

KAYNE ANDERSON MIDSTREAM/ENERGY FUND, INC.

Form N-Q

October 30, 2014

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-22467

Kayne Anderson Midstream/Energy Fund, Inc.

(Exact name of registrant as specified in charter)

811 Main Street, 14th Floor

Houston, Texas 77002

(Address of principal executive offices) (Zip code)

David Shladovsky, Esq.

KA Fund Advisors, LLC

811 Main Street, 14th Floor

Houston, Texas 77002

(Name and address of agent for service)

Registrant's telephone number, including area code: (713) 493-2020

Date of fiscal year end: November 30, 2014

Date of reporting period: August 31, 2014

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| Description | No. of Shares/Units | Value |
|---|------------------------|----------|
| Long-Term Investments 141.1% | | |
| Equity Investments⁽¹⁾ 131.4% | | |
| United States 122.2% | | |
| Midstream MLP⁽²⁾⁽³⁾ 54.7% | | |
| Access Midstream Partners, L.P. | 87 | \$ 5,618 |
| Arc Logistics Partners LP | 82 | 2,139 |
| Atlas Pipeline Partners, L.P. | 65 | 2,400 |
| Buckeye Partners, L.P. | 135 | 10,661 |
| Compressco Partners, L.P. | 43 | 1,163 |
| Crestwood Midstream Partners LP | 1,190 | 27,791 |
| DCP Midstream Partners, LP ⁽⁴⁾ | 354 | 20,003 |
| El Paso Pipeline Partners, L.P. ⁽⁵⁾ | 231 | 9,596 |
| Enable Midstream Partners, LP | 47 | 1,199 |
| Energy Transfer Equity, L.P. | 88 | 5,313 |
| Enbridge Energy Management, L.L.C. ⁽⁶⁾⁽⁷⁾ | 2,696 | 96,558 |
| Energy Transfer Partners, L.P. ⁽⁴⁾⁽⁸⁾ | 418 | 23,986 |
| EnLink Midstream Partners, LP | 498 | 15,426 |
| Enterprise Products Partners L.P. ⁽⁴⁾⁽⁸⁾ | 407 | 16,536 |
| Exterran Partners, L.P. | 297 | 8,607 |
| Global Partners LP | 266 | 11,467 |
| Holly Energy Partners, L.P. | 144 | 5,211 |
| Kinder Morgan Management, LLC ⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾ | 1,286 | 125,690 |
| MarkWest Energy Partners, L.P. ⁽⁴⁾⁽⁹⁾ | 309 | 24,607 |
| Martin Midstream Partners L.P. | 46 | 1,807 |
| Midcoast Energy Partners, L.P. | 128 | 2,873 |
| Niska Gas Storage Partners LLC | 76 | 1,101 |
| ONEOK Partners, L.P. | 431 | 25,594 |
| Plains All American Pipeline, L.P. ⁽⁹⁾ | 459 | 27,502 |
| QEP Midstream Partners, LP | 37 | 962 |
| Regency Energy Partners LP | 1,338 | 44,100 |
| Sprague Resources LP | 26 | 669 |
| Summit Midstream Partners, LP | 79 | 4,362 |
| Targa Resources Partners LP | 89 | 6,622 |
| USA Compression Partners, LP | 31 | 816 |
| Western Gas Partners, LP | 76 | 5,893 |
| Williams Partners L.P. | 475 | 25,173 |
| | | 561,445 |
| Midstream Company⁽²⁾ 51.0% | | |
| Capital Product Partners L.P. ⁽¹⁰⁾ | 1,298 | 14,196 |

