

TORTOISE ENERGY INFRASTRUCTURE CORP

Form N-30B-2

April 22, 2014

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## 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 more than 100 MLPs in the market 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 midstream (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 130 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.
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March 24, 2014

Dear Fellow Stockholders,

The first fiscal quarter ending Feb. 28, 2014 was generally positive for midstream MLPs, which continued to benefit from the energy infrastructure build-out underway to support robust North American oil and natural gas production. The quarter did provide a few headwinds, however, in the form of mixed earnings across the sector and some market volatility.

From a broader perspective, the equity market was uneven, with stocks recording strong gains in December following the Federal Reserve's decision to begin tapering its asset purchases, but then falling sharply in January on concern of a slowdown in emerging markets. However, February saw equities back in positive territory as those concerns abated and U.S. companies delivered generally upbeat earnings reports.

### Master Limited Partnership Sector Review and Outlook

The Tortoise MLP Index<sup>®</sup> posted a 3.0 percent total return for the first fiscal quarter. In a reversal from most of their 2013 performance, upstream MLPs outperformed midstream MLPs during the fiscal quarter, as reflected by the Tortoise Upstream MLP Index's 5.2 percent return relative to the Tortoise Midstream MLP Index's 2.9 percent gain. The bulk of that outperformance was delivered in December and January due to higher commodity prices, somewhat offset by weather-related disruptions affecting upstream earnings in February.

Impressive production is driving the need for more and enhanced infrastructure, which continues to support midstream MLPs. The Energy Information Administration (EIA) projects annual average domestic crude oil production will approach 8.4 million barrels per day (bbl/d) in 2014 and as much as 9.2 million bbl/d in 2015. Domestic natural gas production averaged 66.5 billion cubic feet per day in 2013,<sup>1</sup> with the sources of supply shifting and driving the need for more infrastructure in certain areas. Within natural gas pipeline MLPs, location of assets is increasingly important, as is careful portfolio selection. We believe the best opportunities among natural gas pipeline MLPs are those with strategically located assets that are benefiting from demand needs i.e. pipelines that are transporting natural gas away from those areas where production growth is accelerating to areas of demand.

Although the pace of funding slowed in the first fiscal quarter of 2014 relative to the same quarter of 2013, capital markets continued to support sector strength, with MLPs raising more than \$5.0 billion in equity and \$6.6 billion in debt offerings, including two MLP IPOs. MLP mergers and acquisitions totaling approximately \$3.3 billion were announced during the quarter. The largest of these was a dropdown of multiple assets valued at \$700 million by Phillips 66 to its MLP, Phillips 66 Partners.

### Fund Performance Review

The fund's total assets increased from approximately \$2.2 billion on Nov. 30, 2013, to \$2.3 billion on Feb. 28, 2014, primarily from net realized and unrealized gains on investments as well as approximately \$4 million in new equity and \$46 million in new leverage proceeds. Leverage (including bank debt, senior notes and preferred stock) increased slightly from 18.6 percent to 19.8 percent of total assets during the fiscal quarter.

At fiscal quarter end, the fund paid a distribution of \$0.5775 per common share (\$2.31 annualized) to stockholders, an increase of 0.4 percent quarter over quarter and 1.8 percent year over year. This distribution represented an annualized distribution rate of 5.2 percent based on the fund's fiscal quarter closing price of \$44.65. In managing the fund, Tortoise places particular emphasis on distribution coverage: distributable cash flow (DCF) earned by the fund divided by distributions paid to stockholders. Our goal is to declare what we believe to be sustainable quarterly distributions with increases safely covered by earned distributable cash flow. The distribution payout coverage was 106.3 percent for the fiscal quarter and 111.4 percent for the last four quarters.

For the fiscal quarter, the fund's market-based total return was -9.1 percent and its NAV-based total return was 3.8 percent (both including the reinvestment of distributions). The difference between the market value total return and the NAV total return reflected a decrease in the premium of the fund's stock price relative to its NAV during the quarter. This was the case for many closed-end funds in recent months, as they came under pressure as the market continued to factor in concern over rising interest rates, with the average discount nearly doubling from last May through February.

*(Unaudited)*



### Key Performance Drivers

- Robust crude oil and natural gas production out of North American shales continued to be a catalyst for pipeline infrastructure expansion projects, which in turn supported the fund's asset performance during the fiscal quarter.
- An overweight exposure to and astute selection among crude oil pipeline MLPs that benefited from greater volume stemming from production growth contributed significantly to performance. The fund's overweight stake in and better selection among refined products pipeline MLPs benefited additionally from recent dropdowns and the anticipation of more dropdowns in the months ahead.
- Natural gas pipeline MLPs detracted from performance as the group was challenged by contract renewals and rate cases, including Boardwalk Pipeline Partners, which significantly reduced its distribution during the quarter.

Additional information about the fund's financial performance, distributions and leverage is available in the Key Financial Data and Management's Discussion sections of this report.

### Proposed Fund Mergers

On Jan. 28, 2014, Tortoise announced the proposed mergers of Tortoise Energy Capital Corporation (TYY) and Tortoise North American Energy Corporation (TYN) into Tortoise Energy Infrastructure Corporation (TYG), given the funds' similar investment objectives and strategies. We urge you to review the definitive joint proxy statement/prospectus you recently received, which is also available at [www.tortoiseadvisors.com](http://www.tortoiseadvisors.com), for more information.

### Concluding Thoughts

We continue to believe that now is a great time to invest in North American energy. Production is growing at a healthy pace and driving the critical need for supporting midstream infrastructure. Although challenges exist, we believe that the transformation underway in North America bodes well for the fund's long-term investment strategy, U.S. security, our economy and our energy future.

