Salient Midstream & MLP Fund
Form N-2
May 31, 2013

As filed with the Securities and Exchange Commission on May 30, 2013

1933 Act File No. 333-[____]

1940 Act File No. 811-22626

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form N-2

x **REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**
¨ **PRE-EFFECTIVE AMENDMENT NO.**
¨ **POST-EFFECTIVE AMENDMENT NO.**

and/or

x **REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940**
x **AMENDMENT NO. 4**

Salient Midstream & MLP Fund

(Exact Name of Registrant as Specified in Charter)

4265 San Felipe, Suite 800

Houston, Texas 77027

(Address of Principal Executive Offices)

Registrant s Telephone Number, including Area Code: (713) 993-4675

John A. Blaisdell

Salient Midstream & MLP Fund

4265 San Felipe, Suite 800

Houston, Texas 77027

(Name and Address of Agent for Service)

Copies of Communications to:

George J. Zornada

K&L Gates LLP

One Lincoln Street

Boston, Massachusetts 02111

Approximate Date of Proposed Public Offering: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. þ

It is proposed that this filing will become effective (check appropriate box): ¨ when declared effective pursuant to section 8(c).

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered(1)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Shares of Beneficial Interest, $0.01 par value per share	[ ]	$100,000,000	$13,640

(1) There are being registered hereunder a presently indeterminate number common shares of beneficial interest to be offered on an immediate, continuous or delayed basis.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933. In no event will the aggregate initial offering price of all securities offered from time to time pursuant to the prospectus included as a part of this Registration Statement exceed $100,000,000.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registrant Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this Prospectus is not complete and may be changed. The Fund may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

BASE PROSPECTUS **SUBJECT TO COMPLETION** **DATED May 30, 2013**

Up to $100,000,000

Common Shares

The Fund and Its Investment Objective. Salient Midstream & MLP Fund (the Fund) is a non-diversified, closed-end management investment company, which commenced operations in May 2012. The Fund s investment objective is to provide a high level of total return with an emphasis on making quarterly cash distributions (Distributions) to its common shareholders (Common Shareholders). There can be no assurance that the Fund will achieve its investment objective. The Fund seeks to provide its Common Shareholders with a tax-efficient vehicle to invest in a portfolio of Energy Companies that own midstream and other energy assets. Capitalized terms, not otherwise defined herein, have the meanings ascribed to them in the Glossary of Key Terms on page ii of this Prospectus.

Investment Strategies. The Fund seeks to achieve its investment objective by investing at least 80% of its total assets in securities of midstream companies (Midstream Companies) and master limited partnerships (MLPs). Midstream companies own or operate midstream assets used in transporting, storing, gathering, processing, distributing, marketing and/or delivering natural gas, natural gas liquids, crude oil or refined products or coal and MLPs are publicly traded limited partnerships or limited liability companies that are treated as partnerships for U.S. federal income tax purposes (see Glossary for additional information). The Fund intends to utilize an option strategy in an effort to enhance returns. The options strategy is intended to generate returns from options premiums as a means to enhance distributions to its Common Shareholders.

Tax Matters. The Fund is, for U.S. federal income tax purposes, a regulated investment company, or RIC. As a RIC, the Fund generally is not be required to pay U.S. federal income taxes on any ordinary income or capital gains that the Fund receives from its portfolio investments and distributes to its Common Shareholders as dividends. See Tax Matters Qualification as a RIC.

Investment Adviser. The Fund s investment adviser, Salient Capital Advisors, LLC, a Texas limited liability company (SCA), which is a registered investment adviser and, with its affiliates, is an experienced investment adviser to other management investment companies and closed-end funds. As of April 30, 2013, SCA managed assets of approximately $2.5 billion, including $226.5 million in Midstream Companies and MLPs.

The Offering. The Fund may offer, from time to time, in one or more offerings, the Fund s common shares of beneficial interest, $0.01 par value per share (Common Shares). Common Shares may be offered at prices and on terms to be set forth in one or more supplements to this Prospectus (each, a Prospectus Supplement). The provisions of the Investment Company Act of 1940, as amended, generally require that the public offering price of common shares (less any underwriting commissions and discounts) must equal or exceed the net asset value per share of a company s common stock (calculated within 48 hours of pricing). You should read this Prospectus and the applicable Prospectus Supplement carefully before you invest in Common Shares.

Common Shares may be offered directly to one or more purchasers, through agents designated from time to time by the Fund, or to or through underwriters or dealers. The Prospectus Supplement relating to the offering will identify any agents or underwriters involved in the sale of Common Shares, and will set forth any applicable purchase price, fee, commission or discount arrangement between the Fund and its agents or underwriters, or among its underwriters, or the basis upon which such amount may be calculated. The Fund may not sell any Common Shares through agents, underwriters or dealers without delivery of a Prospectus Supplement describing the method and terms of the particular offering of the Common Shares.

Exchange Listing. As of April 30, 2013, the Fund had 9,490,003 Common Shares outstanding. The Fund s Common Shares are traded on the New York Stock Exchange (NYSE) under the symbol SMM. As of [ ], 2013, the last reported sales price of a Common Share of the Fund on the NYSE was $[   ]. Common Shares offered and sold pursuant to this Registration Statement will also be listed on the NYSE and trade under this symbol.

The Common Shares have traded both at a premium and a discount to net asset value. The Fund cannot predict whether Common Shares will trade in the future at a premium or discount to net asset value. The provisions of the Investment Company Act of 1940, as amended, generally require that the public offering price of common shares (less any underwriting commissions and discounts) must equal or exceed the net asset value per share of a company s common stock (calculated within 48 hours of pricing). The Fund s issuance of Common Shares may have an adverse effect on prices in the secondary market for the Fund s Common Shares by increasing the number of Common Shares available, which may put downward pressure on the market price for our Common Shares. Shares of common stock of closed-end investment companies frequently trade at a discount from net asset value, which may increase investors risk of loss. The returns earned by holders of the Common Shares who purchase their shares in this offering and sell their shares below net asset value will be reduced.