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| | | |
|---|-------|--------|
| Capital Products Partners L.P. Class B Units ⁽⁰⁾⁽¹¹⁾⁽¹²⁾ | 606 | 6,630 |
| CenterPoint Energy, Inc. | 599 | 14,867 |
| Dynagas LNG Partners LP ⁽¹⁰⁾ | 1,134 | 27,432 |
| Golar LNG Partners LP ⁽¹⁰⁾ | 1,276 | 48,586 |
| Höegh LNG Partners LP ⁽¹⁰⁾⁽¹³⁾ | 151 | 3,901 |
| Kinder Morgan, Inc. ⁽⁵⁾ | 1,336 | 53,792 |
| KNOT Offshore Partners LP ⁽¹⁰⁾ | 757 | 21,222 |
| National Fuel Gas Company ⁽⁴⁾ | 195 | 14,913 |
| NiSource Inc. ⁽⁴⁾ | 301 | 11,937 |

Table of Contents**KAYNE ANDERSON MIDSTREAM/ENERGY FUND, INC.****SCHEDULE OF INVESTMENTS****AUGUST 31, 2014****(amounts in 000 s, except number of option contracts)****(UNAUDITED)**

| Description | No. of Shares/Units | Value |
|---|--------------------------------|--------------|
| Midstream Company⁽²⁾ (continued) | | |
| Nordic American Offshore Ltd. | 65 | \$ 1,265 |
| ONEOK, Inc. ⁽⁴⁾ | 962 | 67,548 |
| Plains GP Holdings, L.P. ⁽⁹⁾⁽¹⁰⁾ | 411 | 12,696 |
| Plains GP Holdings, L.P. Unregistered ⁽⁹⁾⁽¹⁰⁾⁽¹¹⁾⁽¹⁴⁾ | 1,836 | 54,913 |
| Spectra Energy Corp. | 505 | 21,051 |
| Teekay Corporation ⁽⁴⁾ | 45 | 2,759 |
| Teekay Offshore Partners L.P. ⁽¹⁰⁾ | 419 | 14,775 |
| Teekay Offshore Partners L.P. Series A Preferred Units ⁽¹⁰⁾ | 300 | 7,623 |
| VTTI Energy Partners LP ⁽¹⁰⁾⁽¹³⁾ | 318 | 8,700 |
| The Williams Companies, Inc. | 1,943 | 115,482 |
| | | 524,288 |
| Other Energy Company 13.0% | | |
| Abengoa Yield plc ⁽¹³⁾ | 239 | 9,566 |
| CONSOL Energy Inc. | 301 | 12,141 |
| Dominion Resources, Inc. 6.375% Series A Preferred Shares ⁽¹³⁾ | 13 | 635 |
| Enduro Royalty Trust | 320 | 4,211 |
| HollyFrontier Corporation ⁽⁴⁾ | 125 | 6,259 |
| LinnCo, LLC ⁽¹⁰⁾ | 326 | 10,253 |
| Marathon Petroleum Corporation ⁽⁴⁾ | 155 | 14,125 |
| NRG Yield, Inc. ⁽⁴⁾ | 41 | 2,219 |
| Pacific Coast Oil Trust | 376 | 4,429 |
| Phillips 66 ⁽⁴⁾ | 228 | 19,849 |
| Seadrill Limited | 278 | 10,348 |
| Seadrill Partners LLC ⁽¹⁰⁾ | 405 | 13,974 |
| Tesoro Corporation ⁽⁴⁾ | 57 | 3,671 |
| The Southern Company | 105 | 4,640 |
| Transocean Ltd. | 185 | 7,143 |
| Transocean Partners LLC ⁽¹⁰⁾⁽¹³⁾ | 115 | 3,290 |
| Valero Energy Corporation ⁽⁴⁾ | 109 | 5,901 |
| VOC Energy Trust | 58 | 876 |
| | | 133,530 |
| Other MLP⁽³⁾ 2.1% | | |
| Alliance Holdings GP, L.P. | 14 | 1,020 |
| AmeriGas Partners, L.P. | 111 | 5,150 |
| BreitBurn Energy Partners L.P. | 119 | 2,730 |
| Foresight Energy LP | 285 | 5,406 |
| LRR Energy LP | 22 | 418 |

