TORTOISE ENERGY INFRASTRUCTURE CORP
Form N-CSRS
July 20, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21462

Tortoise Energy Infrastructure Corporation
(Exact name of registrant as specified in charter)

11550 Ash Street, Suite 300, Leawood, KS 66211
(Address of principal executive offices) (Zip code)

David J. Schulte
11550 Ash Street, Suite 300, Leawood, KS 66211
(Name and address of agent for service)

913-981-1020
Registrant's telephone number, including area code

Date of fiscal year end: November 30

Date of reporting period: May 31, 2011

Item 1. Report to Stockholders.

Company at a Glance

Tortoise Energy Infrastructure Corp. (NYSE: TYG) is a pioneering closed-end investment company investing primarily in equity securities of publicly-traded Master Limited Partnerships (MLPs) and their affiliates in the energy infrastructure sector.

Investment Goals: Yield, Growth and Quality

TYG seeks a high level of total return with an emphasis on current distributions paid to stockholders.

In seeking to achieve yield, we target distributions to our stockholders that are roughly equal to the underlying yield on a direct investment in MLPs. In order to accomplish this, we maintain our strategy of investing primarily in energy infrastructure MLPs with attractive current yields and growth potential.

We seek to achieve distribution growth as revenues of our underlying companies grow with the economy, with the population and through rate increases. This revenue growth generally leads to increased operating profits, and when combined with internal expansion projects and acquisitions, is expected to provide attractive growth in distributions to us. We also seek distribution growth through timely debt and equity offerings.

TYG seeks to achieve quality by investing in companies operating energy infrastructure assets that are critical to the U.S. economy. Often these assets would be difficult to replicate. We also back experienced management teams with successful track records. By investing in us, our stockholders have access to a portfolio that is diversified through geographic regions and across product lines, including natural gas, natural gas liquids, crude oil and refined products.

About Energy Infrastructure Master Limited Partnerships

MLPs are limited partnerships whose units trade on public exchanges such as the New York Stock Exchange (NYSE), the NYSE Alternext US and NASDAQ. Buying MLP units makes an investor a limited partner in the MLP. There are currently approximately 70 MLPs in the market, mostly in industries related to energy and natural resources.

We primarily invest in MLPs and their affiliates in the energy infrastructure sector. Energy infrastructure MLPs are engaged in the transportation, storage and processing of crude oil, natural gas and refined products from production points to the end users. Our investments are primarily in mid-stream (mostly pipeline) operations, which typically produce steady cash flows with less exposure to commodity prices than many alternative investments in the broader energy industry. With the growth potential of this sector along with our disciplined investment approach, we endeavor to generate a predictable and increasing distribution stream for our investors.

A TYG Investment Versus a Direct Investment in MLPs

We provide our stockholders an alternative to investing directly in MLPs and their affiliates. A direct MLP investment potentially offers an attractive distribution with a significant portion treated as return of capital, and a historically low correlation to returns on stocks and bonds. However, the tax characteristics of a direct MLP investment are generally undesirable for tax-exempt investors such as retirement plans. We are structured as a C Corporation — accruing federal and state income taxes, based on taxable earnings and profits. Because of this innovative structure, pioneered by Tortoise Capital Advisors, institutions and retirement accounts are able to join individual stockholders as investors in MLPs.

Additional features include:

- One Form 1099 per stockholder at the end of the year, thus avoiding multiple K-1s and multiple state filings for individual partnership investments;

- A professional management team, with more than 120 years combined investment experience, to select and manage the portfolio on your behalf;
- The ability to access investment grade credit markets to enhance stockholder return; and
- Access to direct placements and other investments not available through the public markets.

June 16, 2011

Dear Fellow Stockholder,

Recently one of our investment committee members referred to pipelines as “boring” and we were questioned as to how the assets that help fuel our nation’s economy could possibly be boring? Rightly put, if you are using Merriam-Webster’s definition of boring as “dull” or “drab.” However, if you think about it, boring in investing can be anything but boring — it can mean stability, predictability and longevity. In the words of Paul Samuelson, the Nobel Prize winning economist, “Investing should be more like watching paint dry or watching grass grow. If you want excitement, take $800 and go to Las Vegas.”

In our philosophy of focusing on yield, growth and quality over the long-term, pipelines are boring — not because of what they do — but because they provide such an essential and predictable service to our daily lives. It is with this mindset that we continue to focus our investments on long-haul, fee-based pipeline MLPs that offer stable and growing distribution potential with a modest risk profile.

Master Limited Partnership Sector Review and Outlook

Against a backdrop of commodity price volatility, the strongest relative performers within the sector during the fiscal quarter continued to be the more commodity-sensitive companies. While the Tortoise Upstream MLP Index™ lost some of its momentum recently, it posted a total return of 0.5 percent and 15.1 percent for the three months and six months ended May 31, 2011, respectively. In comparison, the Tortoise Long Haul Pipelines MLP Index™ had a total return of (3.4) percent and 4.2 percent for the same three and six month periods, respectively.

While the sector as a whole showed strength in March and April, as the fiscal quarter came to a close in May, the sector reversed its fiscal year-to-date gains. We believe this decline was impacted by economic recovery concerns as the sector traded down along with the broader equity market in the short-term, despite long-term fundamentals remaining strong.