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

<sup>1</sup> Energy Information Administration

*The Tortoise MLP Index<sup>®</sup> is a float-adjusted, capitalization-weighted index of energy master limited partnerships (MLPs). The Tortoise Midstream MLP Index, a sub-index of the Tortoise MLP Index<sup>®</sup>, is comprised of all constituents included in the following sub sectors: Crude Oil Pipelines, Gathering & Processing, Natural Gas Pipelines and Refined Products Pipelines. The Tortoise Upstream MLP Index is comprised of all constituents included in the Tortoise MLP Index's Coal and Oil & Gas Production sub sector indices. The S&P 500 Index<sup>®</sup> is a unmanaged market-value-weighted index of stocks, which is widely regarded as the standard for measuring large-cap U.S. stock market performance.*

(Unaudited)

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**Key Financial Data** *(Supplemental Unaudited Information)**(dollar amounts in thousands unless otherwise indicated)*

The information presented below regarding Distributable Cash Flow and Selected Financial Information is supplemental non-GAAP financial information, which we believe is meaningful to understanding our operating performance. The Distributable Cash Flow Ratios include 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. This information is supplemental, is not inclusive of required financial disclosures (e.g. Total Expense Ratio), and should be read in conjunction with our full financial statements.

	2013				2014
	Q1 <sup>(1)</sup>	Q2 <sup>(1)</sup>	Q3 <sup>(1)</sup>	Q4 <sup>(1)</sup>	Q1 <sup>(1)</sup>
<b>Total Income from Investments</b>					
Distributions received from master limited partnerships	\$24,594	\$25,525	\$25,660	\$27,024	\$26,172
Dividends paid in stock	1,811	1,492	1,537	1,597	1,637
Distributions from common stock					52
Other income				94	
Total from investments	26,405	27,017	27,197	28,715	27,861
<b>Operating Expenses Before Leverage Costs and Current Taxes</b>					
Advisory fees, net of fees waived	4,166	4,752	4,895	4,957	5,119
Other operating expenses	348	348	351	349	362
	4,514	5,100	5,246	5,306	5,481
Distributable cash flow before leverage costs and current taxes	21,891	21,917	21,951	23,409	22,380
Leverage costs <sup>(2)</sup>	4,243	3,816	3,835	4,184	4,691
Current income tax expense <sup>(3)</sup>					
<b>Distributable Cash Flow<sup>(4)</sup></b>	<b>\$17,648</b>	<b>\$18,101</b>	<b>\$18,116</b>	<b>\$19,225</b>	<b>\$17,689</b>
<b>As a percent of average total assets<sup>(5)</sup></b>					
Total from investments	5.94%	5.41%	5.28%	5.44%	5.01%
Operating expenses before leverage costs and current taxes	1.02%	1.02%	1.02%	1.00%	0.99%
Distributable cash flow before leverage costs and current taxes	4.92%	4.39%	4.26%	4.44%	4.02%
<b>As a percent of average net assets<sup>(5)</sup></b>					
Total from investments	10.10%	9.04%	8.91%	9.51%	9.03%
Operating expenses before leverage costs and current taxes	1.73%	1.71%	1.72%	1.76%	1.78%
Leverage costs and current taxes	1.62 %	1.28 %	1.26 %	1.39 %	1.52 %
Distributable cash flow	6.75%	6.05%	5.93%	6.36%	5.73%
<b>Selected Financial Information</b>					
Distributions paid on common stock	\$16,101	\$16,225	\$16,321	\$16,442	\$16,643
Distributions paid on common stock per share	0.5675	0.5700	0.5725	0.5750	0.5775
Distribution coverage percentage for period <sup>(6)</sup>	109.6%	111.6%	111.0%	116.9%	106.3%
Net realized gain, net of income taxes, for the period	20,300	32,768	3,363	31,391	8,609
Total assets, end of period	1,900,047	1,974,131	2,031,736	2,188,730	2,294,312
Average total assets during period <sup>(7)</sup>	1,803,562	1,981,853	2,043,631	2,118,177	2,253,941
Leverage <sup>(8)</sup>	314,700	315,900	339,400	407,600	454,000
Leverage as a percent of total assets	16.6%	16.0%	16.7%	18.6%	19.8%
Net unrealized appreciation, end of period	603,431	630,465	660,779	705,678	749,365
Net assets, end of period	1,121,950	1,167,024	1,180,576	1,245,761	1,280,942
Average net assets during period <sup>(9)</sup>	1,060,308	1,185,578	1,210,359	1,211,261	1,251,952
Net asset value per common share	39.54	40.98	41.41	43.36	44.41
Market value per share	47.25	44.43	43.34	49.76	44.65
Shares outstanding (000 s)	28,372	28,481	28,509	28,733	28,844

(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, distributions to preferred stockholders, and other recurring leverage expenses.

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- (3) Includes taxes paid on net investment income and foreign taxes, if any. Taxes related to realized gains are excluded from the calculation of Distributable Cash Flow ( DCF ).
- (4) Net investment income (loss), before income taxes on the Statement of Operations is adjusted as follows to reconcile to DCF: increased by the return of capital on distributions, the value of paid-in-kind distributions, premium on redemption of MRP stock, amortization of debt issuance costs and non-recurring merger expenses; and decreased by current taxes paid on net investment income.
- (5) Annualized for periods less than one full year.
- (6) Distributable Cash Flow divided by distributions paid.
- (7) Computed by averaging month-end values within each period.
- (8) Leverage consists of long-term debt obligations, preferred stock and short-term borrowings.
- (9) Computed by averaging daily net assets within each period.

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## **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. (the Company) primary investment objective is to seek a high level of total return for our stockholders, with an emphasis on distribution income paid to stockholders. 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 master limited partnerships (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**

Total assets increased approximately \$106 million during the 1st quarter, primarily as a result of higher market values of our MLP investments as well as increased leverage utilization. While distribution increases from our MLP investments were generally in-line with our expectations, overall distributions received declined from the prior quarter due to the sale of one portfolio company that announced a reduced distribution rate during the quarter. Asset-based expenses increased from the previous quarter along with average managed assets. Total leverage as a percent of total assets increased and we increased our quarterly distribution to \$0.5775 per share. Additional information on these events and results of our operations are discussed in more detail below.

