

KAYNE ANDERSON MIDSTREAM/ENERGY FUND, INC.

Form N-Q

April 25, 2013

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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)

717 Texas Avenue, Suite 3100,

Houston, Texas 77002

(Address of principal executive offices) (Zip code)

David Shladovsky, Esq.

KA Fund Advisors, LLC,

717 Texas Avenue, Suite 3100,

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, 2013

Date of reporting period: February 28, 2013

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| Description | No. of Shares/Units | Value |
|--|------------------------|----------|
| Long-Term Investments 141.3% | | |
| Equity Investments⁽¹⁾ 122.4% | | |
| United States 117.2% | | |
| Midstream MLP⁽²⁾⁽³⁾ 55.0% | | |
| Access Midstream Partners, L.P. ⁽⁴⁾ | 114 | \$ 4,256 |
| Buckeye Partners, L.P. Class B Unit ⁽⁵⁾⁽⁶⁾⁽⁷⁾ | 316 | 16,856 |
| Buckeye Partners, L.P. ⁽⁵⁾ | 248 | 13,833 |
| Copano Energy, L.L.C. ⁽⁴⁾ | 32 | 1,226 |
| Crestwood Midstream Partners LP | 273 | 6,865 |
| Crestwood Midstream Partners LP Class C Unit ⁽⁶⁾⁽⁷⁾ | 189 | 4,703 |
| Crosstex Energy, L.P. | 725 | 12,235 |
| DCP Midstream Partners, LP | 376 | 15,262 |
| Enbridge Energy Management, L.L.C. ⁽⁷⁾⁽⁸⁾ | 1,771 | 48,399 |
| Energy Transfer Equity, L.P. ⁽⁴⁾ | 58 | 3,076 |
| Energy Transfer Partners, L.P. ⁽⁴⁾ | 130 | 6,240 |
| Enterprise Products Partners L.P. | 245 | 13,857 |
| Exterran Partners, L.P. | 448 | 10,566 |
| Global Partners LP ⁽⁴⁾ | 351 | 11,849 |
| Inergy, L.P. | 411 | 8,199 |
| Inergy Midstream, L.P. | 322 | 7,704 |
| Inergy Midstream, L.P. Unregistered ⁽⁹⁾ | 190 | 4,401 |
| Kinder Morgan Management, LLC ⁽⁷⁾⁽⁸⁾ | 946 | 78,336 |
| MarkWest Energy Partners, L.P. ⁽⁴⁾⁽⁵⁾ | 148 | 8,467 |
| MPLX LP | 28 | 918 |
| Niska Gas Storage Partners LLC | 143 | 1,689 |
| ONEOK Partners, L.P. ⁽⁴⁾ | 139 | 7,619 |
| Plains All American GP LLC Unregistered ⁽⁴⁾⁽⁶⁾⁽⁸⁾ | 7 | 18,786 |
| Plains All American Pipeline, L.P. ⁽⁵⁾ | 459 | 25,125 |
| PVR Partners, L.P. ⁽⁵⁾ | 332 | 7,711 |
| Regency Energy Partners LP | 913 | 21,723 |
| Summit Midstream Partners, LP | 90 | 2,033 |
| Tesoro Logistics LP ⁽⁴⁾ | 37 | 1,841 |
| Western Gas Partners, LP ⁽⁴⁾ | 115 | 6,323 |
| Williams Partners L.P. ⁽⁴⁾ | 157 | 7,813 |
| | | 377,911 |
| Midstream Company⁽²⁾ 52.0% | | |
| Capital Product Partners L.P. ⁽⁹⁾ | 1,354 | 10,819 |
| CenterPoint Energy, Inc. | 537 | 11,504 |
| Golar LNG Limited ⁽⁴⁾ | 100 | 3,791 |

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| | | |
|---|-------|---------|
| Golar LNG Partners LP ⁽⁴⁾⁽⁹⁾ | 1,085 | 32,264 |
| Kinder Morgan, Inc. ⁽⁴⁾ | 1,783 | 66,107 |
| NiSource Inc. ⁽⁴⁾ | 331 | 9,180 |
| ONEOK, Inc. ⁽⁴⁾ | 1,629 | 73,270 |
| Spectra Energy Corp. ⁽⁴⁾ | 820 | 23,824 |
| Targa Resources Corp. ⁽⁴⁾ | 364 | 22,187 |
| Teekay Offshore Partners L.P. ⁽⁴⁾⁽⁹⁾ | 734 | 20,536 |
| The Williams Companies, Inc. ⁽⁴⁾ | 2,407 | 83,558 |
| | | 357,040 |