The acquisition market continued to be active with more than $14 billion of activity in 2011 fiscal year-to-date as large integrated and independent oil and gas companies continue to divest midstream assets to MLPs. Likewise, equity capital markets remained open, with nearly $13 billion in equity raised by MLPs during the same period, including $1 billion in direct placements. In addition, five MLP IPOs have closed in 2011 with three others in registration with the SEC.

We believe MLPs are well-positioned to weather a potentially rising interest rate and inflationary environment, driven in part by their ability to grow distributions. In addition, petroleum pipelines utilizing the Federal Energy Regulatory Commission indexing will receive a very favorable tariff increase in July to reflect the change in the Producer Price Index plus 2.65 percent (previously 1.30 percent).

Company Performance Review and Outlook

Our total return based on market value (including the reinvestment of distributions) for the 2011 second fiscal quarter ended May 31, 2011, was (4.4) percent as compared to the Tortoise MLP Total Return Index™ of (2.2) percent during the same period. For the six months ended May 31, 2011, our market-based total return was 7.0 percent as compared to the Tortoise MLP Total Return Index of 6.9 percent.

The relative return differences are attributable to the significant outperformance of commodity-sensitive upstream MLPs included in the broader MLP index. We do not focus on upstream (coal, oil and gas production) MLPs, which are directly exposed to commodity price volatility and have benefited recently from rising crude oil and coal prices.

We paid a distribution of $0.5475 per common share ($2.19 annualized) to our stockholders on June 1, 2011, a 0.5 percent increase from our prior quarterly distribution of $0.545. This represents an annualized yield of 5.8 percent based on the second fiscal quarter closing price of $37.66. Our payout ratio of distributions to distributable cash flow (DCF) for the fiscal quarter was 90.7 percent as our DCF included non-recurring income associated with direct placement activity. For tax purposes, we currently expect 50 to 100 percent of TYG’s 2011 distributions to be characterized as qualified dividend income, with the remainder characterized as return of capital. A final determination of the characterization will be made in January 2012.

TYG helped finance energy infrastructure sector growth with the completion of two direct placements totaling $55 million during the fiscal quarter. Through these investments, we acquired common units in Regency Energy Partners LP and Crestwood Midstream Partners, LP which used the proceeds to help finance acquisitions in natural gas liquids pipeline/storage and natural gas gathering assets, respectively.

Additional information about our financial performance is available in the Management's Discussion of this report.

Conclusion

We believe TYG offers a "user friendly" and efficient alternative for investing in energy infrastructure MLPs, supporting our goals of Yield, Growth, and very importantly in these times, Quality.

Thank you for your investment.

Sincerely,

The Managing Directors
Tortoise Capital Advisors, L.L.C.
The adviser to Tortoise Energy Infrastructure Corp.

H. Kevin Birzer	Zachary A. Hamel	Kenneth P. Malvey
Terry Matlack	David J. Schulte	

Key Financial Data (Supplemental Unaudited Information)

(dollar amounts in thousands unless otherwise indicated)

The information presented below regarding Distributable Cash Flow and Selected Operating Ratios is supplemental non-GAAP financial information, which we believe is meaningful to understanding our operating performance. The Selected Operating Ratios are the functional equivalent of EBITDA for non-investment companies, and we believe they are an important supplemental measure of performance and promote comparisons from period-to-period. Supplemental non-GAAP measures should be read in conjunction with our full financial statements.

	2010			2011	
	Q2(1)	Q3(1)	Q4(1)	Q1(1)	Q2(1
Total Distributions Received from Investments					
Distributions received from master limited partnerships	$ 20,034	$ 20,178	$ 20,696	$ 21,484	$
Dividends paid in stock	1,969	1,993	2,067	2,031	
Other income	—	—	—	150	
Total from investments	22,003	22,171	22,763	23,665	
Operating Expenses Before Leverage Costs and Current Taxes					
Advisory fees, net of expense reimbursement	2,946	3,097	3,329	3,494	
Other operating expenses	441	377	428	366	
	3,387	3,474	3,757	3,860	
Distributable cash flow before leverage costs and current taxes	18,616	18,697	19,006	19,805	
Leverage costs(2)	3,880	3,825	3,808	3,813	
Current income tax expense	137	134	157	113	
Distributable Cash Flow(3)	$ 14,599	$ 14,738	$ 15,041	$ 15,879	$
Distributions paid on common stock	$ 14,536	$ 14,567	$ 14,595	$ 14,824	$
Distributions paid on common stock per share	0.5400	0.5400	0.5400	0.5450	
Payout percentage for period(4)	99.6%	98.8%	97.0%	93.4%	
Net realized gain, net of income taxes, for the period	17,545	5,775	21,739	7,874	
Total assets, end of period	1,195,309	1,307,719	1,449,476	1,593,046	1
Average total assets during period(5)	1,232,509	1,285,312	1,396,899	1,513,637	1
Leverage(6)	262,575	271,075	281,175	286,375	
Leverage as a percent of total assets	22.0%	20.7%	19.4%	18.0%	
Unrealized appreciation, net of income taxes, end of period	275,046	345,211	434,082	513,704	
Net assets, end of period	736,965	796,270	890,879	964,621	
Average net assets during period(7)	769,890	802,057	867,349	922,122	
Net asset value per common share	27.38	29.52	32.91	35.46	
Market value per share	32.84	32.66	36.25	40.00	
Shares outstanding	26,918,015	26,976,691	27,068,577	27,199,433	27
Selected Operating Ratios(8)					
As a Percent of Average Total Assets					
Total distributions received from investments	7.08%	6.84%	6.54%	6.34%	
Operating expenses before leverage costs and current taxes	1.09%	1.07%	1.08%	1.03%	
Distributable cash flow before leverage costs and current taxes	5.99%	5.77%	5.46%	5.31%	
As a Percent of Average Net Assets					
Distributable cash flow(3)	7.52%	7.29%	6.96%	6.98%	

(1)

Q1 is the period from December through February. Q2 is the period from March through May. Q3 is the period from June through August. Q4 is the period from September through November.