On January 28, 2014, we announced that our Board of Directors approved the proposed mergers of Tortoise Energy Capital Corporation (TYY) and Tortoise North American Energy Corporation (TYN) into the Company given their similar investment objectives and strategies. We urge you to read the definitive joint proxy statement/prospectus you recently received, which is also available at [www.tortoiseadvisors.com](http://www.tortoiseadvisors.com), for more information.

### **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 has adopted a policy of declaring what it believes to be sustainable distributions. In determining distributions, our Board of Directors considers a number of current and anticipated factors, including, among others, distributable cash flow (DCF), realized and unrealized gains, leverage amounts and rates, current and deferred taxes payable, and potential volatility in returns from our investments and the overall market. While the Board considers many factors in determining distributions to stockholders, particular emphasis is given to DCF and distribution coverage. Distribution coverage is DCF divided by distributions paid to stockholders and is discussed in more detail below. Over the long-term, we expect to distribute substantially all of our DCF to holders of common stock. Our Board of Directors reviews the distribution rate quarterly and may adjust the quarterly distribution throughout the year.

### **Determining DCF**

DCF is distributions received from investments, less expenses. The total distributions received from our investments include the amount received by us as cash distributions from investments, paid-in-kind distributions, and dividend and interest payments. The total expenses include current or anticipated operating expenses, leverage costs and current income taxes. Current income taxes include taxes paid on our net investment income, in addition to foreign taxes, if any. Taxes incurred from realized gains on the sale of investments, expected tax benefits and deferred taxes are not included in 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 may reflect distribution income on their pay dates; GAAP recognizes that a significant portion of the cash distributions received from MLPs and other investments 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, including fee waiver, as disclosed in the Statement of Operations, the DCF calculation reflects interest expense, distributions to preferred stockholders, other recurring leverage expenses, as well as taxes paid on net investment income. Non-recurring expenses related to the proposed mergers are excluded from DCF. A reconciliation of Net Investment Loss, before Income Taxes to DCF is included below.

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## **Management's Discussion** *(Unaudited)*

*(Continued)*

### **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 crude/refined products and natural gas liquids pipeline companies are regulated and currently benefit from a tariff inflation escalation index of PPI + 2.65 percent. Over the long-term, we believe distributions from our investments will outpace inflation and interest rate increases, and produce positive real returns.

Total distributions received from our investments for the 1st quarter 2014 were approximately \$27.9 million, representing a 5.5 percent increase as compared to 1st quarter 2013 and a 3.0 percent decrease as compared to 4th quarter 2013. These changes reflect increases in per share distribution rates on our investments, the distributions received from additional investments funded from equity and leverage proceeds, the impact of various portfolio trading activity and non-recurring income received in 4th quarter 2013. In addition, distributions received in the 1st quarter 2014 were negatively impacted as only a portion of the proceeds from our sale of Boardwalk Pipeline Partners, LP prior to its ex-date were reinvested to earn distributions 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 0.99 percent of average total assets for the 1st quarter 2014, a decrease of 0.03 percent as compared to 1st quarter 2013 and a decrease of 0.01 percent as compared to 4th quarter 2013. Advisory fees for the 1st quarter 2014 increased 3.3 percent from 4th quarter 2013 as a result of increased average managed assets for the quarter. Yields on our investments are currently below their 5-year historical average of approximately 7 percent. All else being equal, if yields on our investments decrease and distributions remain constant or grow, asset values will increase as will our managed assets and advisory fees. Other operating expenses increased approximately \$13,000 as compared to 4th quarter 2013, mainly due to increased directors' fees during the quarter.

Leverage costs consist of two major components: (1) the direct interest expense on our senior 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 \$4.7 million for the 1st quarter 2014, an increase of 12.1 percent as compared to 4th quarter 2013 due to increased leverage utilization.

The weighted average annual rate of our leverage at February 28, 2014 was 4.25 percent. This rate includes balances on our bank credit facility which accrue interest at a variable rate equal to one-month LIBOR plus 1.125 percent. We have entered into \$110 million notional amount of interest rate swap contracts with an effective date of March 15, 2015 in an attempt to reduce the refinance risk associated with long-term debt that matures in April 2015. 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.

### **Distributable Cash Flow**

For 1st quarter 2014, our DCF was approximately \$17.7 million, a slight increase as compared to 1st quarter 2013 and a decrease of 8.0 percent as compared to 4th quarter 2013. The changes are the net result of changes in distributions and expenses as outlined above. We paid a distribution of \$16.6 million, or \$0.5775 per share, during the quarter. This represents an increase of \$0.01 per share as compared to 1st quarter 2013 and an increase of \$0.0025 per share as compared to 4th quarter 2013.

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Our distribution coverage ratio was 106.3 percent for 1st quarter 2014, a decrease in the coverage ratio of 3.3 percent as compared to 1st quarter 2013 and a decrease of 8.7 percent as compared to 4th quarter 2013 excluding non-recurring income received during 4th quarter 2013. Our goal is to pay what we believe to be sustainable distributions with any increases safely covered by earned DCF. A distribution coverage ratio of greater than 100 percent provides flexibility for on-going management of the portfolio, changes in leverage costs, the impact of taxes from realized gains and other expenses. An on-going distribution coverage ratio of less than 100 percent will, over time, erode the earning power of a portfolio and may lead to lower distributions. We expect to allocate a portion of the projected future growth in DCF to increase distributions to stockholders while also continuing to build critical distribution coverage to help preserve the sustainability of distributions to stockholders for the years ahead.

