

Kayne Anderson Energy Development Company Announces Results for the Quarter Ended May 31, 2011

HOUSTON, TX – July 19, 2011 – (NYSE:KED) Kayne Anderson Energy Development Company (the “Company”) today announced its financial results for the quarter ended May 31, 2011.

HIGHLIGHTS

- Quarterly distribution increased to \$0.38 per share; increase of \$0.07 per share (22.6%) from the prior quarter’s distribution
- Net asset value: \$22.85 per share; up \$0.97 per share from the prior quarter (4.4% increase) and up \$0.10 per share from previously disclosed NAV (announced on June 30, 2011)
- Net investment income: \$1.9 million
- Net realized gains: \$51.6 million
- Net unrealized losses: \$40.2 million

PORTFOLIO AND INVESTMENT ACTIVITY

As of May 31, 2011, the Company had long-term investments of \$317.3 million, consisting of 50 portfolio companies of which approximately 59% were public MLPs, 23% were private MLPs and other equity and 18% were debt securities.

On April 18, 2011, the Company sold its investment in International Resource Partners LP (“IRP”) to James River Coal Company for cash proceeds of \$95.0 million. An additional \$6.3 million was placed in escrow pursuant to the terms of the purchase agreement pending the satisfaction of certain post-closing obligations or the expiration of certain time periods. As of May 31, 2011, the Company recorded a receivable of \$7.1 million on its balance sheet, which reflected the Company’s estimated fair value of the escrow plus certain post-closing adjustments. Subsequent to quarter end, the Company revised its previous estimate of the fair value for these items based on finalization of certain post-closing adjustments. As a result, the Company revised its previously announced NAV by \$0.10 per share (see “Net Asset Value” below).

As previously disclosed, the Company’s goal is to redeploy a significant amount of the after-tax proceeds from the IRP sale into similarly structured private investments over the next twelve months. Pending such investments, the Company invested substantially all of the gross proceeds from the IRP sale in public MLPs and traded debt securities during the second half of the quarter. Any future private investments will be funded through the sale of portfolio securities.

In August 2011, the Company expects to make tax payments of approximately \$19 million. These tax payments are primarily associated with the sale of IRP and other non-recurring income. The Company intends to fund such tax payments primarily through the sale of portfolio securities.

Operating results at Direct Fuels Partners, L.P. (“Direct Fuels”) improved substantially during the quarter. Also during the quarter, Direct Fuels sold its biodiesel business. Proceeds from the sale, including the reduction in working capital needs, along with a cash tax refund related to 2010 biodiesel production, were used to repay approximately \$11 million of debt. As a result, the partnership was able to amend its credit agreement to allow the payment of cash distributions to its preferred and common unit holders for the first time since the fourth quarter of 2009. Additionally, because of Direct Fuels’ reduced debt levels and improving operating results, the Company expects Direct Fuels to continue paying \$0.45 per common unit for the remainder of 2011. The

Company's guidance, however, assumes a distribution rate of \$0.37 per common unit, which reflects lower margins that are more consistent with long-term historical averages.

During the quarter, the Company began accruing interest on its first lien debt investment in ProPetro Services, Inc. ("ProPetro"). As a result of the debt restructuring that was completed in January and substantially improved operating results, the Company now expects to be repaid the full face value plus accrued interest when the notes mature. These first lien notes have a face value of \$11.1 million and interest is paid-in-kind until their February 2012 maturity date. As of May 31st, the Company valued the first lien notes at \$11.1 million (face value) and its ProPetro common shares at \$5.6 million. ProPetro is currently exploring strategic alternatives, which may result in a sale of all or a portion of its assets or businesses.