Investing in the Fund s Common Shares involves certain risks. You could lose some or all of your investment. See Risks beginning on page [38] of this Prospectus.

The Securities and Exchange Commission has not approved or disapproved these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Prospectus dated , 2013

Distributions. The Fund makes and intends to make regular distributions of cash to its Common Shareholders out of legally available funds (Distributions). There is no assurance that the Fund will continue to pay regular Distributions or that it will do so at a particular rate. See Distributions and Tax Matters.

Leverage. The Fund generally seeks to enhance its total returns through the use of financial leverage, presently in the form of bank debt (Indebtedness), but which in the future could be in the form of the issuance of preferred shares (together with Indebtedness, Financial Leverage). Under the Investment Company Act of 1940, as amended (the 1940 Act), the Fund may use Financial Leverage in the form of Indebtedness in an aggregate amount of up to 33 1/3% of the Fund s total assets immediately after such borrowing, and may use Financial Leverage through issuance of preferred shares in an aggregate amount of up to 50% of the Fund s total assets, including assets obtained through the use of Financial Leverage, immediately after such issuance. Under normal market conditions, the Fund utilizes Financial Leverage (currently in the form of Indebtedness) in an amount that represents approximately 25% of its total assets (which also represents approximately 33% of net assets), including proceeds from such Financial Leverage. However, as market conditions develop, the Fund may use Financial Leverage in amounts that represent greater than 25% leverage up to the above-stated amounts permitted by the 1940 Act. The Fund also may utilize derivatives and other portfolio techniques (such as short selling and uncovered call writing) that have the economic effect of leverage by creating additional investment exposure. Effective leverage is the combination of the amount of leverage in the Fund s capital structure plus the amount of leverage from any such derivatives and other portfolio techniques. The Fund s effective leverage ratio will vary from time to time, based upon changes in market conditions and variations in the value of the portfolio s holdings. To the extent obligations created by the Fund s use of derivatives may be deemed to constitute senior securities, the Fund will segregate or earmark liquid assets with its custodian in accordance with 1940 Act Release No. 10666 (Apr. 18, 1979) to cover these obligations. There is no assurance that the Fund s use of Financial Leverage will be successful in enhancing the level of the Fund s total return. The Fund anticipates that it will be possible to invest the proceeds of the Offering consistent with the Fund s investment objective and policies within three months. The Fund and its Subsidiary (as defined below) have entered into secured credit facilities with Bank of America Merrill Lynch. As of November 30, 2012, average consolidated outstanding borrowings were $53,033,598, at a weighted average interest rate of 0.95%. The Fund may enter into additional or replacement credit facilities that may represent an aggregate amount up to 33 1/3% of total assets (which represents 50% of net assets). See Description of Shares Credit Facility. The use of leverage involves increased risk, including increased variability of the Fund s net income, distributions and net asset value in relation to market changes. See Use of Leverage Effects of Leverage, Risks Leverage Risk, and Description of Shares.

Option Strategy. The Fund currently may write covered call options in an amount up to 30% of the value of total assets in its portfolio (which represents 45% of net assets) with the purpose of generating realized gains. The Fund also may write uncovered call options, in an amount up to 10% of the value of total assets in its portfolio (approximately 15% of net assets), and purchase put options as part of its hedging strategy (as discussed below). This option strategy is intended to generate returns from options premiums as a means to enhance distributions to the Fund s Common Shareholders. A call option on a security is a contract that gives the holder of such call option the right to buy the security underlying the call option from the writer of such call option at a specified price at any time during the term of the option. At the time the call option is sold, the writer of a call option receives a premium (or call premium) from the buyer of such call option. If the Fund writes a call option on a security, it will have the obligation upon exercise of such call option to deliver the underlying security upon payment of the exercise price. When the Fund writes a call option, an amount equal to the premium received by the Fund will be recorded as a liability and will be subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Fund as realized gains from investments on the expiration date. If the Fund repurchases a written call option prior to its exercise, the difference between the premium received and the amount paid to repurchase the option is treated as a realized gain or realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the Fund has realized a gain or loss. The Fund, as the writer of the option, bears the market risk of an unfavorable change in the price of the security underlying the written option. As the writer of a covered call option, the Fund forgoes, during the option s life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but has retained the risk of loss should the price of the underlying security decline. As the Fund writes covered calls over more of its portfolio, its ability to benefit from capital appreciation becomes more limited. Separately, in the Fund s hedging strategy, it may both write covered and uncovered call options and purchase put options to attempt to hedge various Fund investments and/or markets or indices, as well as interest rates. The Fund limits its use of uncovered calls to 10% of the value of total assets in its portfolio (which represents 15% of net assets). As a writer of uncovered calls, the Fund would be subject to the risk of unlimited losses. See Risks Options Risk Derivatives Risk Short Sales Risk, and Description of Shares.