Net investment loss before income taxes on the Statement of Operations is adjusted as follows to reconcile to DCF for 1st quarter 2014 (in thousands):

	<b>1st Qtr 2014</b>
Net Investment Loss, before Income Taxes	\$ (8,499)
Adjustments to reconcile to DCF:	
Dividends paid in stock	1,637
Distributions characterized as return of capital	24,390
Amortization of debt issuance costs	82
Expenses related to proposed fund mergers	79
DCF	\$17,689

### Liquidity and Capital Resources

We had total assets of \$2.3 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 1st quarter 2014, total assets increased approximately \$106 million, primarily due to an increase in the value of our

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## **Management's Discussion** *(Unaudited)*

*(Continued)*

investments as reflected by the change in realized and unrealized gains on investments (excluding return of capital on distributions) of approximately \$60 million as well as net purchases of approximately \$42 million funded through increased leverage utilization.

We issued 86,387 shares of our common stock during the quarter under our at-the-market equity program for a net total of approximately \$4.1 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 February 28, 2014 was \$454.0 million, an increase of \$46.4 million as compared to November 30, 2013. Outstanding leverage is comprised of \$330 million in senior notes, \$80 million in preferred shares and \$44 million outstanding under the credit facility, with 84.8 percent of leverage with fixed rates and a weighted average maturity of 5.8 years. Total leverage represented 19.8 percent of total assets at February 28, 2014, as compared to 18.6 percent as of November 30, 2013 and 16.6 percent as of February 28, 2013. We issued \$30 million of senior notes on January 22, 2014. 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 investment 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 \$410 million is comprised of 80 percent private placement debt and 20 percent publicly traded preferred equity with a weighted average rate of 4.55 percent and remaining weighted average laddered maturity of approximately 6.4 years.

Our Mandatory Redeemable Preferred Stock has an optional redemption feature allowing us to redeem all or a portion of the stock after December 31, 2015 and on or prior to December 31, 2016 at \$10.10 per share. Any optional redemption after December 31, 2016 and on or prior to December 31, 2017 will be at \$10.05 per share. Any redemption after December 31, 2017 will be at the liquidation preference amount of \$10.00 per share.

During the quarter, we entered into an amendment to our credit facility, increasing the borrowing capacity under the facility from \$85 million to \$107.5 million to allow us to increase leverage closer to our long-term target. Other terms of the facility were unchanged.

We have used leverage to acquire MLPs and common stock 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 Notes 8, 9 and 10 in the Notes to Financial Statements. Our coverage ratios are updated each week on our Web site at [www.tortoiseadvisors.com](http://www.tortoiseadvisors.com).

Subsequent to quarter-end, we entered into an agreement to issue \$35,000,000 of Series U Notes which carry a floating interest rate based on 3-month LIBOR plus 1.35 percent and mature on April 17, 2019. We issued \$20,000,000 of Series U Notes on April 17, 2014 and expect to issue the remaining \$15,000,000 on or about May 8, 2014. The proceeds will be used to fund the maturity of the \$15,000,000 Series H Notes on May 12, 2014, with the remainder of the proceeds used to purchase additional portfolio investments consistent with our investment philosophy and to reduce the balance of our short-term credit facility.

### **Taxation of our Distributions and Income Taxes**

We invest in partnerships that generally have cash distributions in excess of their income for accounting and tax purposes. 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 ( E&P ). E&P is primarily comprised of the taxable income from MLPs with certain specified adjustments as reported on annual K-1s, fund operating expenses and net realized gains. If we have E&P, it is first allocated to the preferred shares and then to the common shares.

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In the event we have E&P allocated to our common shares, all or a portion of our distribution will be taxable at the Qualified Dividend Income ( QDI ) rate, assuming various holding requirements are met by the stockholder. The QDI rate is variable based on the taxpayer's taxable income. 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.

E&P for 2013 exceeded total distributions to stockholders. As a result, for tax purposes, distributions to common stockholders for the year ended 2013 were 100 percent qualified dividend income. This information is reported to stockholders on Form 1099-DIV and is available on our Web site at [www.tortoiseadvisors.com](http://www.tortoiseadvisors.com). For book purposes, the source of distributions to common stockholders for the year ended 2013 was 100 percent return of capital.

The unrealized gain or loss we have in the portfolio is reflected in the Statement of Assets and Liabilities. At February 28, 2014, our investments are valued at \$2.284 billion, with an adjusted cost of \$1.098 billion. The \$1.186 billion difference reflects unrealized gain that would be realized for financial statement purposes if those investments were sold at those values. The Statement of Assets and Liabilities also reflects a net deferred tax liability primarily due to unrealized gains (losses) on investments. At February 28, 2014, the balance sheet reflects a net deferred tax liability of approximately \$541 million or \$18.76 per share. Accordingly, our net asset value per share represents the amount which would be available for distribution to stockholders after payment of taxes.

To the extent we have taxable income in the future, we will owe federal and state income taxes. Tax payments can be funded from investment earnings, fund assets or borrowings. Details of our taxes are disclosed in Note 5 in our Notes to Financial Statements.

