

## Kayne Anderson Energy Development Company Announces Results for the Quarter Ended May 31, 2010

HOUSTON, TX – July 15, 2010 – (NYSE:KED) Kayne Anderson Energy Development Company (the “Company”) today announced its financial results for the quarter ended May 31, 2010.

### HIGHLIGHTS

- The Company announced a quarterly distribution of \$0.30 per share
- Net asset value: \$16.89 per share
- Net investment loss: \$0.4 million
- Net realized gains: \$3.3 million
- Net unrealized loss: \$1.3 million

### RESULTS OF OPERATIONS – QUARTER ENDED MAY 31, 2010

Investment income totaled \$1.3 million and consisted primarily of interest income on the Company's energy debt investments and net dividends and distributions. The Company received \$2.6 million of cash dividends and distributions, of which \$2.2 million was treated as a return of capital during the period.

The amount of investment income received is lower than previous periods primarily because the Company did not receive a cash distribution from its common and preferred investments in Direct Fuels. In lieu of a cash distribution on the common and preferred units owned by the Company, Direct Fuels paid a distribution on such units in additional preferred units. The additional preferred units are senior to the existing convertible preferred units. The Company received \$1.2 million of preferred unit distributions, which is not included in investment income but is reflected as an unrealized gain.

Operating expenses totaled \$1.9 million, including \$0.9 million of base investment management fees; \$0.5 million for interest expense (including \$0.2 million of amortization of debt issuance costs) and \$0.5 million for other operating expenses. Base investment management fees were equal to an annual rate of 1.75% of average total assets.

The Company's net investment loss totaled \$0.4 million and included a deferred income tax benefit of \$0.2 million.

The Company had net realized gains from its investments of \$3.3 million, net of \$1.9 million of deferred tax expense. During the quarter, the Company monetized several of its investments in publicly traded MLPs in an effort to generate realized gains. The Company engaged in this strategy in an effort to utilize its capital loss carryforwards.

The Company had net unrealized losses of \$1.3 million which consisted of \$2.0 million of unrealized losses from investments and a deferred tax benefit of \$0.7 million.

The Company had an increase in net assets resulting from operations of \$1.6 million. This increase is composed of net investment losses of \$0.4 million, net realized gains of \$3.3 million, and net unrealized losses of \$1.3 million as noted above.

## **PORTFOLIO AND INVESTMENT ACTIVITY**

As of May 31, 2010, the Company had long-term investments of \$200.9 million. The Company's long-term investments consisted of 43 portfolio companies, which were comprised of approximately 47% private MLPs, 33% public MLPs and 20% energy debt securities.

## **NET ASSET VALUE**

As of May 31, 2010, the Company's net asset value was \$172.5 million or \$16.89 per share. This represents a decrease of \$0.14 per share or 0.8% compared to \$173.6 million or \$17.03 per share on February 28, 2010. As of May 31, 2010, the total cost basis of the Company's investments exceeds the fair value reflected on the Statement of Assets and Liabilities. This excess, combined with capital and net operating losses carryforwards, resulted in a deferred tax asset of \$14.8 million or approximately \$1.45 per share.

## **LIQUIDITY AND CAPITAL RESOURCES**

As of May 31, 2010, the Company had approximately \$7.2 million invested in short-term repurchase agreements. As of June 30, 2010, the Company had approximately \$5.7 million in 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 May 31, 2010, the Company had \$52.0 million of borrowings under its Credit Facility (at an interest rate of 2.28%), which represented 69.7% of its borrowing base of \$74.6 million (83.2% of its borrowing base attributable to quoted securities). As of June 30, 2010, the Company had \$52.0 million of borrowings under its Credit Facility (at an interest rate of 2.36%), which represented 68.0% of the borrowing base of \$76.5 million (80.8% 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 and the borrowing base.