RESULTS OF OPERATIONS – QUARTER ENDED MAY 31, 2011

Investment income totaled \$5.3 million and consisted primarily of net dividends and distributions and interest income on the Company's debt investments. The Company received \$4.1 million of cash dividends and distributions, of which \$0.5 million was treated as a return of capital during the period. During fiscal 2010, the Company estimated the return of capital portion of cash distributions received from IRP to be \$1.4 million; however, during the second quarter, the Company reduced this amount to zero in accordance with tax reporting information received from IRP. During the quarter, the Company received \$1.7 million of interest income, of which \$0.6 million was paid-in-kind interest from ProPetro. The Company also received \$0.7 million of paid-in-kind dividends, of which \$0.5 million was from VantaCore Partners LP ("VantaCore"). These paid-in-kind dividends are not included in investment income, but are reflected as an unrealized gain.

Operating expenses totaled \$2.4 million, including \$1.4 million of investment management fees; \$0.5 million of interest expense and \$0.5 million of other operating expenses. Interest expense included \$0.1 million of amortization of debt issuance costs. Investment management fees were equal to an annual rate of 1.75% of average total assets.

The Company's net investment income totaled \$1.9 million and included a current income tax expense of \$0.6 million and a deferred income tax expense of \$0.4 million.

The Company had net realized gains from investments of \$51.6 million, after taking into account a current income tax expense of \$19.3 million and a deferred income tax expense of \$9.4 million. The majority of the pre-tax gains of \$80.3 million are attributable to the sale of IRP, for which the Company realized a gain of \$73.9 million. As a result of the IRP sale, the Company expects to utilize all of its federal and state net operating losses and capital loss carry forwards and has therefore incurred a current income tax expense and related liability.

The Company had net unrealized losses of \$40.2 million. The net unrealized loss consisted of \$63.0 million of unrealized losses from investments and a deferred income tax benefit of \$22.8 million. Approximately \$66.3 million of these unrealized losses are a result of the reversal of the unrealized gain attributable to IRP that was realized upon the sale of the Company's investment during the quarter.

The Company had an increase in net assets resulting from operations of \$13.3 million. This increase is composed of a net investment income of \$1.9 million; net realized gains of \$51.6 million; and net unrealized loss of \$40.2 million, as noted above.

NET ASSET VALUE

As of May 31, 2011, the Company's net asset value was \$235.4 million or \$22.85 per share. This represents an increase of \$0.97 per share or 4.4% for the quarter. The Company revised its previously disclosed net asset value of \$22.75 per share (announced on June 30, 2011) to reflect a \$1.6 million increase to its estimated post-closing adjustment related to the sale of IRP. This change in estimate is based on finalization of certain post-closing adjustments after quarter end. Generally accepted accounting principles require this type of subsequent event to be reflected in the Company's financial statements as of May 31, 2011.

As of May 31, 2011, the Company's net asset value included current and deferred income tax liabilities of \$19.9 million and \$7.3 million, respectively.

LIQUIDITY AND CAPITAL RESOURCES

As of May 31, 2011, the Company had approximately \$5.0 million in short-term investments in the form of a repurchase agreement. The Company's repurchase agreement is collateralized by U.S. Treasury securities, and the Company's counterparty is J.P. Morgan Securities Inc.

As of May 31, 2011, the Company had \$67.0 million of borrowings under its credit facility (at an interest rate of 2.21%), which represented 49.6% of its borrowing base of \$135.2 million (52.7% of its borrowing base attributable to quoted securities). The maximum amount that the Company can borrow under its credit facility is limited to the lesser of the commitment amount of \$70.0 million or its borrowing base. As of July 14, 2011, the Company had \$62.0 million of borrowings (at an interest rate of 2.19%), which represented 47.2% of the borrowing base of \$131.3 million (50.3% of its borrowing base attributable to quoted securities).

DISTRIBUTION

On July 22, 2011, the Company will pay a distribution of \$0.38 per share for the quarter ended May 31, 2011 to stockholders of record on July 13, 2011. As noted above, this represents an increase of \$0.07 per share (22.6%) over the prior quarter's distribution and represents an increase of \$0.04 – \$0.05 per share over the Company's prior distribution guidance.

