

Kayne Anderson Energy Development Company Announces Results for the Fiscal Year Ended November 30, 2010

HOUSTON, TX – January 31, 2011 – (NYSE:KED) Kayne Anderson Energy Development Company (the “Company”) today announced its financial results for the fiscal year ended November 30, 2010.

HIGHLIGHTS

- Net asset value: \$20.56 per share; up \$3.98 per share during fiscal 2010 (24% increase)
- The Company declared a quarterly distribution of \$0.30 per share
- Net investment loss for fiscal 2010: \$1.8 million
- Net realized gains for fiscal 2010: \$7.6 million
- Net unrealized gains for fiscal 2010: \$47.4 million

RESULTS OF OPERATIONS – FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2010

Investment income totaled \$4.7 million and consisted primarily of interest income on the Company's debt investments and net dividends and distributions. The Company received \$10.6 million of cash dividends and distributions, of which \$9.5 million was treated as a return of capital during the period. For fiscal 2010, the Company estimated the return of capital portion of cash dividends and distributions received to be \$8.5 million, or 80%. This amount was increased by \$1.0 million attributable to 2009 tax reporting information for the Company's portfolio investments that was received during fiscal 2010. The Company received \$5.4 million of paid-in-kind dividends during the fiscal year, of which \$5.1 million was from Direct Fuels Partners, L.P. (“Direct Fuels”). These payment-in-kind dividends are not included in investment income but are reflected as an unrealized gain.

Operating expenses totaled \$7.5 million, including \$4.0 million of investment management fees; \$1.7 million of interest expense and \$1.8 million of other operating expenses. Interest expense included \$0.5 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 \$1.8 million and included a deferred income tax benefit of \$1.0 million.

The Company had net realized gains from its investments of \$7.6 million, net of \$4.4 million of deferred income tax expense.

The Company had net unrealized gains of \$47.4 million. The net unrealized gain consisted of \$74.8 million of unrealized gains from investments and a deferred income tax expense of \$27.4 million. The majority of these gains are attributable to the Company's investment in International Resource Partners LP (“IRP”) and its investments in public MLPs. During the fiscal year, the Company's valuation for IRP appreciated by \$53.3 million (a 154% increase) based on continued strong performance and increases in valuations for comparable coal companies.

The Company had an increase in net assets resulting from operations of \$53.2 million. This increase is composed of a net investment loss of \$1.8 million; net realized gains of \$7.6 million; and net unrealized gains of \$47.4 million, as noted above.

RESULTS OF OPERATIONS – QUARTER ENDED NOVEMBER 30, 2010

Investment income totaled \$0.5 million and consisted primarily of interest income on the Company's energy debt investments and net dividends and distributions. The Company received \$2.8 million of cash dividends and distributions, of which \$3.2 million was treated as a return of capital during the period. For the fourth quarter, the Company estimated the return of capital portion of the cash dividends and distributions received to be \$2.2 million or 79%. As noted above, the Company's return of capital for the fourth quarter of fiscal 2010 was increased by \$1.0 million as a result of an adjustment the Company made to its return of capital estimate for fiscal 2009. The Company received \$1.4 million of paid-in-kind dividends (\$1.3 million from Direct Fuels), which are not included in investment income but are reflected as an unrealized gain.

Operating expenses totaled \$2.0 million, including \$1.2 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 \$1.0 million and included a deferred income tax benefit of \$0.6 million.

The Company had net realized gains from investments of \$1.1 million, net of \$0.6 million of deferred income tax expense.

The Company had net unrealized gains of \$17.6 million. The net unrealized gain consisted of \$27.9 million of unrealized gains from investments and a deferred income tax expense of \$10.3 million. The majority of these gains are attributable to the Company's investment in IRP and, to a lesser extent, its investments in public MLPs. During the quarter, the Company's valuation for IRP appreciated by \$13.5 million (a 18% increase).

The Company had an increase in net assets resulting from operations of \$17.7 million. This increase is composed of a net investment loss of \$1.0 million; net realized gains of \$1.1 million; and net unrealized gains of \$17.6 million, as noted above.

PORTFOLIO AND INVESTMENT ACTIVITY

As of November 30, 2010, the Company had long-term investments of \$276.3 million. The Company's long-term investments consisted of 43 portfolio companies, of which approximately 50% were private MLPs, 32% were public MLPs and 18% were energy debt securities.

NET ASSET VALUE

As of November 30, 2010, the Company's net asset value was \$211.0 million or \$20.56 per share. This represents an increase of \$1.42 per share or 7.4% for the quarter and an increase of \$3.98 per share or 24.0% for the year. Presently, the fair value of the Company's investments exceeds the total cost basis reflected on the Statement of Assets and Liabilities as shown below. This difference, combined with capital and net operating losses, results in a deferred tax liability of \$10.6 million, or approximately \$1.03 per share.

LIQUIDITY AND CAPITAL RESOURCES

As of November 30, 2010, the Company had approximately \$2.1 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 November 30, 2010, the Company had \$57.0 million of borrowings under its credit facility (at an interest rate of 2.26%), which represented 66.4% of its borrowing base of \$85.8 million (76.7% 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 January 27, 2011, the Company had \$61.0 million of borrowings (at an interest rate of 2.27%), which represented 71.5% of the borrowing base of \$85.3 million (81.2% of its borrowing base attributable to quoted securities).

DISTRIBUTION

On February 4, 2011, the Company will pay a distribution of \$0.30 per share for the quarter ended November 30, 2010 to stockholders of record on January 31, 2011.

GUIDANCE

Based on the Company's portfolio investments and average yields on those investments as of November 30, 2010, the Company estimates dividends, distributions, and interest income will be approximately \$5.3 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 November 30, 2010. The estimate includes \$1.4 million per quarter of paid-in-kind dividends from Direct Fuels. We also expect that a portion of the \$0.7 million quarterly distribution from VantaCore Partners LP ("VantaCore") will be in the form of a paid-in-kind dividend.