## **WITHDRAWAL OF ELECTION TO BE TREATED AS A BUSINESS DEVELOPMENT COMPANY ("BDC")**

At the annual stockholders' meeting of the Company on June 30, 2010, the stockholders approved the withdrawal of the Company's election to be treated as a business development company under the Investment Company Act of 1940. On July 7, 2010, the Company filed the withdrawal with the Securities Exchange Commission which was effective upon receipt. The Company is also no longer subject to the requirement that 70% of its portfolio must be comprised of "qualifying assets," which generally include domestic private companies.

The Company's investment objective remains unchanged, but its target mix of portfolio investments has been revised as follows. Under normal market conditions, its portfolio investments will be allocated (i) between 50% and 70% in private MLPs, (ii) between 30% and 50% in public MLPs and (iii) between 0% and 20% in debt securities of public and private energy companies.

## **DISTRIBUTION**

On June 30, 2010, the Company announced a distribution of \$0.30 per share for the quarter ended May 31, 2010.

## GUIDANCE FOR FISCAL 2010

Based on the Company's portfolio of investments and average yields on those investments as of May 31, 2010, the Company estimates dividends, distributions, and interest income will be approximately \$4.8 million per quarter. Such estimate 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, 2010. The estimate also includes the \$1.2 million per quarter preferred unit distribution from Direct Fuels.

Portfolio Category	Amount Invested (\$ in millions)	Average Annual Yield <sup>(1)(2)</sup>
Private MLPs	\$94.6	11.4%
Public MLPs and MLP Affiliates	\$66.5	7.3%
Fixed Income <sup>(3)</sup>	\$35.1	10.1%
Repurchase Agreements <sup>(4)</sup>	\$4.1	0.1%

- (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, 2010. Amount invested and average yields for Private MLPs are based on May 31, 2010 valuations and distribution rates.
- (3) The amount invested and average yield excludes the Company's ProPetro investment (the Company does not anticipate receiving cash interest payments on this investment). The average yield includes amortization of the purchase price discounts.
- (4) Includes repurchase agreements at May 31, 2010 less Q2 2010 distribution of \$3.1 million (to be paid on July 29, 2010).

Base Management Fees and Other Operating Expenses - Base management fees are estimated to be approximately \$0.9 million per quarter. Other operating expenses are estimated to be approximately \$0.45 million per quarter.

Interest Expense - Based on \$52.0 million borrowed under the Company's senior secured revolving credit facility as of May 31, 2010, interest expense is estimated to be approximately \$0.33 million per quarter assuming a LIBOR rate of 0.35% and a spread of 2.00%.

Based on the foregoing assumptions, the Company is expected to generate distributable cash flow per share of \$0.31 per quarter. Included in this estimate is a \$1.2 million distribution of additional preferred units from Direct Fuels. Such distribution is attributable to the Company's ownership of Direct Fuel's common and preferred units. While the Company believes that Direct Fuels will generate sufficient distributable cash flow to make cash distributions during 2011, Direct Fuels has received a notice of default under its existing credit agreement and no cash distributions will be permitted until such covenants have been amended. Direct Fuels recently signed an agreement to sell its ethanol terminal for \$16 million. In connection with such sale, Direct Fuels is in active discussions with its lenders regarding the repayment of approximately 40% of the outstanding balance under its credit agreement and the amendment of certain covenants.

## CONFERENCE CALL

The Company will host a conference call at 4:00 p.m. Central time, on Thursday, July 15, 2010 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 #83579392." 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](http://www.kaynefunds.com).

