

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 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](http://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**

<b>Holding</b>	<b>Sector</b>	<b>Percent of Total Investments as of November 30,</b>	
		<b>2009</b>	<b>2008</b>
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
	General Partner		
9. Energy Transfer Equity, L.P.	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
<b>Long-Term Investments 153.1%</b>		
<b>Equity Investments(a) 150.1%</b>		
<b>Midstream MLP(b) 107.0%</b>		
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
<b>General Partner MLP(b) 12.8%</b>		
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
<b>Propane MLP 10.5%</b>		
Inergy, L.P.	3,297	\$ 108,986
<b>Shipping MLP 6.0%</b>		
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
<b>Coal MLP 0.7%</b>		
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
<b>Upstream MLP 0.4%</b>		
Legacy Reserves LP	230	4,075
<b>Other MLP 0.5%</b>		
Calumet Specialty Products Partners, L.P.	308	5,530
<b>Total Equity Investments (Cost \$1,196,528)</b>		1,558,926

	Interest Rate	Maturity Date	Principal Amount	
<b>Energy Debt Investments 3.0%</b>				
<b>Upstream MLP(b) 1.9%</b>				
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

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**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
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**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
<b>Short-Term Investment</b> 0.6%			
<b>Repurchase Agreement</b> 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
		<b>No. of Contracts</b>	
<b>Put Option Contracts Purchased</b> 0.0%(d)			
<b>Midstream MLP</b>			
Copano Energy, L.L.C., put option expiring 12/19/09 @ \$17.50 (Cost \$89)		1,386	14
<b>Total Short-Term Investments (Cost \$6,429)</b>			6,354
<b>Total Investments</b> 153.7% (Cost \$1,240,214)			1,596,253
<b>Liabilities</b>			
<b>Option Contracts Written(d)</b>			
<b>Midstream MLP</b>			
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)
<b>Senior Unsecured Notes</b>			(370,000)
<b>Unrealized Depreciation on Interest Rate Swap Contracts</b>			(205)
<b>Deferred Tax Liability</b>			(97,721)
<b>Other Liabilities</b>			(18,824)
<b>Total Liabilities</b>			(488,141)
<b>Other Assets</b>			5,165
<b>Total Liabilities in Excess of Other Assets</b>			(482,976)
<b>Preferred Stock at Redemption Value</b>			(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
<b>Total Assets</b>	<b>1,601,418</b>

**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	

## Capped Leveraged Index Return Notes®

Linked to the S&P 500® Index, due July 26, 2019

of investing in the notes, see "Material Income Tax Consequences - Canadian Taxation" in the prospectus dated March 28, 2017, as supplemented by the discussion under "Summary of Canadian Federal Income Tax Considerations" herein.

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## Capped Leveraged Index Return Notes®

Linked to the S&P 500® Index, due July 26, 2019

### The Index

All disclosures contained in this term sheet regarding the Index, including, without limitation, its make-up, method of calculation, and changes in its components, have been derived from publicly available sources. The information reflects the policies of, and is subject to change by, S&P Dow Jones Indices LLC (the Index sponsor or S&P ). The Index sponsor, which licenses the copyright and all other rights to the Index, has no obligation to continue to publish, and may discontinue publication of, the Index. The consequences of the Index sponsor discontinuing publication of the Index are discussed in the section entitled Description of LIRNs Discontinuance of an Index beginning on page PS-19 of product supplement EQUITY INDICES LIRN-1. None of us, the calculation agent, or MLPF&S accepts any responsibility for the calculation, maintenance or publication of the Index or any successor index.

#### General

The Index is intended to provide an indication of the pattern of common stock price movement. The calculation of the level of the Index is based on the relative value of the aggregate market value of the common stocks of 500 companies as of a particular time compared to the aggregate average market value of the common stocks of 500 similar companies during the base period of the years 1941 through 1943.

S&P chooses companies for inclusion in the Index with the aim of achieving a distribution by broad industry groupings that approximates the distribution of these groupings in the common stock population of its Stock Guide Database of over 10,000 companies, which S&P uses as an assumed model for the composition of the total market. Relevant criteria employed by S&P include the viability of the particular company, the extent to which that company represents the industry group to which it is assigned, the extent to which the market price of that company's common stock generally is responsive to changes in the affairs of the respective industry and the market value and trading activity of the common stock of that company. Eleven main groups of companies constitute the Index, with the approximate percentage of the market capitalization of the Index included in each group as of June 30, 2017 indicated in parentheses: Consumer Discretionary (12.3%); Consumer Staples (9.0%); Energy (6.0%); Financials (14.5%); Health Care (14.5%); Industrials (10.3%); Information Technology (22.3%); Materials (2.8%); Real Estate (2.9%); Telecommunication Services (2.1%); and Utilities (3.2%). S&P may from time to time, in its sole discretion, add companies to, or delete companies from, the Index to achieve the objectives stated above.