This Prospectus, together with any applicable Prospectus Supplement, sets forth concisely the information about the Fund that a prospective investor should know before investing. You should read this Prospectus and the applicable Prospectus Supplement, which contain important information, before deciding whether to invest in the Common Shares. You should retain the Prospectus and Prospectus Supplement for future reference. A Statement of Additional Information, dated [ ], 2013, as it may be amended (the SAI), containing additional information about the Fund, has been filed with the Securities and Exchange Commission (the SEC) and is incorporated by reference in its entirety into this Prospectus. You may request a free copy of the SAI (the table of contents of which is on page [77] of this Prospectus), annual and semi-annual reports to Common Shareholders (when available), and additional information about the Fund by calling toll-free at (800) 809-0525, or by writing to the Fund at 4265 San Felipe, Suite 800, Houston, Texas 77027 or visiting the Fund s website (http://www.salientpartners.com/funds/mlp-midstream.html). The information contained in, or accessed through, the Fund s website is not part of this Prospectus. You may also obtain a copy of the SAI (and other information regarding the Fund) from the SEC s Public Reference Room in Washington, D.C. Information relating to the Public Reference Room may be obtained by calling the SEC at (202) 551-8090. Such materials, as well as the Fund s annual and semi-annual reports (when available) and other information regarding the Fund, are also available on the SEC s website (www.sec.gov). You may also e-mail requests for these documents to publicinfo@sec.gov or make a request in writing to the SEC s Public Reference Room, 100 F Street, N.E., Washington, D.C. 20549-0112.

The Fund s Common Shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other governmental agency.

TABLE OF CONTENTS

You should rely only on the information contained or incorporated by reference in this Prospectus. The Fund has not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This Prospectus does not constitute an offer to sell or solicitation of an offer to buy any securities in any jurisdiction where the offer or sale is not permitted or where the person making the offer or sale is not qualified to do so or to any person to whom it is not permitted to make such offer or sale. The information appearing in this Prospectus is accurate only as of the date on the front cover of this Prospectus. Its business, financial condition, results of operations and prospects may have changed since that date. The Fund will advise investors of any material changes to the extent required by applicable law.

GLOSSARY OF KEY TERMS

This glossary contains definitions of certain key terms, as they are used in the Fund s investment objective and policies and as described in this Prospectus. These definitions may not correspond to standard sector definitions.

Energy Companies means companies, including MLP Affiliates, that own and operate assets that are used in the energy sector, including assets used in exploring, developing, producing, generating, transporting, transmitting, storing, gathering, processing, refining, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, refined products, coal or electricity, or that provide energy-related services. For purposes of this definition, such companies (i) derive at least 50% of their revenues or operating income from operating such assets or providing services for the operation of such assets or (ii) have such assets that represent the majority of their assets.

Marine Midstream Companies means public companies that provide transportation and distribution services of energy-related products through the ownership and operation of marine transportation vessels (including tankers, barges and tugboats).

Midstream Assets means assets used in transporting, storing, gathering, processing, distributing, marketing and/or delivering of natural gas, natural gas liquids, crude oil or refined products or coal.

Midstream Companies means companies, other than Midstream MLPs, that own and operate Midstream Assets. Such companies are not structured as MLPs and are taxed as corporations. For purposes of this definition, this means companies that (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.

Midstream MLPs means MLPs that principally own and operate Midstream Assets. Midstream MLPs also include (a) MLPs that provide transportation and distribution services of energy related products through the ownership of marine transportation vessels and (b) MLPs whose assets consist of ownership interests of an affiliated Midstream MLP.

Midstream Sector consists of (a) Midstream MLPs and (b) Midstream Companies.

MLPs means entities that are structured as Master Limited Partnerships and includes Midstream MLPs, and other energy MLPs. Master Limited Partnerships means limited partnerships and limited liability companies that are publicly traded and are treated as partnerships for U.S. federal income tax purposes.

MLP Affiliates means affiliates of MLPs substantially all of whose assets consist of units or ownership interests of an affiliated Master Limited Partnership (which may include general partner interests, incentive distribution rights, common units and subordinated units) and are structured as C Corporations for U.S. federal income tax purposes. MLP Affiliates are not treated as partnerships for U.S. federal income tax purposes.

Other Energy Companies means Energy Companies, excluding MLPs and Midstream Companies.

PROSPECTUS SUMMARY

This is only a summary. You should review the more detailed information elsewhere in this Prospectus (Prospectus), in any related supplement to this Prospectus (each, a Prospectus Supplement), and in the Statement of Additional Information (the SAI) prior to making an investment in the Fund. See Risks. Unless otherwise defined herein, the Glossary of Key Terms on page ii herein provides the definitions of certain key terms used in this Prospectus.

The Fund	Salient Midstream & MLP Fund (the Fund) is a Delaware statutory trust registered as a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act), which commenced operations in May 2012.
The Offering	The Fund may offer, from time to time, in one or more offerings, up to $100,000,000 worth of common shares of beneficial interest of the Fund (Common Shares) on terms to be determined at the time of the offering. The Common Shares may be offered at prices and on terms to be set forth in one or more Prospectus Supplements. You should read this Prospectus and the applicable Prospectus Supplement carefully before you invest in Common Shares. Common Shares may be offered directly to one or more purchasers, through agents designated from time to time by the Fund, or to or through underwriters or dealers. The Prospectus Supplement relating to the offering will identify any agents, underwriters or dealers involved in the sale of Common Shares, and will set forth any applicable purchase price, fee, commission or discount arrangement between the Fund and its agents or underwriters, or among its underwriters, or the basis upon which such amount may be calculated. See Plan of Distribution. The Fund may not sell any Common Shares through agents, underwriters or dealers without delivery of a Prospectus Supplement describing the method and terms of the particular offering of Common Shares.
Investment Objective	The Fund s investment objective is to provide a high level of total return with an emphasis on making quarterly cash distributions to its Common Shareholders (Distributions). The Fund seeks to achieve its investment objective by investing at least 80% of its total assets in securities of Midstream Companies and MLPs. Midstream companies own or operate midstream assets used in transporting, storing, gathering, processing, distributing, marketing and/or delivering natural gas, natural gas liquids, crude oil or refined products or coal and MLPs are publicly traded limited partnerships or limited liability companies that are treated as partnerships for U.S. federal income tax purposes. The Fund intends to utilize an option strategy in an effort to enhance returns. The options strategy is intended to generate returns from options premiums as a means to enhance Distributions to the Fund s Common Shareholders. There can be no assurance that the Fund will achieve its investment objective. See Investment Objective and Policies.
The Adviser	Salient Capital Advisors, LLC (SCA), the Fund s investment adviser, is responsible for providing portfolio investment services to the Fund, implementing and administering the Fund s investment strategy and providing management and administrative assistance in connection with its operations. SCA is a wholly-owned subsidiary of Salient Partners, L.P., a Delaware limited partnership (Salient), and SCA is a registered investment adviser with the Securities and Exchange

Commission (SEC). As of April 30, 2013, SCA managed assets of approximately $2.5 billion, including $226.5 million in Midstream Companies and MLPs. Salient and its affiliates managed assets of approximately $17.9 billion as of April 30, 2013.

