

Kayne Anderson Energy Development Company Announces Results for the Quarter Ended February 28, 2011

HOUSTON, TX – April 14, 2011 – (NYSE:KED) Kayne Anderson Energy Development Company (the “Company”) today announced its financial results for the quarter ended February 28, 2011.

HIGHLIGHTS

- The Company increased its quarterly distribution to \$0.31 per share, up 3.3% from the prior quarter’s distribution of \$0.30 per share.
- Net asset value: \$21.88 per share; up \$1.32 per share from the prior quarter (6.4% increase)
- Net investment loss: \$0.3 million
- Net realized losses: \$3.2 million
- Net unrealized gains: \$20.2 million

PORTFOLIO AND INVESTMENT ACTIVITY

As of February 28, 2011, the Company had long-term investments of \$298.7 million. The Company’s long-term investments consisted of 42 portfolio companies, of which approximately 52% were private MLPs, 30% were public MLPs and 18% were debt securities.

On March 6, 2011, the Company announced that one of its portfolio companies, International Resource Partners LP (“IRP”), entered into a definitive agreement to sell all its partnership interests to James River Coal Company (NASDAQ: JRCC) for total consideration of \$475 million in cash, subject to customary closing adjustments. We expect this transaction to close during April, assuming the Hart-Scott-Rodino 30-day waiting period expires without further comments or requests for additional information.

The Company estimates that its share of the net proceeds from the sale will be approximately \$100 million, of which approximately \$94 million will be received in cash at closing and approximately \$6 million will be held in escrow pending satisfaction of certain post-closing obligations or the expiration of certain time periods. Such escrow will be used to fund any indemnity claims and certain other contingent expenses, if any. As of February 28, 2011, the Company valued its investment in IRP at \$94.5 million.

RESULTS OF OPERATIONS – QUARTER ENDED FEBRUARY 28, 2011

Investment income totaled \$1.7 million and consisted primarily of interest income on the Company’s debt investments and net dividends and distributions. The Company received \$2.5 million of cash dividends and distributions, of which \$1.9 million was treated as a return of capital during the period. The Company received \$2.0 million of paid-in-kind dividends, comprised of \$1.4 million from Direct Fuels Partners, L.P. (“Direct Fuels”) and \$0.6 million 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 \$2.1 million, including \$1.3 million of investment management fees; \$0.4 million of interest expense and \$0.4 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 loss totaled \$0.3 million and included a deferred income tax benefit of \$0.1 million.

The Company had net realized losses from investments of \$3.2 million, after taking into account a deferred income tax benefit of \$1.9 million. The majority of the losses are attributable to the sale of the Company's interest in PostRock Energy Corporation.

The Company had net unrealized gains of \$20.2 million. The net unrealized gain consisted of \$32.0 million of unrealized gains from investments and a deferred income tax expense of \$11.8 million. The majority of these gains are attributable to the Company's investment in public MLPs and its investments in IRP and Direct Fuels.

The Company had an increase in net assets resulting from operations of \$16.7 million. This increase is composed of a net investment loss of \$0.3 million; net realized losses of \$3.2 million; and net unrealized gains of \$20.2 million, as noted above.

NET ASSET VALUE

As of February 28, 2011, the Company's net asset value was \$225.0 million or \$21.88 per share. This represents an increase of \$1.32 per share or 6.4% for the quarter. The fair value of the Company's investments exceeds the total cost basis of such investments. This difference, combined with capital and net operating losses, results in a net deferred tax liability of \$20.3 million, or approximately \$1.98 per share.

LIQUIDITY AND CAPITAL RESOURCES

As of February 28, 2011, the Company had approximately \$4.0 million in short-term investments, which consisted of money market funds and repurchase agreements. The Company's repurchase agreements are collateralized by U.S. Treasury securities, and the Company's counterparty is J.P. Morgan Securities Inc.

As of February 28, 2011, the Company had \$56.0 million of borrowings under its credit facility (at an interest rate of 2.27%), which represented 64.6% of its borrowing base of \$86.7 million (71.2% 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 April 7, 2011, the Company had \$56.0 million of borrowings (at an interest rate of 2.26%), which represented 64.9% of the borrowing base of \$86.3 million (71.5% of its borrowing base attributable to quoted securities).

DISTRIBUTION

On April 28, 2011, the Company will pay a distribution of \$0.31 per share for the quarter ended February 28, 2011 to stockholders of record on April 15, 2011.

GUIDANCE

As disclosed previously, the Company hopes to redeploy a significant amount of the after-tax proceeds from the sale of IRP into private midstream companies. However, given that the Company does not have any specific transaction identified, it will initially use the after-tax proceeds from the sale to invest in a portfolio of public MLPs and quoted debt securities. As a result, the Company is providing guidance that reflects the prospective purchases of such securities.