S&P calculates the Index by reference to the prices of the constituent stocks of the Index without taking account of the value of dividends paid on those stocks. As a result, the return on the notes will not reflect the return you would realize if you actually owned the Index constituent stocks and received the dividends paid on those stocks.

#### Computation of the Index

Historically, the market value of any component stock of the Index was calculated as the product of the market price per share and the number of then outstanding shares of such component stock. In March 2005, S&P began shifting the Index halfway

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from a market capitalization weighted formula to a float-adjusted formula, before moving the Index to full float adjustment on September 16, 2005. S&P's criteria for selecting stocks for the Index did not change with the shift to float adjustment. However, the adjustment affects each company's weight in the Index.

Under float adjustment, the share counts used in calculating the Index reflect only those shares that are available to investors, not all of a company's outstanding shares. Float adjustment excludes shares that are closely held by control groups, other publicly traded companies or government agencies.

In September 2012, all shareholdings representing more than 5% of a stock's outstanding shares, other than holdings by block owners, were removed from the float for purposes of calculating the Index. Generally, these control holders will include officers and directors, private equity, venture capital and special equity firms, other publicly traded companies that hold shares for control, strategic partners, holders of restricted shares, employee stock ownership plans, employee and family trusts, foundations associated with the company, holders of unlisted share classes of stock, government entities at all levels (other than government retirement/pension funds) and any individual person who controls a 5% or greater stake in a company as reported in regulatory filings. However, holdings by block owners, such as depository banks, pension funds, mutual funds and ETF providers, 401(k) plans of the company, government retirement/pension funds, investment funds of insurance companies, asset managers and investment funds, independent foundations and savings and investment plans, will ordinarily be considered part of the float.

Treasury stock, stock options, restricted shares, equity participation units, warrants, preferred stock, convertible stock, and rights are not part of the float. Shares held in a trust to allow investors in countries outside the country of domicile, such as depository shares and Canadian exchangeable shares are normally part of the float unless those shares form a control block. If a company has multiple classes of stock outstanding, shares in an unlisted or non-traded class are treated as a control block.

For each stock, an investable weight factor ( IWF ) is calculated by dividing the available float shares, by the total shares outstanding. As of September 21, 2012, available float shares are defined as the total shares outstanding less shares held by control holders. This calculation is subject to a 5% minimum threshold for control blocks. For example, if a company's officers and directors hold 3% of the company's shares, and no other control group holds 5% of the company's shares, S&P would assign that company an IWF of 1.00, as no control group meets the 5% threshold. However, if a company's officers and directors hold 3% of the company's shares and another control group holds 20% of the company's shares, S&P would assign an IWF of 0.77, reflecting the fact that 23% of the company's outstanding shares are considered to be held for control. For companies with multiple classes of stock, S&P calculates the weighted average IWF for each stock using the proportion of the total company market capitalization of each share class as weights.

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## Capped Leveraged Index Return Notes®

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The Index is calculated using a base-weighted aggregate methodology. The level of the Index reflects the total market value of all component stocks relative to the base period of the years 1941 through 1943. An indexed number is used to represent the results of this calculation in order to make the level easier to work with and track over time. The actual total market value of the component stocks during the base period of the years 1941 through 1943 has been set to an indexed level of 10. This is often indicated by the notation 1941- 43 = 10. In practice, the daily calculation of the Index is computed by dividing the total market value of the component stocks by the index divisor. By itself, the index divisor is an arbitrary number. However, in the context of the calculation of the Index, it serves as a link to the original base period level of the Index. The index divisor keeps the Index comparable over time and is the manipulation point for all adjustments to the Index, which is index maintenance.

### Index Maintenance

Index maintenance includes monitoring and completing the adjustments for company additions and deletions, share changes, stock splits, stock dividends and stock price adjustments due to company restructuring or spinoffs. Some corporate actions, such as stock splits and stock dividends require changes in the common shares outstanding and the stock prices of the companies in the Index, and do not require index divisor adjustments.