(2) Leverage costs include interest expense, other recurring leverage expenses and distributions to preferred stockholders.

(3) "Net investment income (loss), before income taxes" on the Statement of Operations is adjusted as follows to reconcile to Distributable Cash Flow (DCF): increased by the return of capital on MLP distributions, the value of paid-in-kind distributions, distributions included in direct placement discounts and amortization of debt issuance costs; and decreased by current taxes paid.

(4) Distributions paid as a percentage of Distributable Cash Flow.

(5) Computed by averaging month-end values within each period.

(6) Leverage consists of long-term debt obligations, preferred stock and short-term borrowings.

(7) Computed by averaging daily values within each period.

(8) Annualized for periods less than one full year. Operating ratios contained in our Financial Highlights are based on average net assets.

Management's Discussion (Unaudited)

The information contained in this section should be read in conjunction with our Financial Statements and the Notes thereto. In addition, this report contains certain forward-looking statements. These statements include the plans and objectives of management for future operations and financial objectives and can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "anticipate," "estimate," or "continue" or the negative thereof or other variations thereon or comparable terminology. These forward-looking statements are subject to the inherent uncertainties in predicting future results and conditions. Certain factors that could cause actual results and conditions to differ materially from those projected in these forward-looking statements are set forth in the "Risk Factors" section of our public filings with the SEC.

Overview

Tortoise Energy Infrastructure Corp.'s (the "Company") goal is to provide a stable and growing distribution stream to our investors. We seek to provide our stockholders with an efficient vehicle to invest in the energy infrastructure sector. While we are a registered investment company under the Investment Company Act of 1940, as amended (the "1940 Act"), we are not a "regulated investment company" for federal tax purposes. Our distributions do not generate unrelated business taxable income ("UBTI") and our stock may therefore be suitable for holding by pension funds, IRAs and mutual funds, as well as taxable accounts. We invest primarily in MLPs through private and public market purchases. MLPs are publicly traded partnerships whose equity interests are traded in the form of units on public exchanges, such as the NYSE or NASDAQ. Tortoise Capital Advisors, L.L.C. serves as our investment adviser.

Company Update

Market values of our MLP investments declined in May from year-to-date highs earlier in the quarter resulting in an overall decrease in total assets of $63 million from February 28, 2011 to May 31, 2011. Although quarter-end total assets decreased, average total assets for the quarter increased as compared to the 1st quarter, resulting in increased asset based expenses. Distribution increases from our MLP investments were in-line with our expectations. Total leverage as a percent of total assets increased during the quarter as a result of increased leverage and a decline in investment values. Our distributable cash flow ("DCF") remained strong and we increased our quarterly distribution to $0.5475 per share. Additional information on these events and results of our operations are discussed in more detail below.

Critical Accounting Policies

The financial statements are based on the selection and application of critical accounting policies, which require management to make significant estimates and assumptions. Critical accounting policies are those that are both important to the presentation of our financial condition and results of operations and require management's most difficult, complex, or subjective judgments. Our critical accounting policies are those applicable to the valuation of investments, tax matters and certain revenue recognition matters as discussed in Note 2 in the Notes to Financial Statements.

Determining Distributions to Stockholders

Our portfolio generates cash flow from which we pay distributions to stockholders. Our Board of Directors considers our DCF in determining distributions to stockholders. Our Board of Directors reviews the distribution rate quarterly, and may adjust the quarterly distribution throughout the year. Our goal is to declare what we believe to be sustainable increases in our regular quarterly distributions with increases safely covered by earned DCF. We have targeted to pay at least 95 percent of DCF on an annualized basis.

Determining DCF

DCF is simply distributions received from investments less expenses. The total distributions received from our investments include the amount received by us as cash distributions from MLPs, paid-in-kind distributions, and dividend and interest payments. The total expenses include current or anticipated operating expenses, leverage costs and current income taxes (excluding taxes generated from realized gains). Realized gains, expected tax benefits and deferred taxes are not included in our DCF.

The Key Financial Data table discloses the calculation of DCF and should be read in conjunction with this discussion. The difference between distributions received from investments in the DCF calculation and total investment income as reported in the Statement of Operations, is reconciled as follows: the Statement of Operations, in conformity with U.S. generally accepted accounting principles ("GAAP"), recognizes distribution income from MLPs and common stock on their ex-dates, whereas the DCF calculation reflects distribution income on their pay dates; GAAP recognizes that a significant portion of the cash distributions received from MLPs are characterized as a return of capital and therefore excluded from investment income, whereas the DCF calculation includes the return of capital; and distributions received from investments in the DCF calculation include the value of dividends paid-in-kind (additional stock or MLP units), whereas such amounts are not included as income for GAAP purposes, and includes distributions related to direct investments when the purchase price is reduced in lieu of receiving cash distributions. The treatment of expenses in the DCF calculation also differs from what is reported in the Statement of Operations. In addition to the total operating expenses as disclosed in the Statement of Operations, the DCF calculation reflects interest expense, distributions to preferred stockholders, other recurring leverage expenses, as well as current taxes paid on net investment income. A reconciliation of Net Investment Loss, before Income Taxes to DCF is included below.