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| | | |
|---|-----|------------------|
| Northern Tier Energy LP | 69 | 1,814 |
| Suncoke Energy Partners, L.P. | 177 | 5,352 |
| | | 21,890 |
| Other 1.4% | | |
| Navios Maritime Holdings Inc. 8.625% Series H Preferred Share ⁽¹³⁾ | 132 | 3,234 |
| Seaspan Corporation 7.95% Series D Preferred Shares | 200 | 5,394 |
| Seaspan Corporation 8.25% Series E Preferred Shares | 200 | 5,294 |
| | | 13,922 |
| Total United States (Cost \$817,314) | | 1,255,075 |

Table of Contents**KAYNE ANDERSON MIDSTREAM/ENERGY FUND, INC.****SCHEDULE OF INVESTMENTS****AUGUST 31, 2014****(amounts in 000 s, except number of option contracts)****(UNAUDITED)**

| Description | No. of Shares/Units | Value |
|--|------------------------|-----------|
| Canada 9.2% | | |
| Midstream Company⁽²⁾ 7.2% | | |
| AltaGas Ltd. | 374 | \$ 18,105 |
| Enbridge Inc. | 498 | 24,840 |
| Gibson Energy Inc. ⁽⁸⁾ | 112 | 3,739 |
| Inter Pipeline Ltd. | 199 | 6,650 |
| Keyera Corp. ⁽⁴⁾ | 77 | 6,792 |
| Pembina Pipeline Corporation | 206 | 9,474 |
| TransCanada Corporation | 82 | 4,415 |
| | | 74,015 |
| Other Energy Company 2.0% | | |
| ARC Resources Ltd. ⁽⁸⁾ | 161 | 4,642 |
| Baytex Energy Corp. | 140 | 6,271 |
| Bonavista Energy Corporation | 153 | 2,082 |
| Bonterra Energy Corp. | 31 | 1,859 |
| Crescent Point Energy Corp. ⁽⁸⁾ | 127 | 5,244 |
| Pengrowth Energy Corporation | 47 | 302 |
| | | 20,400 |
| Total Canada (Cost \$75,729) | | 94,415 |
| Total Equity Investments (Cost \$893,043) | | 1,349,490 |

| | Interest Rate | Maturity Date | Principal Amount | Value |
|-----------------------------------|------------------|------------------|---------------------|--------|
| Debt Instruments 9.7% | | | | |
| Upstream 8.6% | | | | |
| American Eagle Energy Corporation | 11.000% | 9/1/19 | \$ 4,800 | 4,806 |
| BlackBrush Oil & Gas, L.P. | (15) | 7/30/21 | 12,700 | 12,668 |
| Chief Oil & Gas LLC | (16) | 8/8/21 | 4,000 | 4,033 |
| CrownRock, L.P. | 7.125 | 4/15/21 | 2,500 | 2,594 |
| Goodrich Petroleum Corporation | 8.875 | 3/15/19 | 6,950 | 7,332 |
| Halcón Resources Corporation | 9.750 | 7/15/20 | 10,500 | 11,366 |
| Jonah Energy LLC | (17) | 5/29/21 | 3,000 | 3,015 |
| Midstates Petroleum Company, Inc. | 10.750 | 10/1/20 | 3,500 | 3,889 |
| Midstates Petroleum Company, Inc. | 9.250 | 6/1/21 | 6,750 | 7,341 |
| Parsley Energy, Inc. | 7.500 | 2/15/22 | 6,025 | 6,417 |
| Resolute Energy Corporation | 8.500 | 5/1/20 | 3,775 | 3,907 |