Table of Contents**KAYNE ANDERSON MIDSTREAM/ENERGY FUND, INC.****SCHEDULE OF INVESTMENTS****FEBRUARY 28, 2013****(amounts in 000 s, except number of option contracts)****(UNAUDITED)**

| Description | No. of Shares/Units | Value |
|--|------------------------|----------|
| Other Energy 8.3% | | |
| ConocoPhillips ⁽⁴⁾ | 25 | \$ 1,449 |
| Enduro Royalty Trust | 125 | 2,015 |
| HollyFrontier Corporation ⁽⁴⁾ | 50 | 2,810 |
| Marathon Petroleum Corporation ⁽⁴⁾ | 8 | 630 |
| Occidental Petroleum Corporation ⁽⁴⁾ | 50 | 4,116 |
| OGE Energy Corp. ⁽⁴⁾ | 327 | 18,960 |
| Pacific Coast Oil Trust | 309 | 5,867 |
| Phillips 66 ⁽⁴⁾ | 20 | 1,259 |
| SandRidge Mississippian Trust II ⁽¹⁰⁾ | 217 | 2,932 |
| Seadrill Limited ⁽⁴⁾ | 188 | 6,905 |
| Tesoro Corporation ⁽⁴⁾ | 50 | 2,812 |
| The Southern Company ⁽⁴⁾ | 113 | 5,100 |
| VOC Energy Trust | 173 | 2,255 |
| | | 57,110 |
| Other 1.1% | | |
| Navios Maritime Partners L.P. ⁽⁹⁾ | 538 | 7,407 |
| Other MLP⁽³⁾ 0.8% | | |
| BreitBurn Energy Partners L.P. | 197 | 3,837 |
| Hi-Crush Partners LP | 74 | 1,388 |
| | | 5,225 |
| Total United States (Cost \$645,444) | | 804,693 |
| Canada 5.2% | | |
| Midstream Company⁽²⁾ 5.2% | | |
| AltaGas Ltd. | 103 | 3,494 |
| Enbridge Inc. | 318 | 14,183 |
| Keyera Corp. ⁽⁴⁾ | 66 | 3,469 |
| Pembina Pipeline Corporation | 521 | 14,617 |
| Total Canada (Cost \$45,408) | | 35,763 |
| Total Equity Investments (Cost \$690,852) | | 840,456 |

| | Interest Rate | Maturity Date | Principal Amount | |
|-----------------------------------|------------------|------------------|---------------------|--------------|
| Debt Instruments | | | | 18.9% |
| Upstream | | | | 13.6% |
| Aurora Oil & Gas Limited | 9.875% | 2/15/17 | \$ 4,660 | 5,009 |
| Carrizo Oil & Gas, Inc. | 7.500 | 9/15/20 | 9,250 | 9,759 |
| Clayton Williams Energy, Inc. | 7.750 | 4/1/19 | 8,371 | 8,413 |
| Comstock Resources, Inc. | 7.750 | 4/1/19 | 6,000 | 6,180 |
| Comstock Resources, Inc. | 9.500 | 6/15/20 | 3,750 | 4,106 |
| EP Energy LLC | 9.375 | 5/1/20 | 3,250 | 3,721 |
| Gulfport Energy Corporation | 7.750 | 11/1/20 | 5,000 | 5,250 |
| Halcón Resources Corporation | 9.750 | 7/15/20 | 15,250 | 16,908 |
| Halcón Resources Corporation | 8.875 | 5/15/21 | 3,250 | 3,510 |
| Midstates Petroleum Company, Inc. | 10.750 | 10/1/20 | 3,850 | 4,225 |
| PDC Energy, Inc. | 7.750 | 10/15/22 | 3,500 | 3,719 |

Table of Contents**KAYNE ANDERSON MIDSTREAM/ENERGY FUND, INC.****SCHEDULE OF INVESTMENTS****FEBRUARY 28, 2013****(amounts in 000 s, except number of option contracts)****(UNAUDITED)**