Distributions Received from Investments

Our ability to generate cash is dependent on the ability of our portfolio of investments to generate cash flow from their operations. In order to maintain and grow distributions to our stockholders, we evaluate each holding based upon its contribution to our investment income, our expectation for its growth rate, and its risk relative to other potential investments.

We concentrate on MLPs we believe can expect an increasing demand for services from economic and population growth. We seek well-managed businesses with hard assets and stable recurring revenue streams. Our focus remains primarily on investing in fee-based service providers that operate long-haul, interstate pipelines. We further diversify among issuers, geographies and energy commodities to seek a distribution payment which approximates an investment directly in energy infrastructure MLPs. In addition, many energy infrastructure companies are regulated and currently benefit from a tariff inflation escalation index of PPI + 2.65 percent. Over the long-term, we believe MLPs' distributions will outpace inflation and interest rate increases, and produce positive real returns.

Total distributions received from our investments for the 2nd quarter 2011 was approximately $24.5 million, representing an 11.5 percent increase as compared to 2nd quarter 2010 and a 3.7 percent increase, or approximately $0.9 million, as compared to 1st quarter 2011. The change from 1st quarter 2011 reflects distribution increases from our MLP investments, receipt of distributions from $20.7 million in net MLP purchases during the quarter and one-time commitment fees of $400,000 related to a direct MLP investment completed during the quarter.

Expenses

We incur two types of expenses: (1) operating expenses, consisting primarily of the advisory fee, and (2) leverage costs. On a percentage basis, operating expenses before leverage costs and current taxes were an annualized 1.03 percent of average total assets for the 2nd quarter 2011, a decrease of 0.06 percent as compared to the 2nd quarter 2010 and unchanged as compared to 1st quarter 2011. Advisory fees for the 2nd quarter 2011 increased 5.6 percent from 1st quarter 2011 as a result of increased average managed assets for the quarter as discussed above. Yields on our MLP investments are currently below their 5-year historical average of approximately 7 percent. All else being equal, if MLP yields continue to decrease and distributions remain constant or grow, MLP asset values will increase as will our managed assets and advisory fees. Other operating expenses increased approximately $26,000 from 1st quarter 2011, primarily as a result of increased estimated franchise taxes.

Leverage costs consist of two major components: (1) the direct interest expense on our Tortoise Notes and short-term credit facility, and (2) distributions to preferred stockholders. Other leverage expenses include rating agency fees and commitment fees. Total leverage costs for DCF purposes were approximately $3.9 million for the 2nd quarter 2011, as compared to $3.8 million for 1st quarter 2011. This change reflects an approximate $9 million increase in our bank credit facility average balance for the quarter and interest expense from the issuance of $25 million of notes in mid May.

The weighted average annual rate of our leverage at May 31, 2011 was 5.21 percent. This rate includes balances on our bank credit facility which accrue interest at a variable rate equal to one-month LIBOR plus 1.25 percent. Our weighted average rate may vary in future periods as a result of changes in LIBOR, the utilization of our credit facility and as our leverage matures or is redeemed. Additional information on our leverage and amended credit facility is disclosed below in Liquidity and Capital Resources and in our Notes to Financial Statements.

Management's Discussion (Unaudited)
(Continued)

Distributable Cash Flow

For 2nd quarter 2011, our DCF was approximately $16.5 million, an increase of 13.1 percent as compared to 2nd quarter 2010 and an increase of 4.0 percent as compared to 1st quarter 2011. The changes are the net result of increased distributions and expenses as outlined above. We declared a distribution of $15.0 million, or $0.5475 per share, during the quarter. This represents an increase of $0.0075 per share as compared to 2nd quarter 2010 and an increase of $0.0025 per share as compared to 1st quarter 2011.

Our dividend payout ratio as a percentage of DCF decreased from 93.4 percent for 1st quarter 2011 to 90.7 percent for 2nd quarter 2011. This change was primarily the result of receipt of a one-time commitment fee of $400,000 during the 2nd quarter. A payout of less than 100 percent of DCF provides cushion for on-going management of the portfolio, changes in leverage costs and other expenses. An on-going payout ratio in excess of 100 percent will, over time, erode the earning power of a portfolio and may lead to lower distributions or portfolio managers taking on more risk than they otherwise would.

Net investment loss before income taxes on the Statement of Operations is adjusted as follows to reconcile to DCF for 2011 YTD and 2nd quarter 2011 (in thousands):

	2011 YTD	2nd Qtr 2011
Net Investment Loss, before Income Taxes	$ (17,293)	$ (11,916)
Adjustments to reconcile to DCF:		
Dividends paid in stock	3,916	1,885
Return of capital on distributions	45,570	26,542
Distribution included in direct placement discount	238	—
Amortization of debt issuance costs	144	73
Current income tax expenses	(185)	(73)
DCF	$ 32,390	$ 16,511

Liquidity and Capital Resources

We had total assets of $1.531 billion at quarter-end. Our total assets reflect the value of our investments, which are itemized in the Schedule of Investments. It also reflects cash, interest and other receivables, if any, and any expenses that may have been prepaid. During 2nd quarter 2011, total assets decreased $63 million. This change was primarily the result of an $83 million decrease in the value of our investments as reflected by the change in realized and unrealized gains on investments (excluding return of capital on distributions) and net purchases of approximately $21 million funded through the issuance of debt and equity.