**Schedule of Investments**

February 28, 2014

*(Unaudited)*

	Shares	Fair Value
<b>Master Limited Partnerships and Related Companies 177.4%</b>		
<b>Crude/Refined Products Pipelines 83.4%</b>		
<b>United States 83.4%</b>		
Buckeye Partners, L.P.	1,868,700	\$ 136,844,901
Enbridge Energy Partners, L.P.	2,287,200	62,943,744
Genesis Energy L.P.	322,156	17,718,580
Holly Energy Partners, L.P.	1,232,000	41,395,200
Magellan Midstream Partners, L.P.	3,227,500	218,404,925
MPLX LP	950,733	46,405,278
NuStar Energy L.P.	806,600	40,265,472
Oiltanking Partners, L.P.	666,500	46,128,465
Phillips 66 Partners LP	319,300	14,630,326
Plains All American Pipeline, L.P.	3,807,100	206,230,607
Rose Rock Midstream, L.P.	146,157	5,688,431
Sunoco Logistics Partners L.P.	2,030,300	167,987,022
Tesoro Logistics LP	812,500	48,912,500
Valero Energy Partners LP	374,151	13,839,846
		1,067,395,297
<b>Natural Gas/Natural Gas Liquids Pipelines 62.7%</b>		
<b>United States 62.7%</b>		
Crestwood Midstream Partners LP	1,575,037	35,265,079
El Paso Pipeline Partners, L.P.	1,038,821	31,216,571
Energy Transfer Equity, L.P.	1,408,800	61,494,120
Energy Transfer Partners, L.P.	1,759,295	97,693,651
Enterprise Products Partners L.P.	2,358,900	158,305,779
EQT Midstream Partners, LP	464,400	30,608,604
Kinder Morgan Energy Partners, L.P.	181,105	13,450,668
Kinder Morgan Management, LLC <sup>(2)</sup>	1,071,600	74,797,699
ONEOK Partners, L.P.	1,550,167	82,329,369
Regency Energy Partners LP	2,915,700	76,537,125
Spectra Energy Partners, LP	1,661,500	79,286,780
Williams Partners L.P.	1,267,100	62,860,831
		803,846,276
<b>Natural Gas Gathering/Processing 31.3%</b>		
<b>United States 31.3%</b>		
Access Midstream Partners, L.P.	1,929,700	108,931,565
Crosstex Energy, L.P.	884,208	27,313,185
DCP Midstream Partners, LP	1,256,400	61,312,320
MarkWest Energy Partners, L.P.	1,045,052	66,726,570
Targa Resources Partners LP	892,367	47,911,184
Western Gas Partners LP	1,396,358	88,375,498
		400,570,322
Total Master Limited Partnerships and Related Companies (Cost \$1,088,550,014)		2,271,811,895
<b>Common Stock 0.9%</b>		
<b>Crude/Refined Products Pipelines 0.9%</b>		
<b>United States 0.9%</b>		

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Plains GP Holdings, L.P. (Cost \$9,069,201)	414,593	11,608,604
<b>Short-Term Investment 0.0%</b>		
<b>United States Investment Company 0.0%</b>		
Fidelity Institutional Money Market Portfolio		
Class I, 0.04% <sup>(3)</sup> (Cost \$96,039)	96,039	96,039
<b>Total Investments 178.3%</b>		2,283,516,538
<b>(Cost \$1,097,715,254)</b>		
<b>Interest Rate Swap Contracts 0.2%</b>		
\$110,000,000 notional Unrealized Appreciation <sup>(4)</sup>		2,931,699
<b>Other Assets and Liabilities (46.5%)</b>		(595,506,451)
<b>Long-Term Debt Obligations (25.8%)</b>		(330,000,000)
<b>Mandatory Redeemable Preferred Stock</b>		
<b>at Liquidation Value (6.2%)</b>		(80,000,000)
<b>Total Net Assets Applicable to</b>		
<b>Common Stockholders 100.0%</b>		\$ 1,280,941,786

(1) Calculated as a percentage of net assets applicable to common stockholders.

(2) Security distributions are paid-in-kind

(3) Rate indicated is the current yield as of February 28, 2014.

(4) See Note 11 to the financial statements for further disclosure.

See accompanying Notes to Financial Statements.



**Statement of Assets & Liabilities**

February 28, 2014

*(Unaudited)*

<b>Assets</b>	
Investments at fair value (cost \$1,097,715,254)	\$ 2,283,516,538
Receivable for Adviser fee waiver	18,984
Receivable for investments sold	4,641,014
Unrealized appreciation of interest rate swap contracts	2,931,699
Prepaid expenses and other assets	3,203,592
<b>Total assets</b>	<b>2,294,311,827</b>
<b>Liabilities</b>	
Payable to Adviser	3,436,875
Payable for investments purchased	10,493,665
Accrued expenses and other liabilities	3,689,072
Current tax liability	644,436
Deferred tax liability	541,105,993
Short-term borrowings	44,000,000
Long-term debt obligations	330,000,000
Mandatory redeemable preferred stock (\$10.00 liquidation value per share; 8,000,000 shares outstanding)	80,000,000
<b>Total liabilities</b>	<b>1,013,370,041</b>
Net assets applicable to common stockholders	\$ 1,280,941,786
<b>Net Assets Applicable to Common Stockholders Consist of:</b>	
Capital stock, \$0.001 par value; 28,844,464 shares issued and outstanding (100,000,000 shares authorized)	\$ 28,844
Additional paid-in capital	293,647,032
Accumulated net investment loss, net of income taxes	(120,821,146)
Undistributed realized gain, net of income taxes	358,722,099
Net unrealized appreciation of investments and interest rate swap contracts, net of income taxes	749,364,957
<b>Net assets applicable to common stockholders</b>	<b>\$ 1,280,941,786</b>
Net Asset Value per common share outstanding (net assets applicable to common stock, divided by common shares outstanding)	  \$ 44.41

**Statement of Operations**

Period from December 1, 2013 through February 28, 2014

*(Unaudited)*

<b>Investment Income</b>	
Distributions from master limited partnerships	\$ 26,171,501
Distributions from common stock	51,845
Less return of capital on distributions	(24,390,055)
Net distributions from investments	1,833,291
Dividends from money market mutual funds	33
<b>Total Investment Income</b>	<b>1,833,324</b>
<b>Operating Expenses</b>	
Advisory fees	5,146,344
Administrator fees	119,551
Professional fees	52,973
Directors fees	50,401
Stockholder communication expenses	41,740
Custodian fees and expenses	22,852
Fund accounting fees	21,341

