

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

HOUSTON, TX – October 12, 2010 – (NYSE:KED) Kayne Anderson Energy Development Company (the “Company”) today announced its financial results for the quarter ended August 31, 2010.

### HIGHLIGHTS

- The Company announced a quarterly distribution of \$0.30 per share
- Net asset value: \$19.14 per share
- Net investment loss: \$0.2 million
- Net realized gains: \$0.04 million
- Net unrealized gains: \$26.4 million

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

Investment income totaled \$1.5 million and consisted primarily of interest income on the Company's energy debt investments and net dividends and distributions. The Company received \$2.7 million of cash dividends and distributions during the period, of which \$2.1 million was treated as a return of capital. During the quarter, Direct Fuels Partners, L.P. (“Direct Fuels”) paid the Company \$1.3 million of preferred unit distributions (in lieu of a cash distribution), which is not included in investment income but is reflected as an unrealized gain.

Operating expenses totaled \$1.9 million, including \$1.0 million of base investment management fees, \$0.5 million for interest expense, of which \$0.1 million relates to the amortization of debt issuance costs and \$0.4 million for other operating expenses. Management fees were equal to an annual rate of 1.75% of average total assets.

The Company's net investment loss totaled \$0.2 million and included a deferred income tax benefit of \$0.1 million.

The Company had net realized gains from its investments of \$0.04 million.

The Company had net unrealized gains of \$26.4 million, which consisted of \$41.6 million of unrealized gains from investments and \$15.2 million of deferred income tax expense. The majority of these gains are attributable to our investment in International Resource Partners LP (“IRP”), which increased by \$35.3 million (90% increase) during the quarter.

The Company had an increase in net assets resulting from operations of \$26.2 million. This increase is composed of a net investment loss of \$0.2 million, net realized gains of \$0.04 million, and net unrealized gains of \$26.4 million as noted above.

### PORTFOLIO AND INVESTMENT ACTIVITY

As of August 31, 2010, the Company had long-term investments of \$240.9 million. The Company's long-term investments consisted of 42 portfolio companies, which were comprised of private MLPs (52%), public MLPs (32%) and debt securities (16%).

## NET ASSET VALUE

As of August 31, 2010, the Company's net asset value was \$196.0 million or \$19.14 per share. This represents an increase of \$2.25 per share or 13.3% compared to \$172.5 million or \$16.89 per share on May 31, 2010. As of August 31, 2010, the Company had a deferred tax liability of \$0.3 million (the fair value of the Company's investments was in excess of the cost basis of such investments). As of May 31, 2010, the Company had a deferred tax asset of \$14.8 million.

## LIQUIDITY AND CAPITAL RESOURCES

As of August 31, 2010, the Company had approximately \$7.3 million in cash and cash equivalents. As of October 8, 2010, the Company had approximately \$1.9 million in cash and cash equivalents.

As of August 31, 2010, the Company had \$52.0 million of borrowings under its Credit Facility (at an interest rate of 2.30%), which represented 66.8% of its borrowing base of \$77.8 million (78.8% of its borrowing base attributable to quoted securities). As of October 8, 2010, the Company had \$52.0 million of borrowings under its Credit Facility (at an interest rate of 2.26%), which represented 65.1% of the borrowing base of \$79.9 million (76.4% 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.

## DISTRIBUTION

On September 29, 2010, the Company announced a distribution of \$0.30 per share for the quarter ended August 31, 2010. This distribution is payable on October 28, 2010 to shareholders of record on October 15, 2010.

## GUIDANCE

Based on the Company's portfolio of investments and average yields on those investments as of August 31, 2010, the Company estimates dividends, distributions, and interest income will be approximately \$5.0 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 August 31, 2010. The estimate includes the \$1.4 million per quarter preferred unit distribution from Direct Fuels.

Portfolio Category	Amount Invested (\$ in millions)	Average Annual Yield <sup>(1)(2)</sup>
Private MLPs	\$126.1	9.2%
Public MLPs and MLP Affiliates	\$75.2	6.8%
Fixed Income <sup>(3)</sup>	\$34.7	9.1%
Cash and Cash Equivalents <sup>(4)</sup>	\$4.2	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 August 31, 2010. Amount invested and average yields for Private MLPs are based on August 31, 2010 valuations and distribution rates.
- (3) The average yield includes amortization of the purchase price discounts. The amount invested and average yield excludes the Company's ProPetro investment (the Company does not anticipate receiving cash interest payments on this investment).
- (4) Includes repurchase agreements and cash at August 31, 2010 less Q3 2010 distribution of \$3.1 million (to be paid on October 28, 2010).