To prevent the level of the Index from changing due to corporate actions, corporate actions which affect the total market value of the Index require an index divisor adjustment. By adjusting the index divisor for the change in market value, the level of the Index remains constant and does not reflect the corporate actions of individual companies in the Index. Index divisor adjustments are made after the close of trading and after the calculation of the Index closing level.

Changes in a company's shares outstanding of 5.00% or more due to public offerings are made as soon as reasonably possible. All other changes of 5.00% or more (due to, for example, tender offers, Dutch auctions, voluntary exchange offers, company stock repurchases, private placements, acquisitions of private companies or non-index companies that do not trade on a major exchange, redemptions, exercise of options, warrants, conversion of preferred stock, notes, debt, equity participations, at-the-market stock offerings or other recapitalizations) are made weekly, and are announced on Fridays for implementation after the close of trading on the following Friday. Changes of less than 5.00% due to a company's acquisition of another company in the Index are made as soon as reasonably possible. All other changes of less than 5.00% are accumulated and made quarterly on the third Friday of March, June, September, and December, and are usually announced two to five days prior.

Changes in IWFs of more than five percentage points caused by corporate actions (such as merger and acquisition activity, restructurings, or spinoffs) will be made as soon as reasonably possible. Other changes in IWFs will be made annually when IWFs are reviewed.

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## Capped Leveraged Index Return Notes®

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*The following graph shows the daily historical performance of the Index in the period from January 1, 2008 through July 27, 2017. We obtained this historical data from Bloomberg L.P. We have not independently verified the accuracy or completeness of the information obtained from Bloomberg L.P. On the pricing date, the closing level of the Index was 2,475.42.*

### Historical Performance of the Index

*This historical data on the Index is not necessarily indicative of the future performance of the Index or what the value of the notes may be. Any historical upward or downward trend in the level of the Index during any period set forth above is not an indication that the level of the Index is more or less likely to increase or decrease at any time over the term of the notes.*

Before investing in the notes, you should consult publicly available sources for the levels of the Index.

### License Agreement

We and S&P have entered into a non-transferable, non-exclusive license agreement providing for the sublicense to us, in exchange for a fee, of the right to use the Index in connection with the issuance of the notes.

The license agreement between us and S&P provides that the following language must be stated in this document:

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The Index is a product of S&P, and has been licensed for use by us. Standard & Poor's®, S&P® and S&P 500® are registered trademarks of Standard & Poor's Financial Services LLC; and these trademarks have been licensed for use by S&P and sublicensed for certain purposes by us. The notes are not sponsored, endorsed, sold or promoted by S&P, Standard & Poor's Financial Services LLC or any of their respective affiliates (collectively, S&P Dow Jones Indices). S&P Dow Jones Indices make no representation or warranty, express or implied, to the holders of the notes or any member of the public regarding the advisability of investing in securities generally or in the notes particularly or the ability of the Index to track general market performance. S&P Dow Jones Indices' only relationship to us with respect to the Index is the licensing of the Index and certain trademarks, service marks and/or trade names of S&P Dow Jones Indices or its licensors. The Index is determined, composed and calculated by S&P Dow Jones Indices without regard to us or the notes. S&P Dow Jones Indices have no obligation to take our needs or the needs of holders of the notes into consideration in determining, composing or calculating the Index. S&P Dow Jones Indices are not responsible for and have not participated in the determination of the prices, and amount of the notes or the timing of the issuance or sale of the notes or in the determination or calculation of the equation by which the notes are to be converted into cash, surrendered or redeemed, as the case may be. S&P Dow Jones Indices have no obligation or liability in connection with the administration, marketing or trading of the notes. There is no assurance that investment products based on the Index will accurately track index performance or provide positive investment returns. S&P is not an investment advisor. Inclusion of a security within an index is not a recommendation by S&P Dow Jones Indices to buy, sell, or hold such security, nor is it considered to be investment advice. Notwithstanding the foregoing, CME Group Inc. and its affiliates may independently issue and/or sponsor financial products unrelated to the notes currently being issued by us, but which may be similar to and competitive with the notes. In addition, CME Group Inc. and its affiliates may trade financial products which are linked to the performance of the Index.