We issued 129,829 shares of our common stock during the quarter under our at-the-market equity program and 36,299 shares under our dividend reinvestment plan for a total of approximately $6.3 million. We are waiving our advisory fees on the net proceeds from shares issued under our at-the-market equity program for six months.

Total leverage outstanding at May 31, 2011 was $300.4 million, an increase of $14 million as compared to February 28, 2011. These additional leverage proceeds, along with approximately $6.3 million from our issuance of common stock, were used to partially fund a direct placement. During the quarter, we issued $15 million of floating rate notes with a 3 year term and $10 million of fixed rate notes with a 7 year term and rate of 4.35 percent. We used the proceeds from the notes issuances to reduce the outstanding balance on our bank credit facility.

Outstanding leverage is comprised of approximately $195 million in senior notes, $73 million in preferred shares and $32.4 million outstanding under the credit facility, with 84.2 percent of leverage with fixed rates and a weighted average maturity of 4.6 years. Total leverage represented 19.6 percent of total assets at May 31, 2011, as compared to 18.0 percent as of February 28, 2011 and 22.0 percent as of May 31, 2010. The increase as compared to February 28, 2011 is the result of additional borrowings for investments and the decrease in total assets from lower MLP market values. Our leverage as a percent of total assets remains below our long-term target level of 25 percent, allowing the opportunity to add leverage when compelling investment opportunities arise. Temporary increases to up to 30 percent of our total assets may be permitted, provided that such leverage is consistent with the limits set forth in the 1940 Act, and that such leverage is expected to be reduced over time in an orderly fashion to reach our long-term target. Our leverage ratio is impacted by increases or decreases in MLP values, issuance of equity and/or the sale of securities where proceeds are used to reduce leverage.

Our longer-term leverage (excluding our bank credit facility) of approximately $268 million is comprised of 73 percent private placement debt and 27 percent publicly traded preferred equity with a weighted average rate of 5.62 percent and remaining weighted average laddered maturity of approximately 5.1 years.

Our MRP stock has an optional redemption feature allowing us to redeem all or a portion of the stock after December 31, 2012 and on or prior to December 31, 2013 at $10.10 per share. Any optional redemption after December 31, 2013 and on or prior to December 31, 2014 will be at $10.05 per share. Any redemption after December 31, 2014 will be at the liquidation preference amount of $10.00 per share.

We have used leverage to acquire MLPs consistent with our investment philosophy. The terms of our leverage are governed by regulatory and contractual asset coverage requirements that arise from the use of leverage. Additional information on our leverage and asset coverage requirements is discussed in Note 9 and Note 10 in the Notes to Financial Statements. Our coverage ratios are updated each week on our Web site at www.tortoiseadvisors.com.

During the quarter, we entered into an amendment to our bank credit facility that increased the amount available under our facility to $85 million to allow more flexibility in carrying out our investment goals and objectives. Subsequent to quarter-end, we entered into an amendment to our bank credit facility that extends the facility through June 18, 2012. Terms of the amendment provide for an unsecured facility of $85 million, unchanged from the previous facility. During the extension, outstanding balances generally will accrue interest at a variable rate equal to one-month LIBOR plus 1.25 percent with a fee of 0.20 percent on any unused balance.

Taxation of our Distributions and Income Taxes

We invest in partnerships which generally have larger distributions of cash than the accounting income which they generate. Accordingly, the distributions include a return of capital component for accounting and tax purposes. Distributions declared and paid by us in a year generally differ from taxable income for that year, as such distributions may include the distribution of current year taxable income or return of capital.

The taxability of the distribution you receive depends on whether we have annual earnings and profits. If so, those earnings and profits are first allocated to the preferred shares and then to the common shares.

In the event we have earnings and profits allocated to our common shares, all or a portion of our distribution will be taxable at the 15 percent Qualified Dividend Income ("QDI") rate, assuming various holding requirements are met by the stockholder. The 15 percent QDI rate is currently effective through 2012. The portion of our distribution that is taxable may vary for either of two reasons: first, the characterization of the distributions we receive from MLPs could change annually based upon the K-1 allocations and result in less return of capital and more in the form of income. Second, we could sell an MLP investment and realize a gain or loss at any time. It is for these reasons that we inform you of the tax treatment after the close of each year as the ultimate characterization of our distributions is undeterminable until the year is over.

For tax purposes, distributions to common stockholders for the fiscal year ended 2010 were 54 percent qualified dividend income and 46 percent return of capital. A holder of our common stock would reduce their cost basis for income tax purposes by 46 percent of the total distributions they received in 2010. This information is reported to stockholders on Form 1099-DIV and is available on our Web site at www.tortoiseadvisors.com. For book purposes, the source of distributions to common stockholders for the fiscal year ended 2010 was 100 percent return of capital. We currently estimate that 50 to 100 percent of 2011 distributions will be characterized as qualified dividend income for tax purposes with the remaining percentage characterized as return of capital. Final determination will be made after the completion of our fiscal year.