GUIDANCE

The Company's guidance is pro forma for the \$19 million tax payments that it expects to make in August 2011 (primarily associated with the IRP sale). For the purpose of providing guidance, the Company has assumed that the payment will be funded through the sale of portfolio securities (\$9 million in public MLPs and \$10 million in traded debt). The Company estimates the remaining portfolio will generate dividends, distributions, and interest income of approximately \$6.3 million per quarter. This estimate does not include the full \$0.45 per common unit cash distribution that Direct Fuels is expected to pay for the remainder of 2011. Rather, the estimate reflects cash distributions from Direct Fuels at a distribution rate of \$0.37 per common unit, which reflects lower margins that are more consistent with long-term averages. The estimate also includes \$0.7 million per quarter of distributions from VantaCore, substantially all of which will be in the form of additional preferred units during the Company's fiscal third quarter, and \$0.4 million of paid-in-kind interest from ProPetro. The Company's guidance does not reflect any changes in cash distributions made by MLPs or changes in interest rates based on the movement in LIBOR rates since May 31, 2011.

Portfolio Category	Amount Invested (\$ in millions)	Average Annual Yield ⁽¹⁾⁽²⁾
Private MLPs ⁽³⁾	\$66	12.5%
Public MLPs and MLP Affiliates	179	6.6
Debt Investments ⁽⁴⁾	48	10.3

- (1) Average yields include return of capital distributions. Return of capital distributions are reported as a reduction to gross dividends and distributions to arrive at net investment income reported under generally accepted accounting principles.
- (2) Average yields for Public MLPs and MLP Affiliates are based on the most recently declared distributions as of May 31, 2011. Amounts invested for Private MLPs are based on May 31, 2011 valuations. Average yields reflect quarterly distributions of \$0.45 per unit for Vantacore (the minimum quarterly distribution) and \$0.37 per common unit for Direct Fuels.
- (3) The amount invested excludes the Company's equity investment in ProPetro valued at \$5.6 million as of May 31, 2011, which does not pay a dividend or distribution.
- (4) The average yield includes straight-line amortization of the purchase price discounts/premiums through the expected maturity.

Management Fees and Other Operating Expenses – Management fees are estimated to be approximately \$1.35 million per quarter. Other operating expenses are estimated to be approximately \$0.45 million per quarter.

Interest Expense – Interest expense is estimated to be approximately \$0.38 million per quarter based on \$67 million borrowed under the Company's credit facility, assuming a 30-day LIBOR rate of 0.19% and a spread of 2.00%.

Based on the foregoing assumptions, the Company is expected to generate net distributable income per share of \$0.39 – \$0.40 per quarter.

CONFERENCE CALL

The Company will host a conference call at 4 p.m. Central time, on Tuesday, July 19, 2011 to discuss its results. All interested parties are welcome to participate. You can access the conference call by dialing (877) 563-8315 approximately 5-10 minutes prior to the call. International callers should dial (706) 679-4383. All callers should reference "Conference ID #78069972." For the convenience of the Company's stockholders, an archived replay of the call will be available on the Company's website (<http://www.kaynefunds.com/webcasts.htm>).

AVAILABLE INFORMATION

The Company's filings with the Securities and Exchange Commission, press releases and other financial information are available on the Company's website at www.kaynefunds.com.

KAYNE ANDERSON ENERGY DEVELOPMENT COMPANY
STATEMENT OF ASSETS AND LIABILITIES
MAY 31, 2011
(amounts in 000's, except share and per share amounts)
(UNAUDITED)

ASSETS

Investments, at fair value:	
Non-affiliated (Cost — \$207,973)	\$ 228,464
Affiliated (Cost — \$110,345)	88,810
Short-term investments (Cost — \$5,016)	5,016
Total investments (Cost — \$323,334)	<u>322,290</u>
Receivable for securities sold	306
Interest, dividends and distributions receivable	1,127
Other receivables	7,075
Debt issuance costs, prepaid expenses and other assets	<u>921</u>
Total Assets	<u><u>331,719</u></u>