S&P DOW JONES INDICES DO NOT GUARANTEE THE ADEQUACY, ACCURACY, TIMELINESS AND/OR THE COMPLETENESS OF THE INDEX OR ANY DATA RELATED THERETO OR ANY COMMUNICATION, INCLUDING BUT NOT LIMITED TO, ORAL OR WRITTEN COMMUNICATION (INCLUDING ELECTRONIC COMMUNICATIONS) WITH RESPECT THERETO. S&P DOW JONES INDICES SHALL NOT BE SUBJECT TO ANY DAMAGES OR LIABILITY FOR ANY ERRORS, OMISSIONS, OR DELAYS THEREIN. S&P DOW JONES INDICES MAKE NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES, OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE OR AS TO RESULTS TO BE OBTAINED BY US, HOLDERS OF THE NOTES, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE INDEX OR WITH RESPECT TO ANY DATA RELATED THERETO. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT WHATSOEVER SHALL S&P DOW JONES INDICES BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE, OR CONSEQUENTIAL DAMAGES INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS, TRADING LOSSES, LOST TIME OR GOODWILL, EVEN IF THEY HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, WHETHER IN CONTRACT, TORT, STRICT LIABILITY, OR OTHERWISE. THERE ARE NO THIRD PARTY BENEFICIARIES OF ANY AGREEMENTS OR ARRANGEMENTS BETWEEN S&P DOW JONES INDICES AND US, OTHER THAN THE LICENSORS OF S&P DOW JONES INDICES.

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## Capped Leveraged Index Return Notes®

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### Supplement to the Plan of Distribution

Under our distribution agreement with MLPF&S, MLPF&S will purchase the notes from us as principal at the public offering price indicated on the cover of this term sheet, less the indicated underwriting discount.

We will deliver the notes against payment therefor in New York, New York on a date that is greater than three business days following the pricing date. Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes more than three business days prior to the original issue date will be required to specify alternative settlement arrangements to prevent a failed settlement.

The notes will not be listed on any securities exchange. In the original offering of the notes, the notes will be sold in minimum investment amounts of 100 units. If you place an order to purchase the notes, you are consenting to MLPF&S acting as a principal in effecting the transaction for your account.

MLPF&S may repurchase and resell the notes, with repurchases and resales being made at prices related to then-prevailing market prices or at negotiated prices, and these prices will include MLPF&S's trading commissions and mark-ups. MLPF&S may act as principal or agent in these market-making transactions; however, it is not obligated to engage in any such transactions. At MLPF&S's discretion, for a short, undetermined initial period after the issuance of the notes, MLPF&S may offer to buy the notes in the secondary market at a price that may exceed the initial estimated value of the notes. Any price offered by MLPF&S for the notes will be based on then-prevailing market conditions and other considerations, including the performance of the Index and the remaining term of the notes. However, none of us, MLPF&S, or any of our respective affiliates is obligated to purchase your notes at any price or at any time, and we cannot assure you that we, MLPF&S or any of our respective affiliates will purchase your notes at a price that equals or exceeds the initial estimated value of the notes.

The value of the notes shown on your account statement will be based on MLPF&S's estimate of the value of the notes if MLPF&S or another of its affiliates were to make a market in the notes, which it is not obligated to do. That estimate will be based upon the price that MLPF&S may pay for the notes in light of then-prevailing market conditions, and other considerations, as mentioned above, and will include transaction costs. At certain times, this price may be higher than or lower than the initial estimated value of the notes.

The distribution of the Note Prospectus in connection with these offers or sales will be solely for the purpose of providing investors with the description of the terms of the notes that was made available to investors in connection with their initial offering. Secondary market investors should not, and will not be authorized to, rely on the Note Prospectus for information regarding CIBC or for any purpose other than that described in the immediately preceding sentence.



## Structuring the Notes

The notes are our debt securities, the return on which is linked to the performance of the Index. As is the case for all of our debt securities, including our market-linked notes, the economic terms of the notes reflect our actual or perceived creditworthiness at the time of pricing. The internal funding rate we use in pricing the market-linked notes is typically lower than the rate we would pay when we issue conventional fixed-rate debt securities of comparable maturity. This difference is based on, among other things, our view of the funding value of the notes as well as the higher issuance, operational and ongoing liability management costs of the notes in comparison to those costs for our conventional fixed-rate debt. This generally results in a relatively lower internal funding rate, which is reflected in the economic terms of the notes, along with the fees and charges associated with market-linked notes, resulted in the initial estimated value of the notes on the pricing date being less than their public offering price.