Salient and its principals have invested in Midstream Companies and MLPs since 2003, and Salient has developed an understanding of the North American energy markets that Salient believes enables it to identify and take advantage of attractive investment opportunities in the Midstream Sector as well as in other MLPs and Energy Companies. In addition, Salient s senior professionals have many long-term relationships with industry managers, which Salient believes gives it an important advantage in making portfolio management decisions and sourcing and structuring private investments for the Fund.

Pursuant to the investment management agreement, the Fund has agreed to pay SCA, as compensation for the services rendered by it, a management fee equal on an annual basis to 1.20% of the average monthly consolidated total assets of the Fund, computed and paid monthly. Because SCA s management fee is based upon a percentage of the Fund s consolidated total assets, its fee will be higher if the Fund employs Financial Leverage. Until May 25, 2014, SCA has contractually agreed to waive or reimburse the Fund for a portion of its management fee in an amount equal on an annual basis to 0.20% of the Fund s average monthly consolidated total assets. See Management Investment Adviser.

Listing

As of April 30, 2013, the Fund had 9,490,003 Common Shares outstanding. The Fund s Common Shares are traded on the NYSE under the symbol SMM. As of [ ], 2013, the last reported sales price of a Common Share of the Fund on the NYSE was $[ ]. Common Shares offered and sold pursuant to this Registration Statement will also be listed on the NYSE and trade under this symbol.

Use of Proceeds

Subject to the remainder of this section, and unless otherwise specified in a Prospectus Supplement, it is expected that the net proceeds of the Offering will be invested in accordance with the Fund s investment objective and policies within three months. See Use of Proceeds.

Plan of Distribution

The Fund may sell the Common Shares being offered under this Prospectus in any one or more of the following ways: (i) directly to purchasers; (ii) through agents; (iii) to or through underwriters; or (iv) through dealers.

The Fund may distribute Common Shares from time to time in one or more transactions at: (i) a fixed price or prices, which may be changed; (ii) market prices prevailing at the time of sale; (iii) prices related to prevailing market prices; or (iv) negotiated prices.

The Fund may directly solicit offers to purchase Common Shares, or the Fund may designate agents to solicit such offers. The Fund will, in a Prospectus Supplement relating to such offering, name any agent that could be viewed as an underwriter under the Securities Act of 1933 (the Securities Act) and describe any commissions the Fund must pay. Any such agent will be acting on a best efforts basis for the period of its appointment or, if indicated in the applicable Prospectus Supplement or other offering materials, on a firm commitment basis. Agents, dealers and underwriters may be customers of, engage in transactions with, or perform services for the Fund in the ordinary course of business.

2

If any underwriters or agents are used in the sale of Common Shares in respect of which this Prospectus is delivered, the Fund will enter into an underwriting agreement or other agreement with them at the time of sale to them, and the Fund will set forth in the Prospectus Supplement relating to such offering their names and the terms of the Fund s agreement with them.

If a dealer is utilized in the sale of Common Shares in respect of which this Prospectus is delivered, the Fund will sell such Common Shares to the dealer, as principal. The dealer may then resell such Common Shares to the public at varying prices to be determined by such dealer at the time of resale.

The Fund may engage in at-the-market offerings to or through a market maker or into an existing trading market, on an exchange or otherwise, in accordance with Rule 415(a)(4) under the Securities Act. An at-the-market offering may be through an underwriter or underwriters acting as principal or agent for the Fund.

Agents, underwriters and dealers may be entitled under agreements which they may enter into with the Fund to indemnification by the Fund against certain civil liabilities, including liabilities under the Securities Act, and may be customers of, engage in transactions with or perform services for the Fund in the ordinary course of business.

In order to facilitate the offering of Common Shares, any underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of Common Shares or any other Common Shares the prices of which may be used to determine payments on the Common Shares. Specifically, any underwriters may over-allot in connection with the offering, creating a short position for their own accounts. In addition, to cover over-allotments or to stabilize the price of Common Shares or of any such other Common Shares, the underwriters may bid for, and purchase, Common Shares or any such other Common Shares in the open market. Finally, in any offering of Common Shares through a syndicate of underwriters, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing Common Shares in the offering if the syndicate repurchases previously distributed Common Shares in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of Common Shares above independent market levels. Any such underwriters are not required to engage in these activities and may end any of these activities at any time.

The Fund or one of the Fund s affiliates may loan or pledge Common Shares to a financial institution or other third party that in turn may sell Common Shares using this Prospectus. Such financial institution or third party may transfer its short position to investors in Common Shares or in connection with a simultaneous offering of other Common Shares offered by this Prospectus or otherwise.

The maximum amount of compensation to be received by any member of the Financial Industry Regulatory Authority will not exceed 8% of the initial gross proceeds from the sale of any security being sold with respect to each particular offering of Common Shares made through a single Prospectus Supplement.