LIABILITIES

Senior secured revolving credit facility	67,000
Current income tax liability	19,956
Deferred income tax liability, net	7,258
Investment management fee payable	1,388
Accrued directors' fees and expenses	73
Accrued expenses and other liabilities	<u>601</u>
Total Liabilities	<u>96,276</u>

NET ASSETS	<u><u>\$ 235,443</u></u>
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NET ASSETS CONSIST OF

Common stock, \$0.001 par value (200,000,000 shares authorized; 10,302,464 shares issued and outstanding)	\$ 10
Paid-in capital	198,660
Accumulated net investment loss, net of income taxes, less dividends	(14,476)
Accumulated net realized gains (losses) on investments, net of income taxes	52,671
Net unrealized gains (losses) on investments, net of income taxes	<u>(1,422)</u>

NET ASSETS	<u><u>\$ 235,443</u></u>
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NET ASSET VALUE PER SHARE	<u><u>\$ 22.85</u></u>
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KAYNE ANDERSON ENERGY DEVELOPMENT COMPANY
STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MAY 31, 2011
(amounts in 000's)
(UNAUDITED)

INVESTMENT INCOME

Income

Dividends and Distributions:	
Non-affiliated investments	\$ 2,247
Affiliated investments	1,869
Total dividends and distributions	<u>4,116</u>
Return of capital	(521)
Net dividends and distributions	<u>3,595</u>
Interest and other income – non-affiliated investments	1,105
Interest and other income – affiliated investments	<u>558</u>
Total investment income	<u>5,258</u>

Expenses

Investment management fees	1,388
Professional fees	155
Directors' fees and expenses	77
Administration fees	44
Insurance	35
Custodian fees	13
Other expenses	<u>162</u>
Total expenses — before interest expense	1,874
Interest expense	<u>469</u>
Total expenses	<u>2,343</u>

Net Investment Income — Before Income Taxes

Current income tax expense	(646)
Deferred income tax expense	(397)
Net Investment Income	<u>1,872</u>

REALIZED AND UNREALIZED GAINS (LOSSES)

Net Realized Gains

Investments – non-affiliated	6,357
Investments – affiliated	73,909
Current income tax expense	(19,310)
Deferred income tax expense	(9,345)
Net Realized Gains	<u>51,611</u>

Net Change in Unrealized Losses

Investments – non-affiliated	(9,541)
Investments – affiliated	(53,470)
Deferred income tax benefit	22,824
Net Change in Unrealized Losses	<u>(40,187)</u>

Net Realized and Unrealized Gains	<u>11,424</u>
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NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ 13,296</u>
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The Company is a non-diversified, closed-end investment company that elected to be treated as a business development company under the Investment Company Act of 1940. The Company's investment objective is to generate both current income and capital appreciation primarily through equity and debt investments. The Company will seek to achieve this objective by investing at least 80% of its net assets together with the proceeds of any borrowings (its "total assets") in securities of companies that derive the majority of their revenue from activities in the energy industry, including: (a) Midstream Energy Companies, which are businesses that operate assets used to gather, transport, process, treat, terminal and store natural gas, natural gas liquids, propane, crude oil or refined petroleum products; (b) Upstream Energy Companies, which are businesses engaged in the exploration, extraction and production of natural resources, including natural gas, natural gas liquids and crude oil, from onshore and offshore geological reservoirs; and (c) Other Energy Companies, which are businesses engaged in owning, leasing, managing, producing, processing and sale of coal and coal reserves; the marine transportation of crude oil, refined petroleum products, liquefied natural gas, as well as other energy-related natural resources using tank vessels and bulk carriers; and refining, marketing and distributing refined energy products, such as motor gasoline and propane to retail customers and industrial end-users.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS: This press release contains "forward-looking statements" as defined under the U.S. federal securities laws. Generally, the words "believe," "expect," "intend," "estimate," "anticipate," "project," "will" and similar expressions identify forward-looking statements, which generally are not 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 statement. These risks include, but are not limited to, changes in economic and political conditions; regulatory and legal changes; energy industry risk; commodity pricing risk; leverage risk; valuation risk; non-diversification 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 publicly 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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