The unrealized gain or loss we have in the portfolio is reflected in the Statement of Assets and Liabilities. At May 31, 2011, our investments are valued at $1.528 billion, with an adjusted cost of $821 million. The $707 million difference reflects unrealized appreciation that would be realized for financial statement purposes if those investments were sold at those values. The Statement of Assets and Liabilities also reflects either a net deferred tax liability or net deferred tax asset depending upon unrealized gains (losses) on investments, realized gains (losses) on investments, capital loss carryforwards and net operating losses. At May 31, 2011, the balance sheet reflects a net deferred tax liability of approximately $297 million or $10.87 per share. Accordingly, our net asset value per share represents the amount which would be available for distribution to stockholders after payment of taxes. Details of our deferred taxes are disclosed in Note 5 in our Notes to Financial Statements.

Schedule of Investments

May 31, 2011

(Unaudited)

	Shares	Fair Value
Master Limited Partnerships and Related Companies — 167.5%(1)		
Crude/Refined Products Pipelines — 63.8%(1)		
United States — 63.8%(1)		
Blueknight Energy Partners, L.P.(2)	342,162	$ 2,692,815
Buckeye Partners, L.P.	1,253,500	79,534,575
Enbridge Energy Partners, L.P.	3,219,005	98,855,644
Holly Energy Partners, L.P.	616,000	33,898,480
Kinder Morgan Management, LLC(3)	1,336,121	87,208,618
Magellan Midstream Partners, L.P.	1,493,800	88,223,828
NuStar Energy L.P.	926,400	58,780,080
Plains All American Pipeline, L.P.	993,100	61,810,544
Sunoco Logistics Partners L.P.	807,900	68,348,340
Tesoro Logistics LP	98,260	2,440,778
		581,793,702
Natural Gas/Natural Gas Liquids Pipelines — 67.1%(1)		
United States — 67.1%(1)		
Boardwalk Pipeline Partners, LP	2,296,700	66,833,970
Duncan Energy Partners L.P.	424,700	17,633,544
El Paso Pipeline Partners, L.P.	1,685,140	57,918,262
Energy Transfer Equity, L.P.	522,610	22,022,785
Energy Transfer Partners, L.P.	2,268,800	107,790,688
Enterprise Products Partners L.P.	2,895,600	120,572,784
Niska Gas Storage Partners LLC	501,300	9,730,233
ONEOK Partners, L.P.	766,700	63,896,778
PAA Natural Gas Storage, L.P.	285,167	6,450,477
PAA Natural Gas Storage, L.P.(4)	700,771	15,157,677
Spectra Energy Partners, LP	493,020	15,776,640
TC PipeLines, LP	1,242,600	57,358,416
Williams Partners L.P.	960,200	50,813,784
		611,956,038
Natural Gas Gathering/Processing — 29.3%(1)		
United States — 29.3%(1)		
Chesapeake Midstream Partners, L.P.	358,116	9,396,964
Copano Energy, L.L.C.	885,900	29,730,804
Crestwood Midstream Partners LP(3)(4)	620,997	15,146,117
DCP Midstream Partners, LP	1,106,100	44,830,233
MarkWest Energy Partners, L.P.	946,200	44,963,424
Regency Energy Partners LP	727,500	18,325,725
Regency Energy Partners LP(4)	1,666,667	40,066,675
Targa Resources Partners LP	1,670,500	57,732,480

Western Gas Partners LP	205,075	7,165,320
		267,357,742
Propane Distribution — 7.3%(1)		
United States — 7.3%(1)		
Inergy, L.P.	1,805,600	66,969,704
Total Master Limited Partnerships and Related Companies (Cost $821,025,596)		1,528,077,186
Short-Term Investment — 0.0%(1)		
United States Investment Company — 0.0%(1)		
Fidelity Institutional Money Market Portfolio — Class I, 0.16%(5) (Cost $87,526)	87,526	87,526
Total Investments — 167.5%(1) (Cost $821,113,122)		1,528,164,712
Other Assets and Liabilities — (38.1%)(1)		(347,657,888)
Long-Term Debt Obligations — (21.4%)(1)		(194,975,000)
Mandatory Redeemable Preferred Stock at Liquidation Value — (8.0%)(1)		(73,000,000)
Total Net Assets Applicable to Common Stockholders — 100.0%(1)		$ 912,531,824

(1) Calculated as a percentage of net assets applicable to common stockholders.
(2) Non-income producing.
(3) Security distributions are paid-in-kind.
(4) Restricted securities have been fair valued in accordance with procedures approved by the Board of Directors and have a total fair value of $70,370,469, which represents 7.7% of net assets. See Note 7 to the financial statements for further disclosure.
(5) Rate indicated is the current yield as of May 31, 2011.

See accompanying Notes to Financial Statements.

Statement of Assets & Liabilities

May 31, 2011

(Unaudited)

Assets		
Investments at fair value (cost $821,113,122)	$	1,528,164,712
Receivable for Adviser expense reimbursement		13,392
Prepaid expenses and other assets		2,343,207
Total assets		1,530,521,311
Liabilities		
Payable to Adviser		2,461,644
Distribution payable to common stockholders		14,982,292
Accrued expenses and other liabilities		2,598,649
Current tax liability		139,130
Deferred tax liability		297,432,772
Short-term borrowings		32,400,000
Long-term debt obligations		194,975,000
Mandatory redeemable preferred stock ($10.00 liquidation value per share; 7,300,000 shares outstanding)		73,000,000
Total liabilities		617,989,487
Net assets applicable to common stockholders	$	912,531,824
Net Assets Applicable to Common Stockholders Consist of:		
Capital stock, $0.001 par value; 27,365,561 shares issued and outstanding (100,000,000 shares authorized)	$	27,366
Additional paid-in capital		408,458,236
Common stock subscribed		323,532
Subscriptions receivable		(323,532)
Accumulated net investment loss, net of income taxes		(67,216,500)
Undistributed realized gain, net of income taxes		124,323,181
Net unrealized appreciation of investments, net of income taxes		446,939,541
Net assets applicable to common stockholders	$	912,531,824
Net Asset Value per common share outstanding (net assets applicable to common stock, divided by common shares outstanding)	$	33.35