Distributions

The Fund has made quarterly Distributions in amounts ranging from $0.325 to $0.335 per share since inception, with the first such distribution made on August 22, 2012. It is anticipated that only a portion of the cash payments that the Fund receives from its investments will constitute investment company taxable income. The balance will be return of capital from such investments. The Fund cannot predict with respect to a given quarter how much of its investment company taxable income will be included in the Distribution it makes for that quarter. However, the Fund intends to pay to Common Shareholders on an annual basis at least 90% of its investment company taxable income. Distributions may also include gains from premiums on options the Fund has written, cash received as return of capital from the Fund s portfolio investments or return of investors capital. Any such returns of capital, while not taxable, will lower a Common Shareholder s basis and may result in higher taxes in the future.

Section 19(a) of the 1940 Act and Rule 19a-1 thereunder require the Fund to provide a written statement accompanying payment from any source other than income that adequately discloses the source or sources of such payment. Thus, if the Fund s capital was the source of a Distribution, and the payment amounted to a return of capital, the Fund would be required to provide written notice to that effect. Nevertheless, Common Shareholders who periodically receive Distributions may be under the impression that such payments are made from income, when, in fact, they are not. The amount of the Fund s Distribution that constitutes a return of capital represents a return of a Common Shareholder s original investment in its shares. Accordingly, Common Shareholders should carefully read any written disclosure accompanying a Distribution and should not assume that the source of payment is from income of the Fund.

Various factors will affect the levels of cash that the Fund receives from its investments, as well as the amounts of income and return of capital represented by such cash. To permit the Fund to maintain a more stable Distribution, the Fund may distribute less or more than the entire amount of cash that it receives from its investments in a particular period. Any undistributed cash would be available to supplement future Distributions, and until distributed would add to the Fund s net asset value. Correspondingly, once distributed, such amounts will be deducted from the Fund s net asset value. See Distributions.

U.S. Federal Income Tax Status

The Fund is, for U.S. federal income tax purposes, a regulated investment company, or RIC, under the Internal Revenue Code of 1986, as amended (the Code). As a RIC, the Fund generally is not required to pay U.S. federal income taxes on any ordinary income or capital gains that it receives from its portfolio investments and distributes to its Common Shareholders. To qualify as a RIC and maintain its RIC status, the Fund must meet specific source-of-income and asset diversification requirements and distribute in each of its taxable years at least 90% of the sum of its investment company taxable income (which generally consists of ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any) and net tax-exempt interest out of assets legally available for distribution. If, in any year, the Fund fails to qualify as a RIC under U.S. federal income tax laws, it would be taxed as an ordinary corporation. In such circumstances, the Fund could be required to recognize unrealized gains, pay substantial taxes and make substantial Distributions before requalifying as a RIC that is accorded special tax treatment. See Tax Matters Qualification as a RIC.

Under the current tax diversification rules applicable to RICs, the Fund may directly invest up to 25% of its total assets (which represents 37.5% of net assets assuming the Fund uses Financial Leverage to the maximum extent permitted) in equity or debt securities of MLPs that are treated as qualified publicly traded partnerships under the Code. In order to increase the Fund s investments in MLPs, it invests in a subsidiary C corporation, Salient Midstream & MLP Fund, Inc. (the Subsidiary), that invests in MLPs. The Subsidiary, and any similar subsidiary C corporation in which the Fund invests, will be subject to federal corporate income tax on its income, regardless of whether such income is distributed to the Fund. For a more complete discussion of the Fund s portfolio composition, see Investment Objective and Policies.

Common Shareholder Tax Features

Excluding the impact of any realized gains or realized losses, the Fund expects that a portion of its Distributions to Common Shareholders may constitute a non-taxable return of capital. If the Fund distributes investment company taxable income from current and accumulated earnings and profits (which includes realized gains or realized losses, if any) as computed for U.S. federal income tax purposes, such Distributions will generally be taxable to Common Shareholders in the current period as ordinary income for U.S. federal income tax purposes. If such Distributions exceed the Fund s current and accumulated earnings and profits as computed for U.S. federal income tax purposes, such excess Distributions will constitute a non-taxable return of capital to the extent of a Common Shareholder s basis in the Fund s Common Shares and will result in a reduction of such basis. To the extent such excess exceeds a Common Shareholder s basis in the Fund s Common Shares, such excess will be taxed as capital gain. A return of capital represents a return of a Common Shareholder s original investment in the Fund s Common Shares, and should not be confused with a dividend from earnings and profits. Upon the sale of Common Shares, a holder of the Fund s Common Shares generally will recognize capital gain or loss measured by the difference between the sale proceeds received by the Common Shareholder and the Common Shareholder s U.S. federal income tax basis in the Fund s Common Shares sold, as adjusted to reflect any return of capital. The Fund may also make Distributions of net capital gains in the form of capital gain dividends, which generally will be taxable to Common Shareholders as long-term capital gain for U.S. federal income tax purposes. See Tax Matters Taxation of U.S. Shareholders.

Distribution Reinvestment Plan

The Fund has adopted a distribution reinvestment plan (the DRIP) for its Common Shareholders. The plan is an opt out distribution reinvestment plan. As a result, if the Fund declares a Distribution, then its Common Shareholders cash Distributions will be automatically reinvested in additional Common Shares, unless they specifically elect to receive cash. Common Shareholders who receive Distributions in the form of Common Shares will be subject to the same federal, state and local tax consequences as Common Shareholders who elect to receive their Distributions in cash. See Distribution Reinvestment Plan.

