
		$ (1,596)

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

For the Fiscal Year Ended

Derivatives Not Accounted For as Hedging Instruments	Location of Gains/(Losses) on Derivatives Recognized in Income	November 30, 2009 Net Realized Losses on Derivatives Recognized in Income	November 30, 2009 Change in Unrealized Gains/ (Losses) on Derivatives Recognized in Income
Put options	Options	$	$ (76)
Call options	Options	(1,815)	(206)
Interest rate swap contracts	Interest rate swap contracts	(16,736)	8,672
		$ (18,551)	$ 8,466

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9. Investment Transactions

For the fiscal year ended November 30, 2009, the Company purchased and sold securities in the amounts of $552,147 and $332,219 (excluding short-term investments, options and interest rate swaps), respectively.

10. Revolving Credit Facility

On June 26, 2009, the Company entered into an $80,000 unsecured revolving credit facility (the Credit Facility) with a syndicate of lenders. JPMorgan Chase Bank, N.A. was lead arranger of the Credit Facility, and Bank of America N.A., UBS Investment Bank and Citibank, N.A. participated in the syndication. The Credit Facility has a 364-day commitment terminating on June 25, 2010. The interest rate may vary between LIBOR plus 2.25% and LIBOR plus 3.50% depending on asset coverage ratios. Outstanding loan balances will accrue interest daily at a rate equal to the one-month LIBOR plus 2.25% per annum based on current asset coverage ratios. The Company will pay a fee equal to a rate of 0.50% per annum on any unused amounts of the Credit Facility. The Credit Facility contains various covenants related to other indebtedness, liens and limits on the Company s overall leverage.

For the fiscal year ended November 30, 2009, the average amount outstanding under the Company s credit facilities was $9,651 with a weighted average interest rate of 3.28%. As of November 30, 2009, the Company had no outstanding borrowings under the Credit Facility.

11. Senior Unsecured Notes

At November 30, 2009, the Company had $370,000, aggregate principal amount, of senior unsecured fixed and floating rate notes (the Senior Unsecured Notes) outstanding.

On November 4, 2009, the Company completed a private placement of $110 million, aggregate principal amount, senior unsecured fixed and floating rate notes. Net proceeds from the private placement were used to repay $20 million of Series H Senior Unsecured Notes, $24 million of Series J Senior Unsecured Notes, and $64 million borrowed under the credit facility.

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

Series	Principal November 30, 2008	Principal Redeemed	Principal Issued	Principal Outstanding	Interest Rate	Maturity
G	$ 75,000			$ 75,000	5.645%	6/19/2011
H	20,000	$ 20,000				
I	60,000			60,000	5.847%	6/19/2012
J						