Statement of Operations

Period from December 1, 2010 through May 31, 2011

(Unaudited)

Investment Income	
Distributions from master limited partnerships	$ 43,504,318
Less return of capital on distributions	(45,570,261)
Net distributions from master limited partnerships	(2,065,943)
Dividends from money market mutual funds	79
Other income	550,000

Total Investment Loss	(1,515,864)
Operating Expenses	
Advisory fees	7,207,616
Administrator fees	224,654
Franchise fees	116,114
Professional fees	114,028
Stockholder communication expenses	78,793
Directors' fees	67,366
Fund accounting fees	39,149
Custodian fees and expenses	32,881
Registration fees	20,902
Stock transfer agent fees	8,327
Other operating expenses	55,866
Total Operating Expenses	7,965,696
Leverage Expenses	
Interest expense	5,336,707
Distributions to mandatory redeemable preferred stockholders	2,281,279
Amortization of debt issuance costs	144,230
Other leverage expenses	71,889
Total Leverage Expenses	7,834,105
Total Expenses	15,799,801
Less expense reimbursement by Adviser	(22,713)
Net Expenses	15,777,088
Net Investment Loss, before Income Taxes	(17,292,952)
Current tax expense	(76,963)
Deferred tax benefit	5,533,038
Income tax benefit, net	5,456,075
Net Investment Loss	(11,836,877)
Realized and Unrealized Gain on Investments	
Net realized gain on investments, before income taxes	62,179,238
Deferred tax expense	(22,961,822)
Net realized gain on investments	39,217,416
Net unrealized appreciation of investments, before income taxes	20,385,552
Deferred tax expense	(7,528,066)
Net unrealized appreciation of investments	12,857,486
Net Realized and Unrealized Gain on Investments	52,074,902
Net Increase in Net Assets Applicable to Common Stockholders Resulting from Operations	$ 40,238,025

See accompanying Notes to Financial Statements.

Statement of Changes in Net Assets

	Period from December 1, 2010 through May 31, 2011 (Unaudited)	Year Ended November 30, 2010
Operations		
Net investment loss	$ (11,836,877)	$ (17,436,118)
Net realized gain on investments	39,217,416	48,603,672
Net unrealized appreciation of investments	12,857,486	215,507,555
Distributions to auction preferred stockholders	—	(243,068)
Net increase in net assets applicable to common stockholders resulting from operations	40,238,025	246,432,041
Distributions to Common Stockholders		
Net investment income	—	—
Return of capital	(29,805,952)	(58,194,756)
Total distributions to common stockholders	(29,805,952)	(58,194,756)
Capital Stock Transactions		
Proceeds from shelf offerings of 260,685 and 2,808,900 common shares, respectively	10,147,347	85,728,268
Underwriting discounts and offering expenses associated with the issuance of common stock	(305,444)	(3,595,069)
Issuance of 36,299 and 222,590 common shares from reinvestment of distributions to stockholders, respectively	1,378,636	6,907,367
Net increase in net assets applicable to common stockholders from capital stock transactions	11,220,539	89,040,566
Total increase in net assets applicable to common stockholders	21,652,612	277,277,851
Net Assets		
Beginning of period	890,879,212	613,601,361
End of period	$ 912,531,824	$ 890,879,212
Accumulated net investment loss, net of income taxes, end of period	$ (67,216,500)	$ (55,379,623)

See accompanying Notes to Financial Statements.

Statement of Cash Flows

Period from December 1, 2010 through May 31, 2011

(Unaudited)

Cash Flows From Operating Activities		
Distributions received from master limited partnerships	$	43,504,318
Dividend income received		49
Purchases of long-term investments		(140,865,610)
Proceeds from sales of long-term investments		96,739,293
Purchases of short-term investments, net		(26,597)
Other income received		550,000
Interest expense paid		(5,276,580)
Distributions to mandatory redeemable preferred stockholders		(2,281,279)
Other leverage expenses paid		(21,344)
Income taxes paid		(187,833)
Operating expenses paid		(7,826,469)
Net cash used in operating activities		(15,692,052)
Cash Flows From Financing Activities		
Advances from revolving line of credit		136,300,000
Repayments on revolving line of credit		(142,100,000)
Issuance of common stock		10,147,347
Issuance of long-term debt obligations		25,000,000
Common stock issuance costs		(196,952)
Debt issuance costs		(13,300)
Distributions paid to common stockholders		(13,445,043)
Net cash provided by financing activities		15,692,052
Net change in cash		—
Cash — beginning of period		—
Cash — end of period	$	—
Reconciliation of net increase in net assets applicable to common stockholders resulting from operations to net cash used in operating activities		
Net increase in net assets applicable to common stockholders resulting from operations	$	40,238,025
Adjustments to reconcile net increase in net assets applicable to common stockholders resulting from operations to net cash used in operating activities:		
Purchases of long-term investments		(140,865,610)
Return of capital on distributions received		45,570,261
Proceeds from sales of long-term investments		96,739,293
Purchases of short-term investments, net		(26,597)
Deferred tax expense		24,956,850
Net unrealized appreciation of investments		(20,385,552)
Net realized gain on investments		(62,179,238)
Amortization of debt issuance costs		144,230
Changes in operating assets and liabilities:		