At maturity, we are required to pay the Redemption Amount to holders of the notes, which will be calculated based on the performance of the Index and the \$10 per unit principal amount. In order to meet these payment obligations, at the time we issue the notes, we may choose to enter into certain hedging arrangements (which may include call options, put options or other derivatives) with MLPF&S or one of its affiliates. The terms of these hedging arrangements are determined by seeking bids from market participants, including MLPF&S and its affiliates, and take into account a number of factors, including our creditworthiness, interest rate movements, the volatility of the Index, the tenor of the notes and the tenor of the hedging arrangements. The economic terms of the notes and their initial estimated value depend in part on the terms of these hedging arrangements.

MLPF&S has advised us that the hedging arrangements will include a hedging-related charge of approximately \$0.075 per unit, reflecting an estimated profit to be credited to MLPF&S from these transactions. Since hedging entails risk and may be influenced by unpredictable market forces, additional profits and losses from these hedging arrangements may be realized by MLPF&S or any third party hedge providers.

For further information, see [Risk Factors](#) [General Risks Relating to LIRNs](#) beginning on page PS-6 and [Use of Proceeds and Hedging](#) on page PS-15 of product supplement EQUITY INDICES LIRN-1.

## Summary of Canadian Federal Income Tax Considerations

In the opinion of Blake, Cassels & Graydon LLP, our Canadian tax counsel, the following summary describes the principal Canadian federal income tax considerations under the Income Tax Act (Canada) (the [Canadian Tax Act](#)) generally applicable at the date hereof to a purchaser who acquires beneficial ownership of a note pursuant to this term sheet and who for the purposes of the Canadian Tax Act and the regulations thereto and at all relevant times: (a) is neither resident nor deemed to be resident in Canada; (b) deals at arm's length.

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length with CIBC and any transferee resident (or deemed to be resident) in Canada to whom the purchaser disposes of the note; (c) does not use or hold and is not deemed to use or hold the note in, or in the course of, carrying on a business in Canada; (d) is entitled to receive all payments (including any interest and principal) made on the note; and (e) is not a, and deals at arm's length with any, specified shareholder of CIBC for purposes of the thin capitalization rules in the Canadian Tax Act (a Non-Resident Holder). A specified shareholder for these purposes generally includes a person who (either alone or together with persons with whom that person is not dealing at arm's length for the purposes of the Canadian Tax Act) owns or has the right to acquire or control or is otherwise deemed to own 25% or more of CIBC's shares determined on a votes or fair market value basis. Special rules which apply to non-resident insurers carrying on business in Canada and elsewhere are not discussed in this summary.

This summary is supplemental to and should be read together with the description of material Canadian federal income tax considerations relevant to a Non-Resident Holder owning notes under Material Income Tax Consequences Canadian Taxation in the accompanying prospectus and a Non-Resident Holder should carefully read that description as well.

Based on Canadian tax counsel's understanding of the Canada Revenue Agency's administrative policies and having regard to the terms of the notes, interest payable on the notes should not be considered to be participating debt interest as defined in the Canadian Tax Act and accordingly, a Non-Resident Holder should not be subject to Canadian non-resident withholding tax in respect of amounts paid or credited or deemed to have been paid or credited by CIBC on a note as, on account of or in lieu of payment of, or in satisfaction of, interest.

Non-Resident Holders should consult their own tax advisors regarding the consequences to them of a disposition of the notes to a person with whom they are not dealing at arm's length for purposes of the Canadian Tax Act.

## Summary of U.S. Federal Income Tax Consequences

The following discussion is a brief summary of the material U.S. federal income consequences relating to an investment in the notes. The following summary is not complete and is both qualified and supplemented by, or in some cases supplements, the discussion entitled U.S. Federal Income Tax Summary beginning on page PS-29 of product supplement EQUITY INDICES LIRN-1, which you should carefully review prior to investing in the notes.

The U.S. federal income tax consequences of your investment in the notes are uncertain. No statutory, judicial or administrative authority directly discusses how the notes should be treated for U.S. federal income tax purposes. In the opinion of our tax counsel, Mayer Brown LLP, it would generally be reasonable to treat the notes as prepaid cash-settled derivative contracts. Pursuant to the terms of the notes, you agree to treat the notes in this manner for all U.S. federal income tax purposes. If your notes are so treated, you should generally recognize capital gain or loss upon the sale, exchange, redemption or payment on maturity in an amount equal to the difference between the amount you receive at such time and the amount that you paid for your notes. Such gain or loss should generally be long-term capital gain or loss if you have held your notes for more than one year.