| Description | Interest Rate | Maturity Date | Principal Amount | Value |
|---|---------------|---------------|------------------|-----------|
| Upstream (continued) | | | | |
| Resolute Energy Corporation | 8.500% | 5/1/20 | \$ 11,775 | \$ 12,158 |
| Rex Energy Corporation | 8.875 | 12/1/20 | 10,000 | 10,225 |
| | | | | 93,183 |
| Other 1.7% | | | | |
| Navios Maritime Holdings Inc. | 8.125 | 2/15/19 | 13,600 | 11,832 |
| Coal 2.0% | | | | |
| Arch Coal, Inc. | 7.250 | 6/15/21 | 4,500 | 3,870 |
| Foresight Energy LLC | 9.625 | 8/15/17 | 9,233 | 9,972 |
| | | | | 13,842 |
| Midstream Company⁽²⁾ 1.6% | | | | |
| Teekay Corporation | 8.500 | 1/15/20 | 10,325 | 11,151 |
| Total Debt Investments (Cost \$124,694) | | | | 130,008 |
| Total Long-Term Investments (Cost \$815,546) | | | | 970,464 |

| | No. of Contracts | |
|---|------------------|-------|
| Liabilities | | |
| Call Option Contracts Written⁽¹¹⁾ | | |
| United States | | |
| Midstream MLP | | |
| Access Midstream Partners, LP, call options expiring 3/15/2013 @ \$35.00 | 200 | (47) |
| Copano Energy, L.L.C., call options expiring 3/15/2013 @ \$33.00 | 293 | (166) |
| Energy Transfer Equity, L.P., call options expiring 3/15/2013 @ \$50.00 | 560 | (176) |
| Energy Transfer Partners, L.P., call options expiring 3/15/2013 @ \$47.50 | 500 | (38) |
| Global Partners LP, call options expiring 4/19/2013 @ \$35.00 | 500 | (45) |
| MarkWest Energy Partners, L.P., call options expiring 3/15/2013 @ \$55.00 | 220 | (55) |
| MarkWest Energy Partners, L.P., call options expiring 4/19/2013 @ \$55.00 | 220 | (70) |
| MarkWest Energy Partners, L.P., call options expiring 4/19/2013 @ \$57.50 | 360 | (43) |
| ONEOK Partners, L.P., call options expiring 4/19/2013 @ \$55.00 | 250 | (36) |
| ONEOK Partners, L.P., call options expiring 4/19/2013 @ \$60.00 | 230 | (3) |
| Tesoro Logistics LP, call options expiring 3/15/2013 @ \$45.00 | 297 | (166) |

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| | | |
|---|-----|------|
| Western Gas Partners, LP, call options expiring 3/15/2013 @ \$55.00 | 100 | (6) |
| Williams Partners L.P., call options expiring 3/15/13 @ \$50.00 | 500 | (60) |
| Williams Partners L.P., call options expiring 4/19/2013 @ \$50.00 | 460 | (70) |

(981)

Midstream Company

| | | |
|--|-----|-------|
| Golar LNG Limited, call options expiring 3/15/2013 @ \$40.00 | 500 | (15) |
| Golar LNG Limited, call options expiring 4/19/2013 @ \$40.00 | 250 | (15) |
| Golar LNG Partners LP, call options expiring 3/15/2013 @ \$30.00 | 200 | (10) |
| Kinder Morgan, Inc., call options expiring 3/15/2013 @ \$37.50 | 900 | (39) |
| NiSource Inc., call options expiring 3/15/2013 @ \$27.00 | 460 | (32) |
| ONEOK, Inc., call options expiring 3/15/2013 @ \$47.50 | 900 | (7) |
| Spectra Energy Corp., call options expiring 3/15/2013 @ \$30.00 | 900 | (14) |
| Targa Resources Corp., call options expiring 3/15/2013 @ \$60.00 | 975 | (163) |
| Teekay Offshore Partners L.P., call options expiring 4/19/2013 @ \$27.00 | 50 | (7) |

Table of Contents**KAYNE ANDERSON MIDSTREAM/ENERGY FUND, INC.****SCHEDULE OF INVESTMENTS****FEBRUARY 28, 2013****(amounts in 000 s, except number of option contracts)****(UNAUDITED)**