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Franchise fees	14,089
Registration fees	10,391
Stock transfer agent fees	4,331
Other operating expenses	102,411
<b>Total Operating Expenses</b>	5,586,424
<b>Leverage Expenses</b>	
Interest expense	3,762,568
Distributions to mandatory redeemable preferred stockholders	875,016
Amortization of debt issuance costs	82,190
Other leverage expenses	53,758
<b>Total Leverage Expenses</b>	4,773,532
<b>Total Expenses</b>	10,359,956
Less fees waived by Adviser	(27,628)
<b>Net Expenses</b>	10,332,328
<b>Net Investment Loss, before Income Taxes</b>	(8,499,004)
Deferred tax benefit	2,783,885
<b>Net Investment Loss</b>	(5,715,119)
<b>Realized and Unrealized Gain on Investments and Interest Rate Swaps</b>	
Net realized gain on investments, before income taxes	13,680,804
Deferred tax expense	(5,071,474)
Net realized gain on investments	8,609,330
Net unrealized appreciation of investments	70,632,985
Net unrealized depreciation of interest rate swap contracts	(1,211,004)
Net unrealized appreciation of investments and interest rate swap contracts, before income taxes	69,421,981
Deferred tax expense	(25,734,728)
Net unrealized appreciation of investments and interest rate swap contracts	43,687,253
<b>Net Realized and Unrealized Gain on Investments and Interest Rate Swaps</b>	52,296,583
<b>Net Increase in Net Assets Applicable to Common Stockholders Resulting from Operations</b>	\$ 46,581,464

See accompanying Notes to Financial Statements.

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**Statement of Changes in Net Assets**

	Period from December 1, 2013 through February 28, 2014 <i>(Unaudited)</i>	Year Ended November 30, 2013
<b>Operations</b>		
Net investment loss	\$ (5,715,119)	\$ (20,729,523)
Net realized gain on investments	8,609,330	87,821,680
Net unrealized appreciation of investments and interest rate swap contracts	43,687,253	203,684,498
Net increase in net assets applicable to common stockholders resulting from operations	46,581,464	270,776,655
<b>Distributions to Common Stockholders</b>		
Return of capital	(16,643,104)	(65,088,705)
<b>Capital Stock Transactions</b>		
Proceeds from shelf offerings of 86,387 and 339,239 common shares, respectively	4,178,193	15,596,651
Underwriting discounts and offering expenses associated with the issuance of common stock	(56,565)	(214,176)
Issuance of 25,236 and 97,255 common shares from reinvestment of distributions to stockholders, respectively	1,120,731	4,269,494
Net increase in net assets applicable to common stockholders from capital stock transactions	5,242,359	19,651,969
Total increase in net assets applicable to common stockholders	35,180,719	225,339,919
<b>Net Assets</b>		
Beginning of period	1,245,761,067	1,020,421,148
End of period	\$ 1,280,941,786	\$ 1,245,761,067
Accumulated net investment loss, net of income taxes, end of period	\$ (120,821,146)	\$ (115,106,027)

*See accompanying Notes to Financial Statements.*

**Statement of Cash Flows**

Period from December 1, 2013 through February 28, 2014  
(Unaudited)

<b>Cash Flows From Operating Activities</b>	
Distributions received from master limited partnerships	\$ 26,171,501
Dividends and distributions received from common stock and money market mutual funds	51,879
Purchases of long-term investments	(124,870,643)
Proceeds from sales of long-term investments	88,233,616
Proceeds from sales of short-term investments, net	80,194
Interest expense paid	(3,324,310)
Distributions to mandatory redeemable preferred stockholders	(875,016)
Other leverage expenses paid	(18,752)
Income taxes paid	(14,765,500)
Operating expenses paid	(5,555,153 )
Net cash used in operating activities	(34,872,184 )
<b>Cash Flows From Financing Activities</b>	
Advances from revolving line of credit	125,300,000
Repayments on revolving line of credit	(108,900,000)
Issuance of long-term debt obligations	30,000,000
Debt issuance costs	(127,074)
Issuance of common stock	4,178,193
Common stock issuance costs	(56,565)
Distributions paid to common stockholders	(15,522,370 )
Net cash provided by financing activities	34,872,184
Net change in cash	
Cash beginning of period	
Cash end of period	\$
<b>Reconciliation of net increase in net assets applicable to common stockholders resulting from operations to net cash used in operating activities</b>	
Net increase in net assets applicable to common stockholders resulting from operations	\$ 46,581,464
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	(135,186,100)
Proceeds from sales of long-term investments	92,874,630
Proceeds from sales of short-term investments, net	80,194
Return of capital on distributions received	24,390,055
Deferred tax expense	28,022,317
Net unrealized appreciation of investments and interest rate swap contracts	(69,421,981)
Net realized gain on investments	(13,680,804)
Amortization of debt issuance costs	82,190
Changes in operating assets and liabilities:	
Increase in receivable for investments sold	(4,641,014)
Increase in prepaid expenses and other assets	(68,130)
Increase in payable for investments purchased	10,315,457
Increase in payable to Adviser, net of fees waived	44,075
Decrease in current tax liability	(14,765,500)
Increase in accrued expenses and other liabilities	500,963
Total adjustments	(81,453,648 )
Net cash used in operating activities	\$ (34,872,184)
<b>Non-Cash Financing Activities</b>	
Reinvestment of distributions by common stockholders	

in additional common shares

\$ 1,120,731

*See accompanying Notes to Financial Statements.*

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## Financial Highlights

	Period from December 1, 2013 through February 28, 2014 (Unaudited)	Year Ended November 30, 2013	Year Ended November 30, 2012	Year Ended November 30, 2011
<b>Per Common Share Data<sup>(1)</sup></b>				
Net Asset Value, beginning of period	\$ 43.36	\$ 36.06	\$ 33.37	\$ 32.91
Income from Investment Operations				
Net investment loss <sup>(2)</sup>	(0.20)	(0.73)	(0.64)	(0.77)
Net realized and unrealized gains on investments and interest rate swap contracts <sup>(2)</sup>	1.81	10.27	5.51	3.35
Total income from investment operations	1.61	9.54	4.87	2.58
Distributions to Auction Preferred Stockholders				
Return of capital				
Distributions to Common Stockholders				
Return of capital	(0.58 )	(2.29 )	(2.25 )	(2.20 )
Capital Stock Transactions				
Premiums less underwriting discounts and offering costs on issuance of common stock <sup>(3)</sup>	0.02	0.05	0.07	0.08
Net Asset Value, end of period	\$ 44.41	\$ 43.36	\$ 36.06	\$ 33.37
Per common share market value, end of period	\$ 44.65	\$ 49.76	\$ 39.17	\$ 39.35
Total Investment Return Based on Market Value <sup>(4)(5)</sup>	(9.10)%	33.77%	5.62%	15.25%