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| | | | | |
|---|-------|----------|--------|-----------|
| RKI Exploration & Production, LLC | 8.500 | 8/1/21 | 12,500 | 13,500 |
| Triangle USA Petroleum Corporation | 6.750 | 7/15/22 | 800 | 822 |
| Vantage Energy, LLC | (18) | 12/31/18 | 6,469 | 6,525 |
| | | | | 88,215 |
| Other Energy Company 0.6% | | | | |
| Arch Coal, Inc. | 7.250 | 6/15/21 | 9,500 | 6,341 |
| Other 0.5% | | | | |
| Navios Maritime Holdings, Inc. | 7.375 | 1/15/22 | 5,000 | 5,188 |
| Total Debt Investments (Cost \$98,190) | | | | 99,744 |
| Total Long-Term Investments (Cost \$991,233) | | | | 1,449,234 |

Table of Contents**KAYNE ANDERSON MIDSTREAM/ENERGY FUND, INC.****SCHEDULE OF INVESTMENTS****AUGUST 31, 2014****(amounts in 000 s, except number of option contracts)****(UNAUDITED)**

| Description | Strike Price | Expiration Date | No. of Contracts | Value |
|---|--------------|-----------------|------------------|---------|
| Liabilities | | | | |
| Call Option Contracts Written⁽¹⁹⁾ | | | | |
| United States | | | | |
| Midstream MLP | | | | |
| DCP Midstream Partners, LP | \$ 55.00 | 10/17/14 | 450 | \$ (89) |
| Energy Transfer Partners, L.P. | 57.50 | 9/19/14 | 450 | (34) |
| Enterprise Products Partners L.P. | 38.75 | 9/19/14 | 900 | (176) |
| Kinder Morgan Management, LLC | 100.00 | 9/19/14 | 450 | (27) |
| Kinder Morgan Management, LLC | 100.00 | 10/17/14 | 450 | (56) |
| Kinder Morgan Management, LLC | 80.00 | 9/19/14 | 700 | (1,211) |
| MarkWest Energy Partners, L.P. | 77.50 | 9/19/14 | 450 | (128) |
| | | | | (1,721) |
| Midstream Company | | | | |
| National Fuel Gas Company | 75.00 | 9/19/14 | 350 | (67) |
| NiSource Inc. | 39.00 | 9/19/14 | 900 | (89) |
| NiSource Inc. | 40.00 | 10/17/14 | 450 | (36) |
| ONEOK, Inc. | 67.50 | 9/19/14 | 900 | (252) |
| ONEOK, Inc. | 70.00 | 10/17/14 | 450 | (81) |
| Teekay Corporation | 62.50 | 10/17/14 | 200 | (30) |
| | | | | (555) |
| Other Energy Company | | | | |
| HollyFrontier Corporation | 48.50 | 9/19/14 | 450 | (90) |
| HollyFrontier Corporation | 49.50 | 10/17/14 | 800 | (160) |
| Marathon Petroleum Corporation | 85.00 | 9/19/14 | 200 | (124) |
| Marathon Petroleum Corporation | 87.50 | 9/19/14 | 130 | (53) |
| Marathon Petroleum Corporation | 90.00 | 9/19/14 | 980 | (245) |
| Marathon Petroleum Corporation | 92.50 | 9/19/14 | 200 | (26) |
| NRG Yield, Inc. | 55.00 | 9/19/14 | 250 | (22) |
| Phillips 66 | 85.00 | 9/19/14 | 375 | (96) |
| Phillips 66 | 86.00 | 9/19/14 | 650 | (123) |
| Phillips 66 | 90.00 | 10/17/14 | 500 | (48) |
| Tesoro Corporation | 62.50 | 9/19/14 | 125 | (36) |
| Tesoro Corporation | 65.00 | 9/19/14 | 400 | (57) |
| Tesoro Corporation | 67.00 | 9/19/14 | 42 | (3) |
| Valero Energy Corporation | 52.50 | 9/19/14 | 440 | (98) |
| Valero Energy Corporation | 55.00 | 9/19/14 | 500 | (42) |
| | | | | (1,223) |