| Description | No. of Contracts | Value |
|---|---------------------|-----------|
| Midstream Company (continued) | | |
| The Williams Companies, Inc., call options expiring 4/19/2013 @ \$34.00 | 1,180 | \$ (149) |
| The Williams Companies, Inc., call options expiring 4/19/2013 @ \$35.00 | 1,170 | (92) |
| | | (543) |
| Other Energy | | |
| ConocoPhillips, call options expiring 4/19/2013 @ \$57.50 | 125 | (22) |
| ConocoPhillips, call options expiring 4/19/2013 @ \$60.00 | 125 | (7) |
| HollyFrontier Corporation, call options expiring 4/19/2013 @ \$54.50 | 500 | (165) |
| Marathon Petroleum Corporation, call options expiring 3/15/2013 @ \$72.50 | 1 | (1) |
| Marathon Petroleum Corporation, call options expiring 3/15/2013 @ \$75.00 | 75 | (61) |
| Occidental Petroleum Corporation, call options expiring 3/15/2013 @ \$87.50 | 250 | (2) |
| Occidental Petroleum Corporation, call options expiring 3/15/2013 @ \$90.00 | 250 | (1) |
| OGE Energy Corp., call options expiring 3/15/2013 @ \$60.00 | 900 | (11) |
| Phillips 66, call options expiring 3/15/2013 @ \$60.00 | 100 | (36) |
| Phillips 66, call options expiring 3/15/2013 @ \$62.50 | 100 | (19) |
| Seadrill Limited, call options expiring 4/19/13 @ \$37.00 | 125 | (11) |
| Seadrill Limited, call options expiring 4/19/13 @ \$38.00 | 125 | (5) |
| Tesoro Corporation, call options expiring 4/19/2013 @ \$55.00 | 250 | (100) |
| Tesoro Corporation, call options expiring 4/19/2013 @ \$60.00 | 250 | (46) |
| The Southern Company, call options expiring 3/15/2013 @ \$44.00 | 460 | (61) |
| | | (548) |
| Total United States (Premium Received \$1,622) | | (2,072) |
| Canada | | |
| Midstream Company | | |
| Keyera Corp., call option expiring 3/15/13 @ \$52.00 (Premium Received \$18) | 226 | (56) |
| Total Call Option Contracts Written (Premiums Received \$1,640) | | (2,128) |
| Credit Facility | | (54,000) |
| Senior Unsecured Notes | | (165,000) |
| Mandatory Redeemable Preferred Stock at Liquidation Value | | (65,000) |
| Other Liabilities | | (28,161) |
| Total Liabilities | | (314,289) |
| Other Assets | | 30,552 |

| | |
|--|-----------|
| Total Liabilities in Excess of Other Assets | (283,737) |
|--|-----------|

| | |
|---|------------|
| Net Assets Applicable to Common Stockholders | \$ 686,727 |
|---|------------|

- (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 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 less than 25% of its total assets invested in publicly traded partnerships at February 28, 2013. 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) The Fund believes that it is an affiliate of Buckeye Partners, L.P., MarkWest Energy Partners, L.P., PVR Partners, L.P., Plains All American GP LLC and Plains All American Pipeline, L.P.

- (6) Fair valued securities, restricted from public sale.

- (7) Distributions are paid-in-kind.

- (8) Security is not treated as a publicly-traded partnership for RIC qualification purposes.

- (9) This company is structured like an MLP but is not treated as a publicly-traded partnership for regulated investment company (RIC) qualification purposes.

- (10) Security is treated as a publicly-traded partnership for RIC qualification purposes.

- (11) 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, 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 February 28, 2013, the Fund held the following restricted investments:

| Investment | Acquisition Date | Type of Restriction | Number of Units, Principal (\$) (in 000s) | Cost Basis | Fair Value | Fair Value Per Unit | Percent of Net Assets | Percent of Total Assets |
|---|------------------|---------------------|--|------------------|-------------------|---------------------|-----------------------|-------------------------|
| Level 3 Investments⁽¹⁾ | | | | | | | | |
| Buckeye Partners, L.P. | | | | | | | | |
| Class B Units | (2) | (3) | 316 | \$ 15,000 | \$ 16,856 | \$ 53.36 | 2.5% | 1.7% |
| Crestwood Midstream Partners LP | | | | | | | | |
| Class C Units | (2) | (3) | 189 | 4,001 | 4,703 | 24.93 | 0.7 | 0.5 |
| Inergy Midstream, L.P. | | | | | | | | |
| Common Units | 12/7/12 | (3) | 190 | 3,933 | 4,401 | 23.11 | 0.6 | 0.4 |
| Plains All American GP LLC ⁽⁴⁾ | | | | | | | | |
| Common Units | (2) | (5) | 7 | 8,642 | 18,786 | 2,696 | 2.7 | 1.9 |
| Total | | | | \$ 31,576 | \$ 44,746 | | 6.5% | 4.5% |
| Level 2 Investments⁽⁶⁾ | | | | | | | | |
| Senior Notes and Secured Term Loans | | | | | | | | |
| Aurora Oil & Gas Limited | (2) | (3) | \$ 4,660 | \$ 4,774 | \$ 5,009 | n/a | 0.7% | 0.5% |
| Foresight Energy LLC | (2) | (5) | 9,233 | 9,687 | 9,972 | n/a | 1.5 | 1.0 |
| Gulfport Energy Corporation | (2) | (3) | 5,000 | 5,058 | 5,250 | n/a | 0.8 | 0.5 |
| Halcón Resources Corporation | (2) | (3) | 3,250 | 3,225 | 3,510 | n/a | 0.5 | 0.4 |
| Halcón Resources Corporation | (2) | (3) | 15,250 | 15,239 | 16,908 | n/a | 2.4 | 1.7 |
| Midstate Petroleum Company, Inc. | (2) | (3) | 3,850 | 4,054 | 4,225 | n/a | 0.6 | 0.4 |
| PDC Energy, Inc. | (2) | (3) | 3,500 | 3,500 | 3,719 | n/a | 0.5 | 0.4 |
| Resolute Energy Corporation | (2) | (3) | 11,775 | 11,891 | 12,158 | n/a | 1.8 | 1.2 |
| Rex Energy Corporation | (2) | (3) | 10,000 | 9,980 | 10,225 | n/a | 1.5 | 1.0 |
| Total | | | | \$ 67,408 | \$ 70,976 | | 10.3% | 7.1% |
| Total of all restricted securities | | | | \$ 98,984 | \$ 115,722 | | 16.8% | 11.6% |