## Supplemental Data and Ratios

Net assets applicable to common stockholders, end of period (000 s)	\$ 1,280,942	\$ 1,245,761	\$ 1,020,421	\$ 925,419
Average net assets (000 s)	\$ 1,251,952	\$ 1,167,339	\$ 989,745	\$ 912,567
Ratio of Expenses to Average Net Assets <sup>(6)</sup>				
Advisory fees	1.67%	1.61%	1.60%	1.57%
Other operating expenses	0.14	0.12	0.13	0.16
Total operating expenses, before fee waiver	1.81	1.73	1.73	1.73
Fee waiver <sup>(7)</sup>	(0.01)	(0.00)	(0.01)	(0.01)
Total operating expenses	1.80	1.73	1.72	1.72
Leverage expenses <sup>(8)</sup>	1.54	1.59	1.67	1.75
Income tax expense <sup>(9)</sup>	9.08	14.05	8.37	4.63
Total expenses	12.42 %	17.37 %	11.76 %	8.10 %

See accompanying Notes to Financial Statements.

## Financial Highlights

(Continued)

	Period from December 1, 2013  through February 28, 2014 (Unaudited)	Year Ended November 30,  2013	Year Ended November 30,  2012	Year Ended November 30,  2011	Year No- 30,
Ratio of net investment loss to average net assets before fee waiver <sup>(6)(8)</sup>	(1.86)%	(1.78)%	(1.82)%	(2.32)%	
Ratio of net investment loss to average net assets after fee waiver <sup>(6)(8)</sup>	(1.85)%	(1.78)%	(1.81)%	(2.31)%	
Portfolio turnover rate <sup>(4)</sup>	4.14%	13.40%	12.86%	17.70%	
Short-term borrowings, end of period (000 s)	\$ 44,000	\$ 27,600	\$ 63,400	\$ 47,900	\$
Long-term debt obligations, end of period (000 s)	\$330,000	\$300,000	\$194,975	\$194,975	\$1
Preferred stock, end of period (000 s)	\$ 80,000	\$ 80,000	\$ 73,000	\$ 73,000	\$
Per common share amount of long-term debt obligations outstanding, end of period	\$ 11.44	\$ 10.44	\$ 6.89	\$ 7.03	\$
Per common share amount of net assets, excluding long-term debt obligations, end of period	\$ 55.85	\$ 53.80	\$ 42.95	\$ 40.40	\$
Asset coverage, per \$1,000 of principal amount of long-term debt obligations and short-term borrowings <sup>(10)</sup>	\$ 4,639	\$ 5,047	\$ 5,232	\$ 5,111	\$
Asset coverage ratio of long-term debt obligations and short-term borrowings <sup>(10)</sup>	464%	505%	523%	511%	
Asset coverage, per \$25,000 liquidation value per share of auction preferred stock <sup>(11)</sup>					
Asset coverage, per \$10 liquidation value per share of mandatory redeemable preferred stock <sup>(11)</sup>	\$ 38	\$ 41	\$ 41	\$ 39	\$
Asset coverage ratio of preferred stock <sup>(11)</sup>	382%	406%	408%	393%	

(1) Information presented relates to a share of common stock outstanding for the entire period.

(2) The per common share data for the years ended November 30, 2012, 2011, 2010, and 2009 do not reflect the change in estimate of investment income and return of capital, for the respective year. See Note 2C to the financial statements for further disclosure.

(3) Represents the premium on the shelf offerings of \$0.02 per share, less the underwriting and offering costs of less than \$0.01 per share for the period from December 1, 2013 through February 28, 2014. Represents the premium on the shelf offerings of \$0.06 per share, less the underwriting and offering costs of \$0.01 per share for the year ended November 30, 2013. Represents the premium on the shelf offerings of \$0.08 per share, less the underwriting and offering costs of \$0.01 per share for the year ended November 30, 2012. Represents the premium on the shelf offerings of \$0.09 per share, less the underwriting and offering costs of \$0.01 per share for the year ended November 30, 2011. Represents the premium on the shelf offerings of \$0.25 per share, less the underwriting and offering costs of \$0.14 per share for the year ended November 30, 2010. Represents the premium on the shelf offerings of \$0.05 per share, less the underwriting and offering costs of \$0.02 per share for the year ended November 30, 2009.

(4) Not annualized for periods less than one full year.

(5) Total investment return is calculated assuming a purchase of common stock at the beginning of the period and a sale at the closing price on the last day of the period reported (excluding brokerage commissions). The calculation also assumes reinvestment of distributions at actual prices pursuant to the Company's dividend reinvestment plan.

(6) Annualized for periods less than one full year.

(7) Less than 0.01% for the year ended November 30, 2013.

(8) The expense ratios and net investment loss ratios do not reflect the effect of distributions to auction preferred stockholders.

(9) For the period from December 1, 2013 through February 28, 2014, the Company accrued \$28,022,317 for net deferred income tax expense. For the year ended November 30, 2013, the Company accrued \$23,290,478 for net current income tax expense and \$140,745,675 for net deferred income tax expense. For the year ended November 30, 2012, the Company accrued \$16,189,126 for current income tax expense and \$66,613,182 for net deferred income tax expense. For the year ended November 30, 2011, the Company accrued \$8,950,455 for current income tax expense and \$33,248,897 for net deferred income tax expense. For the year ended November 30, 2010, the Company accrued \$984,330 for current income tax expense and \$139,019,876 for net deferred income tax expense. For the year ended November 30, 2009, the Company accrued \$230,529 for net current income tax benefit and \$150,343,906 for net deferred income tax expense.