| | | | | | |
|--|-------|----------|-----|--|--------------|
| Total United States (Premium Received \$1,518) | | | | | (3,499) |
| Canada | | | | | |
| Midstream Company | | | | | |
| Keyera Corp. (Premiums Received \$26) | 98.00 | 10/17/14 | 250 | | (24) |
| Total Call Option Contracts Written (Premiums Received \$1,544) | | | | | (3,523) |
| Debt | | | | | (304,000) |
| Mandatory Redeemable Preferred Stock at Liquidation Value | | | | | (105,000) |
| Other Liabilities | | | | | (21,220) |
| Total Liabilities | | | | | (433,743) |
| Other Assets | | | | | 11,818 |
| Total Liabilities in Excess of Other Assets | | | | | (421,925) |
| Net Assets Applicable to Common Stockholders | | | | | \$ 1,027,309 |

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KAYNE ANDERSON MIDSTREAM/ENERGY FUND, INC.

SCHEDULE OF INVESTMENTS

AUGUST 31, 2014

(amounts in 000 s, except number of option contracts)

(UNAUDITED)

- (1) Unless otherwise noted, equity investments are common units/common shares.
- (2) Securities are categorized as Midstream if they (i) derive at least 50% of their revenues or operating income from operating Midstream Assets or (ii) have Midstream Assets that represent the majority of their assets.
- (3) Unless otherwise noted, securities are treated as a publicly-traded partnership for regulated investment company (RIC) qualification purposes. To qualify as a RIC for tax purposes, the Fund may directly invest up to 25% of its total assets in equity and debt securities of entities treated as publicly-traded partnerships. The Fund had 24.7% of its total assets invested in publicly-traded partnerships at August 31, 2014. It is the Fund's intention to be treated as a RIC for tax purposes.
- (4) Security or a portion thereof is segregated as collateral on option contracts written.
- (5) On August 10, 2014, Kinder Morgan, Inc. announced that it will acquire all of the outstanding equity securities of Kinder Morgan Management, LLC, Kinder Morgan Energy Partners, L.P. and El Paso Pipeline Partners, L.P. As of August 31, 2014, the Fund did not hold any securities of Kinder Morgan Energy Partners, L.P.
- (6) Dividends are paid-in-kind.
- (7) Security is not treated as a publicly-traded partnership for RIC qualification purposes.
- (8) In lieu of cash distributions, the Fund has elected to receive distributions in additional units/stock through the issuer's dividend reinvestment program.
- (9) The Fund believes that it is an affiliate of MarkWest Energy Partners, L.P., Plains All American Pipeline, L.P. and Plains GP Holdings, L.P. (Plains GP).
- (10) This company is structured like an MLP, but is not treated as a publicly-traded partnership for RIC qualification purposes.

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- (11) Fair valued security, restricted from public sale.
- (12) Class B Units are convertible on a one-for-one basis into common units of Capital Product Partners L.P. (CPLP) and are senior to the common units in terms of liquidation preference and priority of distributions. The Class B Units pay quarterly cash distributions of \$0.21375 per unit and are convertible at any time at the option of the holder. If CPLP increases the quarterly cash distribution per common unit, the distribution per Class B Unit will increase by an equal amount. If CPLP does not redeem the Class B Units by May 2022, then the distribution increases by 25% per quarter to a maximum of \$0.33345 per unit. CPLP may require that the Class B Units convert into common units after May 2015 if the common unit price exceeds \$11.70 per unit, and the Class B Units are callable after May 2017 at a price of \$9.27 per unit and after May 2019 at \$9.00 per unit.
- (13) Security is not currently paying cash distributions but is expected to pay cash distributions within the next 12 months.
- (14) The Fund holds an interest in Plains AAP, L.P. (PAA GP), which controls the general partner of Plains All American, L.P. The Fund s ownership of PAA GP is exchangeable into shares of Plains GP (which trades on the NYSE under the ticker PAGP) on a one-for-one basis at the Fund s option.
- (15) Floating rate first lien secured term loan. Security pays interest at a rate of LIBOR + 650 basis points with a 1.00% LIBOR floor or alternative base rate + 550 basis points (8.75% as of August 31, 2014).
- (16) Floating rate second lien secured term loan. Security pays interest at a rate of LIBOR + 650 basis points with a 1.00% LIBOR floor (7.50% as of August 31, 2014).
- (17) Floating rate second lien secured term loan. Security pays interest at a rate of LIBOR + 650 basis points with a 1.00% LIBOR floor (7.50% as of August 31, 2014).
- (18) Floating rate second lien secured term loan. Security pays interest at a rate of LIBOR + 750 basis points with a 1.00% LIBOR floor (8.50% as of August 31, 2014).
- (19) Security is non-income producing.