Trading at a Discount

The common shares of closed-end investment companies frequently trade at prices lower than their net asset value. Since inception, the market price of the Common Shares has fluctuated and at times has traded below the Fund s net asset value, and at times has traded above net asset value. The Fund cannot assure you that its Common Shares will trade at a price higher than or equal to their net asset value. In addition, the Fund s net asset value will be reduced immediately following this offering by the sales load and offering costs. The possibility that the Fund s Common Shares may trade at a discount to their net asset value is separate and distinct from the risk that Common Shares net asset value may decline. In addition to net asset value, the market price of the Fund s Common Shares may be affected by such factors as the Distributions it makes (which are in turn affected by expenses), the stability of the Fund s Distributions, liquidity and market supply and demand. See Risks, Description of Shares and Closed-end Fund Structure; Repurchase of Common Shares and Conversion to Open-end Fund. The Fund s Common Shares are designed primarily for long-term investors, and you should not purchase the Fund s Common Shares if you intend to sell them shortly after purchase.

Custodian

Citibank, N.A. acts as custodian of the Fund s securities and other assets. See Custodian.

Transfer Agent and Administrator

Citi Fund Services Ohio, Inc. acts as the Fund s dividend-paying agent and administrator. Computershare, Inc. acts as the Fund s transfer agent. See Transfer Agent and Administrator.

Selected Risk Considerations

An investment in the Fund s Common Shares involves various, material risks, including the risk that you may receive little or no return on your investment or that you may lose part or all of your investment. The following discussion summarizes some of the risks that a potential investor should carefully consider before deciding whether to invest in the Fund s Common Shares. This list is not complete, and you should read and consider carefully the more complete list of risks described below under Risks before purchasing the Fund s Common Shares.

Discount from or Premium to Net Asset Value. The Fund s Common Shares will be offered only when Common Shares of the Fund are trading at a price equal to or above the Fund s net asset value per Common Share plus the per Common Share amount of commissions. As with any security, the market value of the Common Shares may increase or decrease from the amount initially paid for the Common Shares. The Fund s Common Shares have traded at both a premium and at a discount to net asset value. The shares of closed-end management investment companies frequently trade at a discount from their net asset value. This characteristic is a risk separate and distinct from the risk that the Fund s net asset value could decrease as a result of investment activities. Investors bear a risk of loss to the extent that the price at which they sell their shares is lower in relation to the Fund s net asset value than at the time of purchase, assuming a stable net asset value.

Secondary Market for Common Shares. The issuance of Common Shares through the Offering may have an adverse effect on the secondary market for the Common Shares. The increase in the amount of the Fund s outstanding Common Shares resulting from the Offering may put downward pressure on the market price for the Common

Shares. Common Shares will not be issued pursuant to the Offering at any time when Common Shares are trading at a price lower than a price equal to the Fund s net asset value per Common Share plus the per Common Share amount of commissions to be paid.

The Fund also issues Common Shares of the Fund through its distribution reinvestment plan. See Distribution reinvestment plan. Common Shares may be issued under the plan at a discount to the market price for such Common Shares, which may put downward pressure on the market price for Common Shares of the Fund.

When the Common Shares are trading at a premium, the Fund may also issue Common Shares of the Fund that are sold through transactions effected on the NYSE. The increase in the amount of the Fund s outstanding Common Shares resulting from that offering may also put downward pressure on the market price for the Common Shares.

The voting power of current shareholders will be diluted to the extent that such shareholders do not purchase shares in any future Common Share offerings or do not purchase sufficient shares to maintain their percentage interest. In addition, if SCA is unable to invest the proceeds of such offering as intended, the Fund s per share distribution may decrease (or may consist of return of capital) and the Fund may not participate in market advances to the same extent as if such proceeds were fully invested as planned.

Non-Diversification Risk. Overall risk can be reduced by investing in securities from a diversified pool of issuers, while overall risk is increased by investing in securities of a small number of issuers. As a non-diversified closed-end management investment company under the 1940 Act, the Fund has fewer limitations in the proportion of its assets that may be invested in securities of a single issuer, which means that the Fund is allowed to invest a greater portion of its assets in a more limited number of issuers than a diversified fund. To the extent the Fund invests a relatively high percentage of its assets in the obligations 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. Additionally, as a result, credit, market and other risks associated with its investment strategies or techniques may be more pronounced for the Fund than for a fund that is diversified.

Investment and Market Risk. An investment in the Fund s Common Shares is subject to investment risk, including the possible loss of the entire amount that you invest. An investment in the Fund s Common Shares is not intended to constitute a complete investment program and should not be viewed as such. The value of the securities in which the Fund invests, like other market investments, may move up or down, sometimes rapidly and unpredictably. Your investment in the Fund s Common Shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of Distributions.

Master Limited Partnership Risks. An investment in MLP units involves risks that differ from a similar investment in equity securities, such as common stock, of a corporation. Holders of MLP units have the rights typically afforded to limited partners in a limited partnership. As compared to common stockholders of a corporation, holders of MLP units have more limited control and limited rights to vote on matters

affecting the partnership. There are certain tax risks associated with an investment in MLP units (described further below). Additionally, conflicts of interest may exist among common unit holders, subordinated unit holders and the general partner or managing member of an MLP; for example, a conflict may arise as a result of incentive distribution payments.

Industry Specific Risk. Additionally, the Fund concentrates investments in Midstream Companies and MLPs. Certain risks inherent in investing in these types of securities include the following:

Regulatory Risk. Midstream Companies and MLPs in which the Fund may invest are subject to significant federal, state and local government regulation in virtually every aspect of their operations, including how facilities are constructed, maintained and operated, environmental and safety controls, and the prices they may charge for products and services. Various governmental authorities have the power to enforce compliance with these regulations and the permits issued under them and violators are subject to administrative, civil and criminal penalties, including civil fines, injunctions or both. Stricter laws, regulations or enforcement policies could be enacted in the future which would likely increase compliance costs and may adversely affect the financial performance of Midstream Companies and MLPs. In particular, changes to laws and increased regulations or enforcement policies as a result of the Macondo oil spill in the Gulf of Mexico may adversely affect the financial performance of Midstream Companies and MLPs. In addition, such regulation can change rapidly or over time in both scope and intensity. For example, a particular by-product or process, including hydraulic fracturing, may be declared hazardous sometimes retroactively by a regulatory agency and unexpectedly increase production costs.