Increase in prepaid expenses and other assets		(40,206)
Increase in payable to Adviser, net of expense reimbursement		166,537
Decrease in current tax liability		(110,870)
Increase in accrued expenses and other liabilities		100,825
Total adjustments		(55,930,077)
Net cash used in operating activities	$	(15,692,052)
Non-Cash Financing Activities		
Reinvestment of distributions by common stockholders in additional common shares	$	1,378,636

See accompanying Notes to Financial Statements.

Financial Highlights

	Period from December 1, 2010 through May 31, 2011 (Unaudited)	Year Ended November 30, 2010	Year Ended November 30, 2009	Year Ended November 30, 2008	Year Ended November 30, 2007
Per Common Share Data(1)					
Net Asset Value, beginning of period	$ 32.91	$ 25.53	$ 17.36	$ 32.96	$ 31.82
Income (Loss) from Investment Operations					
Net investment loss(2)(3)	(0.43)	(0.66)	(0.16)	(0.29)	(0.61)
Net realized and unrealized gains (losses) on investments and interest rate swap contracts(2)(3)	1.93	10.10	10.65	(12.76)	4.33
Total income (loss) from investment operations	1.50	9.44	10.49	(13.05)	3.72
Distributions to Auction Preferred Stockholders					
Net investment income	—	—	—	—	—
Return of capital	—	(0.01)	(0.19)	(0.40)	(0.39)
Total distributions to auction preferred stockholders	—	(0.01)	(0.19)	(0.40)	(0.39)
Distributions to Common Stockholders					
Net investment income	—	—	—	—	—
Return of capital	(1.09)	(2.16)	(2.16)	(2.23)	(2.19)
Total distributions to common stockholders	(1.09)	(2.16)	(2.16)	(2.23)	(2.19)
Capital Stock Transactions					
Underwriting discounts and offering costs on issuance of common and auction preferred stock(4)	—	—	—	(0.01)	(0.08)
Premiums less underwriting discounts and offering costs on issuance of common stock(5)	0.03	0.11	0.03	0.09	0.08
Total capital stock transactions	0.03	0.11	0.03	0.08	—
Net Asset Value, end of period	$ 33.35	$ 32.91	$ 25.53	$ 17.36	$ 32.96
Per common share market value, end of period	$ 37.66	$ 36.25	$ 29.50	$ 17.11	$ 32.46
Total Investment Return Based on Market Value(6)	6.99%	31.58%	88.85%	(42.47)%	(4.43)%
Supplemental Data and Ratios					
Net assets applicable to common stockholders, end of period (000's)	$912,532	$890,879	$613,601	$407,031	$618,412
Average net assets (000's)	$930,316	$782,541	$500,661	$573,089	$659,996
Ratio of Expenses to Average Net Assets(7)					
Advisory fees	1.55%	1.53%	1.54%	1.82%	1.79%
Other operating expenses	0.16	0.21	0.26	0.27	0.25
Expense reimbursement(8)	(0.00)	—	(0.03)	(0.19)	(0.19)
Subtotal	1.71	1.74	1.77	1.90	1.85
Leverage expenses(9)	1.69	2.11	2.54	3.42	2.71
Income tax expense (benefit)(10)	5.40	17.89	29.98	(32.24)	6.44
Total expenses	8.80%	21.74%	34.29%	(26.92)%	11.00%

See accompanying Notes to Financial Statements.

Financial Highlights

(Continued)

	Period from December 1, 2010 through May 31, 2011 (Unaudited)	Year Ended November 30, 2010	Year Ended November 30, 2009	Year Ended November 30, 2008
Ratio of net investment loss to average net assets before expense reimbursement(7)(9)	(2.56)%	(2.23)%	(0.97)%	(2.09)%
Ratio of net investment loss to average net assets after expense reimbursement(7)(9)	(2.55)%	(2.23)%	(0.94)%	(1.90)%
Portfolio turnover rate(7)	12.70%	10.26%	17.69%	5.81%
Short-term borrowings, end of period (000’s)	$ 32,400	$ 38,200	$ 10,400	—
Long-term debt obligations, end of period (000’s)	$194,975	$169,975	$170,000	$210,000
Preferred stock, end of period (000’s)	$ 73,000	$ 73,000	$ 70,000	$ 70,000
Per common share amount of long-term debt obligations outstanding, end of period	$ 7.12	$ 6.28	$ 7.07	$ 8.96
Per common share amount of net assets, excluding long-term debt obligations, end of period	$ 40.47	$ 39.19	$ 32.60	$ 26.32
Asset coverage, per $1,000 of principal amount of long-term debt obligations and short-term borrowings(11)(12)	$ 5,334	$ 5,630	$ 4,789	$ 3,509
Asset coverage ratio of long-term debt obligations and short-term borrowings(11)(12)	533%	563%	479%	351%
Asset coverage, per $25,000 liquidation value per share of auction preferred stock(12)(13)	—	—	$ 86,262	$ 64,099
Asset coverage, per $10 liquidation value per share of mandatory				