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From time to time, certain of the Fund's investments may be restricted as to resale. For instance, private investments that are not registered under the Securities Act of 1933, as amended (the Securities Act), cannot be offered for public sale in a non-exempt transaction without first being registered. In other cases, certain of the Fund's investments have restrictions such as lock-up agreements that preclude the Fund from offering these securities for public sale.

At August 31, 2014, the Fund held the following restricted investments:

| Investment | Acquisition Date | Type of Restriction | Number of Units, Principal (\$ (in 000s)) | Cost Basis (GAAP) | Fair Value | Fair Value Per Unit | Percent of Net Assets | Percent of Total Assets |
|---|------------------|---------------------|---|-------------------|-------------------|---------------------|-----------------------|-------------------------|
| Level 2 Investments⁽¹⁾ | | | | | | | | |
| Senior Notes and Secured Term Loans | | | | | | | | |
| American Eagle Energy Corporation | 8/13/14 | (2) | \$ 4,800 | \$ 4,755 | \$ 4,806 | n/a | 0.5% | 0.3% |
| BlackBrush Oil & Gas, L.P. | 7/21/14 | (3) | 12,700 | 12,605 | 12,668 | n/a | 1.2 | 0.9 |
| Chief Oil & Gas LLC | 5/12/14 | (3) | 4,000 | 3,960 | 4,033 | n/a | 0.4 | 0.3 |
| CrownRock, L.P. | (4) | (3) | 2,500 | 2,500 | 2,594 | n/a | 0.3 | 0.2 |
| Jonah Energy LLC | 5/8/14 | (3) | 3,000 | 2,956 | 3,015 | n/a | 0.3 | 0.2 |
| Navios Maritime Holdings, Inc. | (4) | (2) | 5,000 | 5,186 | 5,188 | n/a | 0.5 | 0.4 |
| Parsley Energy, Inc. | (4) | (2) | 6,025 | 6,145 | 6,417 | n/a | 0.6 | 0.4 |
| RKI Exploration & Production, LLC | 7/15/13 | (3) | 12,500 | 12,685 | 13,500 | n/a | 1.3 | 0.9 |
| Triangle USA Petroleum Corporation | 7/15/14 | (3) | 800 | 800 | 822 | n/a | 0.1 | 0.1 |
| Vantage Energy, LLC | 12/19/13 | (3) | 6,469 | 6,421 | 6,525 | n/a | 0.6 | 0.4 |
| Total | | | | \$ 58,013 | \$ 59,568 | | 5.8% | 4.1% |
| Level 3 Investments⁽⁵⁾ | | | | | | | | |
| Capital Products Partners L.P. | | | | | | | | |
| Class B Units | (4) | (2) | 606 | \$ 4,341 | \$ 6,630 | \$ 10.94 | 0.6% | 0.4% |
| Plains GP Holdings, L.P. | | | | | | | | |
| Common Units | (4) | (6) | 1,836 | 6,481 | 54,913 | 29.90 | 5.4 | 3.8 |
| Total | | | | \$ 10,822 | \$ 61,543 | | 6.0% | 4.2% |
| Total of all restricted securities | | | | \$ 68,835 | \$ 121,111 | | 11.8% | 8.3% |

(1) These securities have a fair market value determined by the mean of the bid and ask prices provided by an agent or a syndicate bank, a principal market maker or an independent pricing service. These securities have limited trading volume and are not listed on a national exchange.