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

	<b>May 31,</b>	<b>November 30,</b>
	<b>2010</b>	<b>2009</b>
	<b>(Unaudited)</b>	<b>2009</b>
<b>ASSETS</b>		
Investments, at fair value:		
Non-affiliated (Cost — \$141,402 and \$172,244) .....	\$ 100,394	\$ 136,857
Affiliated (Cost — \$99,003 and \$73,025) .....	100,524	63,502
Repurchase agreements (Cost — \$7,230 and \$4,710) .....	7,230	4,710
Total investments (Cost — \$247,635 and \$249,979) .....	<u>208,148</u>	<u>205,069</u>
Deferred income tax asset .....	14,789	20,135
Receivable for securities sold .....	2,297	14
Interest, dividends and distributions receivable, net .....	1,148	410
Debt issuance costs, prepaid expenses and other assets .....	<u>1,102</u>	<u>392</u>
<b>Total Assets</b> .....	<u>227,484</u>	<u>226,020</u>
<b>LIABILITIES</b>		
Senior secured revolving credit facility .....	52,000	56,000
Payable for securities purchased .....	1,314	17
Investment management fee payable .....	945	858
Accrued directors' fees and expenses .....	75	74
Accrued expenses and other liabilities .....	<u>648</u>	<u>532</u>
<b>Total Liabilities</b> .....	<u>54,982</u>	<u>57,481</u>
<b>NET ASSETS</b> .....	<u>\$ 172,502</u>	<u>\$ 168,539</u>
<b>NET ASSETS CONSIST OF</b>		
Common stock, \$0.001 par value (200,000,000 shares authorized at May 31, 2010 and November 30, 2009; 10,215,995 and 10,163,978 shares issued and outstanding at May 31, 2010 and November 30, 2009, respectively) .....	\$ 10	\$ 10
Paid-in capital .....	204,113	203,576
Accumulated net investment loss, net of income taxes, less dividends .....	(9,346)	(2,869)
Accumulated net realized gains (losses) on investments, net of income taxes .....	3,205	(3,272)
Net unrealized losses on investments, net of income taxes .....	<u>(25,480)</u>	<u>(28,906)</u>
<b>NET ASSETS</b> .....	<u>\$ 172,502</u>	<u>\$ 168,539</u>
<b>NET ASSET VALUE PER SHARE</b> .....	<u>\$ 16.89</u>	<u>\$ 16.58</u>

**KAYNE ANDERSON ENERGY DEVELOPMENT COMPANY**  
**STATEMENT OF OPERATIONS**  
(amounts in 000's)  
(UNAUDITED)

	<b>Three Months Ended</b>	
	<b>May 31, 2010</b>	<b>May 31, 2009</b>
<b>INVESTMENT INCOME</b>		
<b>Income</b>		
Dividends and Distributions:		
Non-affiliated investments .....	\$ 1,115	\$ 1,855
Affiliated investments .....	1,543	1,950
Total dividends and distributions .....	2,658	3,805
Return of capital .....	(2,222)	(3,406)
Net dividends and distributions .....	436	399
Interest and other income .....	872	710
Total investment income .....	1,308	1,109
<b>Expenses</b>		
Base investment management fees .....	945	776
Professional fees .....	173	209
Directors' fees and expenses .....	77	69
Insurance .....	36	41
Administration fees .....	33	29
Custodian fees .....	17	17
Other expenses .....	155	147
Total Expenses — Before Interest Expense .....	1,436	1,288
Interest expense .....	485	296
Total Expenses .....	1,921	1,584
<b>Net Investment Loss — Before Income Taxes</b> .....	(613)	(475)
Deferred income tax benefit .....	224	204
<b>Net Investment Loss</b> .....	(389)	(271)
<b>REALIZED AND UNREALIZED GAINS (LOSSES)</b>		
<b>Net Realized Gains (Losses)</b>		
Investments .....	5,100	(9,936)
Foreign currency transactions .....	22	—
Options .....	—	17
Deferred income tax benefit (expense) .....	(1,869)	3,970
Net Realized Gains (Losses) .....	3,253	(5,949)
<b>Net Change in Unrealized Gains (Losses)</b>		
Investments .....	(2,018)	23,578
Foreign currency translations .....	—	26
Options .....	—	(17)
Deferred income tax benefit (expense) .....	736	(9,056)
Net Change in Unrealized Gains (Losses) .....	(1,282)	14,531
Net Realized and Unrealized Gains .....	1,971	8,582
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>\$ 1,582</b>	<b>\$ 8,311</b>

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*The Company is a non-diversified, closed-end investment company registered 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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