The Company currently estimates that it will receive gross proceeds of approximately \$100 million from the sale of IRP, which reflects the \$475 million purchase price plus estimated closing adjustments. Of such amount, \$6 million will be held in escrow principally to fund any indemnity claims and certain other contingent expenses. The Company currently estimates that the current tax liability associated with the transaction will be approximately \$17 million, after taking into account expected utilization of the Company's net operating losses and capital loss carryforwards as of February 28, 2011. As a result, the Company currently expects to have approximately \$77 million available for investment. Additionally, for the purposes of providing guidance, the Company expects that it will borrow \$14 million under its credit facility to invest in public MLPs and quoted debt securities. After such borrowing, the Company will be fully borrowed on its \$70 million credit facility and the Company's borrowings will represent approximately 55% of its expected borrowing base.

The Company's guidance reflects its intention to reinvest approximately 90% of the estimated \$91 million available for investment in public MLPs at an average yield of 5.5% – 6.0%. The remainder of the after-tax proceeds will be invested in quoted debt securities at an average yield of 6.75% – 7.25%.

Based on these assumptions, the Company estimates dividends, distributions, and interest income will be approximately \$5.6 – \$5.7 million per quarter. While a significant portion of the distributions received from Direct Fuels and VantaCore during the first quarter were in the form of additional partnership units, the Company believes that the cash component of these distributions will increase over the next twelve months. Of note, this estimate assumes a fully invested portfolio. During the Company's fiscal second quarter, it will not receive a distribution from IRP and investment income will be lower than the run rate estimate until the IRP sale proceeds are fully invested.

Management Fees and Other Operating Expenses – Management fees are estimated to be approximately \$1.32 million per quarter. Other operating expenses are estimated to be approximately \$0.43 million per quarter.

Interest Expense – Interest expense is estimated to be approximately \$0.40 million per quarter based on \$70 million borrowed under the Company's credit facility, assuming a LIBOR rate of 0.26% and a spread of 2.00%. Borrowings reflect the increase in borrowing base from the redeployment of proceeds from the IRP transaction.

Based on the foregoing assumptions, the Company is expected to generate net distributable income per share of \$0.33 to \$0.34 per quarter.

CONFERENCE CALL

The Company will host a conference call at 4 p.m. Central time, on Thursday, April 14, 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 # 55551828." 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
FEBRUARY 28, 2011
(amounts in 000's, except share and per share amounts)
(UNAUDITED)

ASSETS

Investments, at fair value:	
Non-affiliated (Cost — \$100,360)	\$ 130,394
Affiliated (Cost — \$136,371)	168,305
Short-term investments (Cost — \$3,963)	3,963
Total investments (Cost — \$240,694)	<u>302,662</u>
Receivable for securities sold	504
Interest, dividends and distributions receivable, net	1,096
Debt issuance costs, prepaid expenses and other assets	1,000
Total Assets	<u>305,262</u>

LIABILITIES

Senior secured revolving credit facility	56,000
Deferred income tax liability	20,340
Payable for securities purchased	2,000
Investment management fee payable	1,251
Accrued directors' fees and expenses	74
Accrued expenses and other liabilities	596
Total Liabilities	<u>80,261</u>

NET ASSETS	<u>\$ 225,001</u>
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NET ASSETS CONSIST OF

Common stock, \$0.001 par value (200,000,000 shares authorized; 10,284,477 shares issued and outstanding)	\$ 10
Paid-in capital	195,246
Accumulated net investment loss, net of income taxes, less dividends	(10,080)
Accumulated net realized gains (losses) on investments, net of income taxes	1,060
Net unrealized gains (losses) on investments, net of income taxes	<u>38,765</u>

NET ASSETS	<u>\$ 225,001</u>
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NET ASSET VALUE PER SHARE	<u>\$ 21.88</u>
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KAYNE ANDERSON ENERGY DEVELOPMENT COMPANY
STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED FEBRUARY 28, 2011
(amounts in 000's)
(UNAUDITED)

INVESTMENT INCOME

Income

Dividends and Distributions:	
Non-affiliated investments	\$ 1,329
Affiliated investments	1,192
Total dividends and distributions	<u>2,521</u>
Return of capital	(1,892)
Net dividends and distributions	629
Interest and other income	<u>1,045</u>
Total investment income	<u>1,674</u>

Expenses

Investment management fees	1,251
Professional fees	93
Directors' fees and expenses	75
Insurance	34
Administration fees	43
Custodian fees	11
Other expenses	132
Total expenses — before interest expense	<u>1,639</u>
Interest expense	437
Total expenses	<u>2,076</u>
Net Investment Income (Loss) — Before Income Taxes	<u>(402)</u>
Deferred income tax benefit (expense)	148
Net Investment Income (Loss)	<u>(254)</u>

REALIZED AND UNREALIZED GAINS (LOSSES)

Net Realized Gains (Losses)

Investments – non-affiliated	(5,122)
Deferred income tax benefit (expense)	1,885
Net Realized Gains (Losses)	<u>(3,237)</u>

Net Change in Unrealized Gains (Losses)

Investments – non-affiliated	49,453
Investments – affiliated	(17,454)
Deferred income tax expense	(11,776)
Net Change in Unrealized Gains	<u>20,223</u>
Net Realized and Unrealized Gains	<u>16,986</u>

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ 16,732</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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