(2) Unregistered or restricted security of a publicly-traded company.

(3) Unregistered security of a private company.

(4) Security was acquired at various dates during the nine months ended August 31, 2014 and/or in prior fiscal years.

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- (5) Securities are valued using inputs reflecting the Fund's own assumptions.
- (6) The Fund holds an interest in PAA GP, which controls the general partner of Plains All American, L.P. The Fund's ownership of PAA GP is exchangeable into shares of Plains GP (which trades on the NYSE under the ticker PAGP) on a one-for-one basis at the Fund's option. The Fund agreed to a 15-month lock-up on any Plains GP shares it receives in exchange for its ownership in PAA GP (lock-up expires in January 2015).

At August 31, 2014, the cost basis of investments for federal income tax purposes was \$1,005,859. At August 31, 2014, gross unrealized appreciation and depreciation of investments for federal income tax purposes were as follows:

| | |
|-------------------------------|------------|
| Gross unrealized appreciation | \$ 451,669 |
| Gross unrealized depreciation | (8,294) |
| Net unrealized appreciation | \$ 443,375 |

The identified cost basis of federal tax purposes is estimated based on information available from the Fund's portfolio companies. In some cases, this information is very limited. Accordingly, the actual cost basis may prove higher or lower than the estimated cost basis included above.

As required by the Fair Value Measurement and Disclosures of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC 820), the Fund has performed an analysis of all assets and liabilities measured at fair value to determine the significance and character of all inputs to their fair value determination.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into the following three broad categories.

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Level 1 Valuations based on quoted unadjusted prices for identical instruments in active markets traded on a national exchange to which the Fund has access at the date of measurement.

Level 2 Valuations based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 2 inputs are those in markets for which there are few transactions, the prices are not current, little public information exists or instances where prices vary substantially over time or among brokered market makers.

Level 3 Model derived valuations in which one or more significant inputs or significant value drivers are unobservable.

Unobservable inputs are those inputs that reflect the Fund's own assumptions that market participants would use to price the asset or liability based on the best available information.

The following table presents the Fund's assets and liabilities measured at fair value on a recurring basis at August 31, 2014, and the Fund presents these assets and liabilities by security type and description on its Schedule of Investments. Note that the valuation levels below are not necessarily an indication of the risk or liquidity associated with the underlying investment.

| | Total | Quoted Prices in Active Markets (Level 1) | Prices with Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|----------------------------------|--------------|---|---|-------------------------------------|
| Assets at Fair Value | | | | |
| Equity investments | \$ 1,349,490 | \$ 1,287,947 | \$ | \$ 61,543 |
| Debt investments | 99,744 | | 99,744 | |
| Total assets at fair value | \$ 1,449,234 | \$ 1,287,947 | \$ 99,744 | \$ 61,543 |
| Liabilities at Fair Value | | | | |
| Call option contracts written | \$ 3,523 | \$ | \$ 3,523 | \$ |

For the nine months ended August 31, 2014, there were no transfers between Level 1 and Level 2.

The following table presents the Fund's assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the nine months ended August 31, 2014.

| | Equity Investments |
|--------------------------------|-----------------------|
| Balance November 30, 2013 | \$ 45,096 |
| Purchases | |
| Issuances | |
| Transfers out to Level 1 and 2 | |
| Realized gains (losses) | |
| Unrealized gains, net | 16,447 |
| Balance August 31, 2014 | \$ 61,543 |

The \$16,447 of unrealized gains presented in the table above for the nine months ended August 31, 2014 relate to investments that were still held at August 31, 2014.

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As required by the Derivatives and Hedging Topic of the FASB Accounting Standards Codification (ASC 815), the following are the derivative instruments and hedging activities of the Fund.