Portfolio Category	Amount Invested (\$ in millions)	Average Annual Yield ⁽¹⁾⁽²⁾
Private MLPs	\$139.3	8.7%
Public MLPs and MLP Affiliates	\$87.1	5.9%
Fixed Income ⁽³⁾	\$45.4	9.2%

- (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 November 30, 2010. Amount invested and average yields for Private MLPs are based on November 30, 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).

Management Fees and Other Operating Expenses – Management fees are estimated to be approximately \$1.2 million per quarter. Other operating expenses are estimated to be approximately \$0.45 million per quarter.

Interest Expense – Based on \$57.0 million borrowed under the Company's senior secured revolving credit facility as of November 30, 2010, interest expense is estimated to be approximately \$0.35 million per quarter assuming a LIBOR rate of 0.26% and a spread of 2.00%.

Based on the foregoing assumptions, the Company is expected to generate net distributable income per share of \$0.32 per quarter. Included in this estimate are paid-in-kind dividends from Direct Fuels and VantaCore. The Company currently does not expect Direct Fuels to pay a cash distribution until the third quarter 2011 and then only upon achieving certain performance tests. In addition, the Company expects that VantaCore will pay a portion of its distribution in units in lieu of cash distributions during 2011.

CONFERENCE CALL

The Company will host a conference call at 4 p.m. Central time, on Monday, January 31, 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 # 39433654." 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
CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
(amounts in 000's, except share and per share amounts)

	November 30,	
	2010	2009
ASSETS		
Investments, at fair value:		
Non-affiliated (Cost — \$150,098 and \$172,244)	\$ 130,679	\$ 136,857
Affiliated (Cost — \$96,244 and \$73,025)	145,631	63,502
Short-term investments (Cost — \$2,075 and \$4,710)	2,075	4,710
Total investments (Cost — \$248,417 and \$249,979)	278,385	205,069
Deferred income tax asset	—	20,135
Receivable for securities sold	—	14
Interest, dividends and distributions receivable, net	1,197	410
Debt issuance costs, prepaid expenses and other assets	1,042	392
Total Assets	280,624	226,020
LIABILITIES		
Senior secured revolving credit facility	57,000	56,000
Deferred income tax liability	10,597	—
Payable for securities purchased	—	17
Investment management fee payable	1,150	858
Accrued directors' fees and expenses	73	74
Accrued expenses and other liabilities	763	532
Total Liabilities	69,583	57,481
NET ASSETS	\$ 211,041	\$ 168,539
NET ASSETS CONSIST OF		
Common stock, \$0.001 par value (200,000,000 shares authorized at November 30, 2010 and November 30, 2009; 10,266,660 and 10,163,978 shares issued and outstanding at November 30, 2010 and November 30, 2009, respectively)	\$ 10	\$ 10
Paid-in capital	198,018	203,576
Accumulated net investment loss, net of income taxes, less dividends	(9,826)	(2,869)
Accumulated net realized gains (losses) on investments, net of income taxes	4,297	(3,272)
Net unrealized gains (losses) on investments, net of income taxes	18,542	(28,906)
NET ASSETS	\$ 211,041	\$ 168,539
NET ASSET VALUE PER SHARE	\$ 20.56	\$ 16.58

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

	For the Three Months Ended November 30,		For the Year Ended November 30,	
	2010	2009	2010	2009
INVESTMENT INCOME				
Income				
Dividends and Distributions:				
Non-affiliated investments	\$ 1,095	\$ 1,767	\$ 4,431	\$ 8,015
Affiliated investments	1,653	1,986	6,190	7,832
Total dividends and distributions	2,748	3,753	10,621	15,847
Return of capital	(3,177)	(748)	(9,517)	(10,720)
Net dividends and distributions	(429)	3,005	1,104	5,127
Interest and other income	902	759	3,566	3,245
Total investment income	473	3,764	4,670	8,372
Expenses				
Investment management fees	1,150	858	4,018	3,227
Professional fees	140	261	625	879
Directors' fees and expenses	72	73	294	290
Insurance	35	34	145	150
Administration fees	35	32	137	145
Custodian fees	10	17	53	68
Other expenses	107	150	508	535
Total Expenses — Before interest expense	1,549	1,425	5,780	5,294
Interest expense	436	329	1,735	1,350
Total Expenses	1,985	1,754	7,515	6,644
Net Investment Income (Loss) — Before Income Taxes	(1,512)	2,010	(2,845)	1,728
Taxes				
Current income tax benefit	—	100	—	100
Deferred income tax benefit (expense)	555	(861)	1,042	(755)
Net Investment Income (Loss)	(957)	1,249	(1,803)	1,073
REALIZED AND UNREALIZED GAINS (LOSSES)				
Net Realized Gains (Losses)				
Investments	1,676	205	11,887	(17,338)
Foreign currency transactions	—	—	53	27
Options	—	1	—	18
Deferred income tax benefit (expense)	(625)	(40)	(4,371)	6,557
Net Realized Gains (Losses)	1,051	166	7,569	(10,736)
Net Change in Unrealized Gains (Losses)				
Investments.....	27,862	12,086	74,878	44,898
Foreign currency translations	—	21	(27)	31
Deferred income tax expense	(10,251)	(4,665)	(27,403)	(17,037)
Net Change in Unrealized Gains	17,611	7,442	47,448	27,892
Net Realized and Unrealized Gains	18,662	7,608	55,017	17,156
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ 17,705</u>	<u>\$ 8,857</u>	<u>\$ 53,214</u>	<u>\$ 18,229</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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