(1) Securities are valued using inputs reflecting the Fund's own assumptions.

(2) Security was acquired at various dates during the three months ended February 28, 2013 and/or in prior fiscal years.

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

(4) In determining the fair value for Plains GP, the Fund's valuation is based on publicly available information. Robert V. Sinnott, the CEO of KACALP, is a member of Plains GP's board of directors. Certain private investment funds managed by KACALP may value its investment in Plains GP based on non-public information, and, as a result, such valuation may be different than the Fund's valuation.

(5) Unregistered security of a private company.

(6) 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, principal market maker or an independent pricing service. These securities have limited trading volume and are not listed on a national exchange.

At February 28, 2013, the cost basis of investments for federal income tax purposes was \$823,095. At February 28, 2013, gross unrealized appreciation and depreciation of investments for federal income tax purposes were as follows:

| | |
|-------------------------------|------------|
| Gross unrealized appreciation | \$ 157,644 |
| Gross unrealized depreciation | (10,275) |
| Net unrealized appreciation | \$ 147,369 |

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 February 28, 2013, and the Fund presents these assets 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 | \$ 840,456 | \$ 795,710 | \$ | \$ 44,746 |
| Debt investments | 130,008 | | 130,008 | |
| Total assets at fair value | \$ 970,464 | \$ 795,710 | \$ 130,008 | \$ 44,746 |
| Liabilities at Fair Value | | | | |
| Call option contracts written | \$ 2,128 | \$ | \$ 2,128 | \$ |

For the three months ended February 28, 2013, 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 three months ended February 28, 2013.

| | Equity Investments |
|---------------------------|-----------------------|
| Balance November 30, 2012 | \$ 34,937 |
| Purchases | 4,000 |
| Issuances | 414 |
| Transfers out | |
| Realized gains (losses) | |
| Unrealized gains, net | 5,395 |
| Balance February 28, 2013 | \$ 44,746 |

The \$5,395 of unrealized gains presented in the table above for the three months ended February 28, 2013 relate to investments that were still held at February 28, 2013.

The purchases of \$4,000 for the three months ended February 28, 2013 relate to the Fund's investment in Inergy Midstream, L.P. (Common Units). The issuances of \$414 for the three months ended February 28, 2013 relate to additional units received from Buckeye Partners, L.P.

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As required by the Derivatives and Hedging Topic of the FASB Accounting Standards Codification, 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 | | February 28, 2013 |
| Call options | Call option contracts written | \$ (2,128) |

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 Three Months Ended | |
|----------------------------------|----------------------------------|----------------------------|-------------------|
| | | Net Realized | Change in |
| Hedging Instruments | Derivatives Recognized in Income | Gains/(Losses) on | Unrealized |
| | | Derivatives | Gains/(Losses) on |
| | | Recognized | Derivatives |
| | | in | Recognized in |
| | | Income | Income |
| Call options | Options | \$ 1,060 | \$ 67 |

Securities valuation policies and other investment related disclosures are hereby incorporated by reference to the Fund's annual report previously filed with the Securities and Exchange Commission on form N-CSR on February 5, 2013 with a file number 811-22467.

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 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 Rules 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

1. The certifications 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: April 25, 2013

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: April 25, 2013

/s/ Terry A. Hart
Name: Terry A. Hart
Title: Chief Financial Officer and Treasurer
Date: April 25, 2013