The following table sets forth the fair value of the Fund's derivative instruments.

| Derivatives Not Accounted for as | Statement of Assets and Liabilities Location | Fair Value as of |
|----------------------------------|--|------------------|
| Hedging Instruments | Statement of Assets and Liabilities Location | August 31, 2014 |
| Call options written | Call option contracts written | \$(3,523) |

The following table sets forth the effect of the Fund's derivative instruments.

| Derivatives Not Accounted for as | Location of Gains/(Losses) on | For the Nine Months Ended | |
|----------------------------------|----------------------------------|---------------------------|-------------------|
| Hedging Instruments | Derivatives Recognized in Income | Net Realized | Change in |
| | | Gains/(Losses) on | Unrealized |
| | | Derivatives | Gains/(Losses) on |
| | | Recognized | Derivatives |
| | | in | Recognized in |
| | | Income | Income |
| | | Income | Income |
| Call options written | Options | \$ 2,217 | \$ (1,792) |
| Interest rate swap contracts | Interest rate swap contracts | (431) | |
| | | \$ 1,786 | \$ (1,792) |

The Fund's investments are concentrated in the energy sector. The focus of the Fund's portfolio within the energy sector may present more risks than if the Fund's portfolio were broadly diversified across numerous sectors of the economy. A downturn in the energy sector would have a larger impact on the Fund than on an investment company that does not concentrate in energy. The performance of securities in the energy sector may lag the performance of other industries or the broader market as a whole. Additionally, to the extent that the Fund invests a relatively high percentage of its assets in the securities of a limited number of issuers, the Fund may be more susceptible than a more widely diversified investment company to any single economic, political or regulatory occurrence. At August 31, 2014, the Fund had the following investment concentrations.

| Category | Percent of |
|-----------------------------------|-------------|
| | Long-Term |
| | Investments |
| Securities of energy companies | 98.7% |
| Equity securities | 93.1% |
| Debt securities | 6.9% |
| Securities of MLPs ⁽¹⁾ | 40.3% |
| Largest single issuer | 8.7% |
| Restricted securities | 8.4% |

(1) Securities of MLPs consist of entities that are structured as limited partnerships and limited liability companies that are publicly traded and are treated as partnerships for federal income tax purposes, and their affiliates.

Securities valuation policies and other investment related disclosures are hereby incorporated by reference to the Fund's semi-annual report previously filed with the Securities and Exchange Commission on form N-CSR on July 30, 2014 with a file number 811-22467.

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Other information regarding the Fund is available in the Fund's most recent annual report. This information is also available on the Fund's website at www.kaynefunds.com; or on the website of the Securities and Exchange Commission at www.sec.gov.

Item 2: Controls and Procedures.

(a) As of a date within 90 days of the filing date of this report, the principal executive officer and the principal financial officer concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the Act)) were effective based on their evaluation of the disclosure controls and procedures required by Rule 30a-3(b) under the Act and Rule 13a-15(b) or 15d-15(b) under the Securities and Exchange Act of 1934, as amended.

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3: Exhibits.

The certifications for the principal executive officer and the principal financial officer of the registrant as required by Rule 30a-2(a) under the Act are exhibits to this report.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KAYNE ANDERSON MIDSTREAM/ENERGY FUND,
INC.

/s/ KEVIN S. MCCARTHY
Name: Kevin S. McCarthy
Title: Chairman of the Board of Directors,
President and Chief Executive Officer
Date: October 30, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

KAYNE ANDERSON MIDSTREAM/ENERGY FUND,
INC.

/s/ KEVIN S. MCCARTHY
Name: Kevin S. McCarthy
Title: Chairman of the Board of Directors,
President and Chief Executive Officer
Date: October 30, 2014

/s/ TERRY A. HART
Name: Terry A. Hart
Title: Chief Financial Officer and Treasurer
Date: October 30, 2014