Management Fees and Other Operating Expenses - Management fees are estimated to be approximately \$1.1 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 August 31, 2010, interest expense is estimated to be approximately \$0.32 million per quarter assuming a LIBOR rate of 0.30% 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 \$1.4 million distribution of additional preferred units from Direct Fuels. The Company does not expect Direct Fuels to pay cash distributions for the next four quarters.

## **CONFERENCE CALL**

The Company will host a conference call at 4:00 p.m. Central time, on Tuesday, October 12, 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 #99686659." 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>August 31, 2010 (Unaudited)</b>	<b>November 30, 2009</b>
<b>ASSETS</b>		
Investments, at fair value:		
Non-affiliated (Cost — \$140,926 and \$172,244) .....	\$ 108,725	\$ 136,857
Affiliated (Cost — \$97,914 and \$73,025) .....	132,222	63,502
Repurchase agreements (Cost — \$1,000 and \$4,710) .....	1,000	4,710
Total investments (Cost — \$239,840 and \$249,979) .....	<u>241,947</u>	<u>205,069</u>
Cash .....	6,338	—
Deferred income tax asset .....	—	20,135
Receivable for securities sold .....	—	14
Interest, dividends and distributions receivable, net .....	790	410
Debt issuance costs, prepaid expenses and other assets .....	967	392
<b>Total Assets</b> .....	<u>250,042</u>	<u>226,020</u>
<b>LIABILITIES</b>		
Senior secured revolving credit facility .....	52,000	56,000
Deferred income tax liability .....	276	—
Payable for securities purchased .....	—	17
Investment management fee payable .....	1,010	858
Accrued directors' fees and expenses .....	73	74
Accrued expenses and other liabilities .....	661	532
<b>Total Liabilities</b> .....	<u>54,020</u>	<u>57,481</u>
<b>NET ASSETS</b> .....	<u>\$ 196,022</u>	<u>\$ 168,539</u>
<b>NET ASSETS CONSIST OF</b>		
Common stock, \$0.001 par value (200,000,000 shares authorized at August 31, 2010 and November 30, 2009; 10,242,094 and 10,163,978 shares issued and outstanding at August 31, 2010 and November 30, 2009, respectively) .....	\$ 10	\$ 10
Paid-in capital .....	201,222	203,576
Accumulated net investment loss, net of income taxes, less dividends .....	(9,387)	(2,869)
Accumulated net realized gains (losses) on investments, net of income taxes .....	3,246	(3,272)
Net unrealized gains (losses) on investments, net of income taxes .....	931	(28,906)
<b>NET ASSETS</b> .....	<u>\$ 196,022</u>	<u>\$ 168,539</u>
<b>NET ASSET VALUE PER SHARE</b> .....	<u>\$ 19.14</u>	<u>\$ 16.58</u>

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

	<b>Three Months Ended</b>	
	<b>August 31, 2010</b>	<b>August 31, 2009</b>
<b>INVESTMENT INCOME</b>		
<b>Income</b>		
Dividends and Distributions:		
Non-affiliated investments .....	\$ 1,074	\$ 1,715
Affiliated investments .....	1,602	1,947
Total dividends and distributions .....	2,676	3,662
Return of capital .....	(2,055)	(2,442)
Net dividends and distributions .....	621	1,220
Interest and other income .....	852	1,046
Total investment income .....	1,473	2,266
<b>Expenses</b>		
Investment management fees .....	1,010	816
Professional fees .....	150	185
Directors' fees and expenses .....	70	73
Insurance .....	37	38
Administration fees .....	34	31
Custodian fees .....	10	19
Other expenses .....	112	33
Total Expenses — Before Interest Expense .....	1,423	1,195
Interest expense .....	435	341
Total Expenses .....	1,858	1,536
<b>Net Investment Income (Loss) — Before Income Taxes</b> .....	(385)	730
Deferred income tax benefit (expense) .....	141	(290)
<b>Net Investment Income (Loss)</b> .....	(244)	440
<b>REALIZED AND UNREALIZED GAINS (LOSSES)</b>		
<b>Net Realized Gains (Losses)</b>		
Investments .....	65	(5,060)
Foreign currency transactions .....	—	33
Options .....	—	—
Deferred income tax benefit (expense) .....	(24)	1,715
Net Realized Gains (Losses) .....	41	(3,312)
<b>Net Change in Unrealized Gains (Losses)</b>		
Investments .....	41,593	14,456
Foreign currency translations .....	—	(18)
Options .....	—	—
Deferred income tax expense .....	(15,182)	(5,176)
Net Change in Unrealized Gains .....	26,411	9,262
Net Realized and Unrealized Gains .....	26,452	5,950
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b> ....	\$ 26,208	\$ 6,390

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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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