Catastrophe Risk. The operations of Midstream Companies and MLPs in which the Fund may invest are subject to many hazards inherent in transporting, processing, or storing natural gas, natural gas liquids, crude oil, refined petroleum products or other hydrocarbons, or in exploring, managing or producing such commodities or products, including: damage to pipelines, storage tanks or related equipment and surrounding properties caused by hurricanes, tornadoes, floods, fires and other natural disasters and acts of terrorism; inadvertent damage from construction and farm equipment; leaks of natural gas, natural gas liquids, crude oil, refined petroleum products or other hydrocarbons; fires and explosions. These risks could result in substantial losses due to personal injury and/or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage and may result in the curtailment or suspension of their related operations. Not all Midstream Companies and MLPs are fully insured against all risks inherent to their businesses. If a significant accident or event occurs that is not fully insured, it could adversely affect their operations and financial condition.

Pipelines Risk. Midstream Companies and MLPs involved in pipelines are subject to the demand for natural gas, natural gas liquids, crude oil or refined products in the markets they serve, changes in the availability of products for gathering, transportation, processing or sale due to natural declines in reserves and production in the supply areas serviced by the companies facilities, sharp decreases in crude oil or natural gas prices that cause producers to curtail production or reduce capital spending for exploration activities, and environmental regulation. Demand for gasoline, which accounts for a substantial portion of refined product transportation, depends on price, prevailing economic conditions in the markets served, and demographic and seasonal factors. Companies that own interstate pipelines are subject to regulation by the Federal Energy Regulatory Commission (FERC) with respect to the tariff rates they may charge for transportation services. An adverse determination by FERC with respect to the tariff rates of such companies could have a material adverse effect on their business, financial condition, results of operations and cash flows and their ability to pay cash Distributions or dividends. In addition, FERC has a tax allowance policy, which permits such companies to include in their cost of service an income tax allowance to the extent that their owners have an actual or potential tax liability on the income generated by them. If FERC s income tax allowance policy were to change in the future to disallow a material portion of the income tax allowance taken by such interstate pipeline companies, it would adversely impact the maximum tariff rates that such companies are permitted to charge for their transportation services, which would in turn could adversely affect such companies financial condition and ability to pay distributions to shareholders.

Gathering and Processing Risk. Midstream Companies and MLPs involved in gathering and processing are subject to natural declines in the production of oil and natural gas fields, which utilize their gathering and processing facilities as a way to market their production, prolonged declines in the price of natural gas or crude oil, which curtails drilling activity and therefore production, and declines in the prices of natural gas liquids and refined petroleum products, which cause lower processing margins. In addition, some gathering and processing contracts subject the gathering or processing company to direct commodities price risk.

Midstream Risk. Midstream Companies and MLPs and other entities that provide crude oil, refined product and natural gas services are subject to supply and demand fluctuations in the markets they serve which may be impacted by a wide range of factors including fluctuating commodity prices, weather, increased conservation or use of alternative fuel sources, increased governmental or environmental regulation, depletion, rising interest rates, declines in domestic or foreign production, accidents or catastrophic events, and economic conditions, among others.

Exploration and Production Risk. Midstream Companies and MLPs involved in exploration, development and production are particularly vulnerable to declines in the demand for and prices of crude oil and natural gas. Reductions in prices for crude oil and natural gas can cause a given reservoir to become uneconomic for continued production earlier than it would if prices were higher, resulting in the plugging and abandonment of, and cessation of production from, that reservoir. In addition, lower commodity prices not only reduce revenues but also can result in substantial downward adjustments in reserve estimates. The accuracy of any reserve estimate is a function of the quality of available data, the accuracy of assumptions regarding future commodity prices and future exploration and development costs and engineering and geological interpretations and judgments. Different reserve engineers may make different estimates of reserve quantities and related revenue based on the same data. Actual oil and gas prices, development expenditures and operating expenses will vary from those assumed in reserve estimates, and these variances may be significant. Any significant variance from the assumptions used could result in the actual quantity of reserves and future net cash flow being materially different from those estimated in reserve reports. In addition, results of drilling, testing and production and changes in prices after the date of reserve estimates may result in downward revisions to such estimates. Substantial downward adjustments in reserve estimates could have a material adverse effect on a given exploration and production company s financial position and results of operations. In addition, due to natural declines in reserves and production, exploration and production companies must economically find or acquire and develop additional reserves in order to maintain and grow their revenues and distributions.

Propane Risk. Propane companies and MLPs are subject to earnings variability based upon weather conditions in the markets they serve, fluctuating commodity prices, increased use of alternative fuels, increased governmental or environmental regulation, and accidents or catastrophic events, among others.

Coal Risk. Midstream Companies and MLP entities and other entities with coal assets are subject to supply and demand fluctuations in the markets they serve, which may be impacted by a wide range of factors including fluctuating commodity prices, the level of their customers coal stockpiles, weather, increased conservation or use of alternative fuel sources, increased governmental or environmental regulation, depletion, rising interest rates, declines in domestic or foreign production, mining accidents or catastrophic events, health claims and economic conditions, among others.