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The characterization described above is not binding on the U.S. Internal Revenue Service (the IRS) or the courts. Thus, it is possible that the IRS would seek to characterize your notes in a manner that results in tax consequences to you that are different from those described above or in the accompanying product supplement. For a more detailed discussion of certain alternative characterizations with respect to your notes and certain other considerations with respect to your investment in the notes, you should consider the discussion set forth in U.S. Federal Income Tax Summary of the product supplement. We are not responsible for any adverse consequences that you may experience as a result of any alternative characterization of the notes for U.S. federal income tax or other tax purposes.

**You should consult your tax advisor as to the tax consequences of such characterization and any possible alternative characterizations of the notes for U.S. federal income tax purposes. You should also consult your tax advisor concerning the U.S. federal income tax and other tax consequences of your investment in the notes in your particular circumstances, including the application of state, local or other tax laws and the possible effects of changes in federal or other tax laws.**

## Validity of the Notes

In the opinion of Blake, Cassels & Graydon LLP, as Canadian counsel to the Bank, the issue and sale of the notes has been duly authorized by all necessary corporate action of the Bank in conformity with the indenture, and when the notes have been duly executed, authenticated and issued in accordance with the indenture, the notes will be validly issued and, to the extent validity of the notes is a matter governed by the laws of the Province of Ontario or the federal laws of Canada applicable therein, will be valid obligations of the Bank, subject to applicable bankruptcy, insolvency and other laws of general application affecting creditors' rights, equitable principles, and subject to limitations as to the currency in which judgments in Canada may be rendered, as prescribed by the *Currency Act* (Canada), and subject to any bail-in conversion requirements under the *Canada Deposit Insurance Corporation Act* (Canada). This opinion is given as of the date hereof and is limited to the laws of the Province of Ontario and the federal laws of Canada applicable therein. In addition, this opinion is subject to customary assumptions about the trustee's authorization, execution and delivery of the indenture and the genuineness of signature, and to such counsel's reliance on the Bank and other sources as to certain factual matters, all as stated in the opinion letter of such counsel dated February 27, 2017, which has been filed as Exhibit 5.2 to the Bank's Registration Statement on Form F-3 filed with the SEC on February 27, 2017.

In the opinion of Mayer Brown LLP, when the notes have been duly completed in accordance with the indenture and issued and sold as contemplated by the prospectus supplement and the prospectus, the notes will constitute valid and binding obligations of the Bank,

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entitled to the benefits of the indenture, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles. This opinion is given as of the date hereof and is limited to the laws of the State of New York. This opinion is subject to customary assumptions about the trustee's authorization, execution and delivery of the indenture and such counsel's reliance on the Bank and other sources as to certain factual matters, all as stated in the legal opinion dated February 27, 2017, which has been filed as Exhibit 5.1 to the Bank's Registration Statement on Form F-3 filed with the SEC on February 27, 2017.

## Where You Can Find More Information

We have filed a registration statement (including a product supplement, a prospectus supplement, and a prospectus) with the SEC for the offering to which this term sheet relates. Before you invest, you should read the Note Prospectus, including this term sheet, and the other documents that we have filed with the SEC, for more complete information about us and this offering. You may get these documents without cost by visiting EDGAR on the SEC website at [www.sec.gov](http://www.sec.gov). Alternatively, we, any agent, or any dealer participating in this offering will arrange to send you these documents if you so request by calling MLPF&S toll-free at 1-800-294-1322.

## Market-Linked Investments Classification

*MLPF&S classifies certain market-linked investments (the "Market-Linked Investments") into categories, each with different investment characteristics. The following description is meant solely for informational purposes and is not intended to represent any particular Enhanced Return Market-Linked Investment or guarantee any performance.*

Enhanced Return Market-Linked Investments are short- to medium-term investments that offer you a way to enhance exposure to a particular market view without taking on a similarly enhanced level of market downside risk. They can be especially effective in a flat to moderately positive market (or, in the case of bearish investments, a flat to moderately negative market). In exchange for the potential to receive better-than market returns on the linked asset, you must generally accept market downside risk and capped upside potential. As these investments are not market downside protected, and do not assure full repayment of principal at maturity, you need to be prepared for the possibility that you may lose all or part of your investment.

Leveraged Index Return Notes® and LIRNs® are registered service marks of Bank of America Corporation, the parent company of MLPF&S.