Marine Shipping Risk. Midstream Companies and MLPs involved in marine shipping (or tanker companies) are exposed to many of the same risks as other energy companies. In addition, the highly cyclical nature of the industry may lead to volatile changes in charter rates and vessel values, which may adversely affect the earnings of tanker companies in the Fund s portfolio. Fluctuations in charter rates and vessel values result from changes in the supply and demand for tanker capacity and changes in the supply and demand for oil and oil products. Historically, the tanker markets have been volatile because many conditions and factors can affect the supply and demand for tanker capacity. Changes in demand for transportation of oil over longer distances and supply of tankers to carry that oil may materially affect revenues, profitability and cash flows of tanker companies. The successful operation of vessels in the charter market depends upon, among other things, obtaining profitable spot charters and minimizing time spent waiting for charters and traveling unladen to pick up cargo. The value of tanker vessels may fluctuate and could adversely affect the value of tanker company securities in the Fund s portfolio. Declining tanker values could affect the ability of tanker companies to raise cash by limiting their ability to refinance their vessels, thereby adversely impacting tanker company liquidity. Tanker company vessels are at risk of damage or loss because of events such as mechanical failure, collision, human error, war, terrorism, piracy, cargo loss and bad weather. In addition, changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes, boycotts and government requisitioning of vessels. These sorts of events could interfere with shipping lanes and result in market disruptions and a significant loss of tanker company earnings.

Commodity Pricing Risk. Midstream Companies and MLPs in which the Fund may invest may be directly affected by energy commodity prices, especially those Midstream Companies and MLPs which own the underlying energy commodity. Commodity prices fluctuate for several reasons, including changes in market and economic conditions, the impact of weather on demand, levels of domestic production and imported commodities, energy conservation, domestic and foreign governmental regulation and taxation and the availability of local, intrastate and interstate transportation systems. Volatility of commodity prices which leads to a reduction in production or supply may also impact the performance of Midstream Companies and MLPs that are solely involved in the transportation, processing, storing, distribution or marketing of commodities. Volatility of commodity prices may also make it more difficult for Midstream Companies and MLPs to raise capital to the extent the market perceives that their performance may be directly tied to commodity prices.

Supply and Demand Risk. A decrease in the production of natural gas, crude oil, coal or other energy commodities or a decrease in the volume of such commodities available for transportation, processing, storage or distribution may adversely impact the financial performance of Midstream Companies and MLPs in which the Fund invests. Production declines and volume decreases could be caused by various Fund factors, including catastrophic events affecting production, depletion of resources, labor difficulties, environmental proceedings, increased regulations, equipment failures and unexpected maintenance problems, import supply disruption, increased competition from alternative energy sources or depressed commodity prices. Alternatively, a sustained decline in demand for such commodities could also impact the financial performance of Midstream Companies and MLPs. Factors which could lead to a decline in demand include economic recession or other adverse economic conditions, higher fuel taxes or governmental regulations, increases in fuel economy, consumer shifts to the use of alternative fuel sources, an increase in commodity prices, or weather.

Depletion and Exploration Risk. Midstream Companies and MLPs also engaged in the production (exploration, development, management or production) of natural gas, natural gas liquids (including propane), crude oil, refined petroleum products or coal are subject to the risk that their commodity reserves naturally deplete over time. Reserves are generally increased through expansion of their existing business, through exploration of new sources or development of existing sources, through acquisitions or by securing long-term contracts to acquire additional reserves, each of which entails risk. The financial performance of these issuers may be adversely affected if they are unable to acquire, cost-effectively, additional reserves at a rate at least equal to the rate of natural decline. A failure to maintain or increase reserves could reduce the amount and change the characterization of cash distributions paid by these Midstream Companies and MLPs.

Derivatives Risk. The Fund may purchase and sell derivative investments such as exchange-listed and over-the-counter put and call options on securities, equity, fixed income, interest rate and currency indices, and other financial instruments, and swap agreements, such as interest rate swaps, total return swaps and credit default swaps. The Fund also may purchase derivative investments that combine features of these instruments. The use of derivatives has risks, including high price volatility, government intervention, non-performance by the counterparty and the imperfect correlation between the value of such instruments and the underlying assets, the possible default of the other party to the transaction or illiquidity of the derivative investments. Furthermore, the ability to successfully use these techniques depends on SCA s ability to predict pertinent market movements, which cannot be assured. The use of derivatives may result in losses greater than if they had not been used, may require the Fund to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation the Fund can realize on an investment or may cause the Fund to hold a security that the Fund might otherwise sell. In addition, amounts paid by the Fund as premiums and cash or other assets held in margin accounts with respect to derivative transactions are not otherwise available to the Fund for investment purposes. See Risks Derivatives Risk and Use of Derivatives, Options and Hedging Strategies in the SAI.

Options Risk. The Fund currently may write covered call options on portfolio positions, in an amount up to 30% of the value of total assets in its portfolio (which represents 45% of net assets), with the purpose of generating realized gains. The Fund also may write uncovered call options, in an amount up to 10% of the value of total assets in its portfolio (which represents 15% of net assets), and purchase put options as part of its hedging strategy. As the writer of a covered call option, during the option s life the Fund gives up the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but the Fund retains the risk of loss should the price of the underlying security decline. The writer of an option has no control over the time when it may be required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security at the exercise price. There can be no assurance that a liquid market will exist when the Fund seeks to close out an option position. If trading were suspended in an option purchased by the Fund, the Fund would not be able to close out the option. If the Fund were unable to close out a covered call option that the Fund had written on a security, the Fund would not be able to sell the underlying security unless the option expired without exercise.

The seller of an uncovered call option assumes the risk of a theoretically unlimited loss as a result of an increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing securities to satisfy the exercise of the call option can itself cause the price of the securities to rise further, sometimes by a significant amount, thereby exacerbating the loss. The buyer of a put or call option assumes the risk of losing its entire premium invested in the option. Although writing uncovered call options can have speculative characteristics, the Fund does not intend to speculate but to use such tactics in its hedging strategies.

Short Sales Risk. A short sale creates the risk of an unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying the securities that were sold short to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase. The Fund intends to limit its use of short sales to 30% of the value of total assets in the portfolio (which represents 45% of net assets).