(10) Represents value of total assets less all liabilities and indebtedness not represented by long-term debt obligations, short-term borrowings and preferred stock at the end of the period divided by long-term debt obligations and short-term borrowings outstanding at the end of the period.

(11) Represents value of total assets less all liabilities and indebtedness not represented by long-term debt obligations, short-term borrowings and preferred stock at the end of the period divided by long-term debt obligations, short-term borrowings and preferred stock outstanding at the end

*of the period.*

*See accompanying Notes to Financial Statements.*

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## Notes to Financial Statements *(Unaudited)*

February 28, 2014

### 1. Organization

Tortoise Energy Infrastructure Corporation (the Company) was organized as a Maryland corporation on October 29, 2003, and is a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act). The Company's investment objective is to seek a high level of total return with an emphasis on current distributions paid to stockholders. The Company seeks to provide its stockholders with an efficient vehicle to invest in the energy infrastructure sector. The Company commenced operations on February 27, 2004. The Company's stock is listed on the New York Stock Exchange under the symbol TYG.

On January 28, 2014, the Boards of Directors of the Company and of each of Tortoise Energy Capital Corporation (TYY) and Tortoise North American Energy Corporation (TYN) approved the proposed mergers of each of TYY and TYN into the Company. As part of the mergers, TYY and TYN common stockholders will be issued common stock of the Company and the Company would acquire substantially all of the assets and liabilities of TYY and TYN. It is currently expected that the mergers will take place during the Company's third fiscal quarter of 2014, subject to obtaining the required stockholder votes of the Company, TYY and TYN, compliance with all regulatory requirements and satisfaction of customary closing conditions.

### 2. Significant Accounting Policies

#### A. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, recognition of distribution income and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

#### B. Investment Valuation

The Company primarily owns securities that are listed on a securities exchange or over-the-counter market. The Company values those securities at their last sale price on that exchange or over-the-counter market on the valuation date. If the security is listed on more than one exchange, the Company uses the price from the exchange that it considers to be the principal exchange on which the security is traded. Securities listed on the NASDAQ will be valued at the NASDAQ Official Closing Price, which may not necessarily represent the last sale price. If there has been no sale on such exchange or over-the-counter market on such day, the security will be valued at the mean between the last bid price and last ask price on such day.

The Company may invest up to 30 percent of its total assets in restricted securities. Restricted securities are subject to statutory or contractual restrictions on their public resale, which may make it more difficult to obtain a valuation and may limit the Company's ability to dispose of them. Investments in private placement securities and other securities for which market quotations are not readily available will be valued in good faith by using fair value procedures approved by the Board of Directors. Such fair value procedures consider factors such as discounts to publicly traded issues, time until conversion date, securities with similar yields, quality, type of issue, coupon, duration and rating. If events occur that affect the value of the Company's portfolio securities before the net asset value has been calculated (a significant event), the portfolio securities so affected will generally be priced using fair value procedures. The Company did not hold any restricted securities as of February 28, 2014.

An equity security of a publicly traded company acquired in a direct placement transaction may be subject to restrictions on resale that can affect the security's liquidity and fair value. Such securities that are convertible or otherwise will become freely tradable will be valued based on the market value of the freely tradable security less an applicable discount. Generally, the discount will initially be equal to the discount at which the Company purchased the securities. To the extent that such securities are convertible or otherwise become freely tradable within a time frame that may be reasonably determined, an amortization schedule may be used to determine the discount.

The Company generally values debt securities at prices based on market quotations for such securities, except those securities purchased with 60 days or less to maturity are valued on the basis of amortized cost, which approximates market value.

The Company generally values its interest rate swap contracts using industry-accepted models which discount the estimated future cash flows based on the stated terms of the interest rate swap agreement by using interest rates currently available in the market, or based on dealer quotations, if available.

### **C. Security Transactions and Investment Income**

Security transactions are accounted for on the date the securities are purchased or sold (trade date). Realized gains and losses are reported on an identified cost basis. Interest income is recognized on the accrual basis, including amortization of premiums and accretion of discounts. Dividend income and distributions are recorded on the ex-dividend date. Distributions received from investments generally are comprised of ordinary income and return of capital. The Company allocates distributions between investment income and return of capital based on estimates made at the time such distributions are received. Such estimates are based on information provided by each portfolio company and other industry sources. These estimates may subsequently be revised based on actual allocations received from the portfolio companies after their tax reporting periods are concluded, as the actual character of these distributions is not known until after the fiscal year end of the Company.

For the period from December 1, 2013 through February 28, 2014, the Company estimated the allocation of investment income and return of capital for distributions received from investments within the Statement of Operations. For this period, the Company has estimated approximately 7 percent as investment income and approximately 93 percent as return of capital.

### **D. Distributions to Stockholders**

Distributions to common stockholders are recorded on the ex-dividend date. The Company may not declare or pay distributions to its common stockholders if it does not meet asset coverage ratios required under the 1940 Act or the rating agency guidelines for its debt and preferred stock following such distribution. The character of distributions to common stockholders made during the year may differ from their ultimate characterization for federal income tax purposes. For book purposes, the source of the Company's distributions to common stockholders for the year ended November 30, 2013 and the period ended February 28, 2014 was 100 percent return of capital. For tax purposes, the Company's distributions to common stockholders for the year ended November 30, 2013 were 100 percent qualified dividend income. The tax character of distributions paid to common stockholders in the current year will be determined subsequent to November 30, 2014.

## **Notes to Financial Statements** *(Unaudited)*

*(Continued)*

Distributions to mandatory redeemable preferred ( MRP ) stockholders are accrued daily based on a fixed annual rate and paid on the first business day of each month. The Company may not declare or pay distributions to its preferred stockholders if it does not meet a 200 percent asset coverage ratio for its debt or the rating agency basic maintenance amount for the debt following such distribution. The character of distributions to MRP stockholders made during the year may differ from their ultimate characterization for federal income tax purposes. For book purposes, the source of the Company's distributions to MRP stockholders for the year ended November 30, 2013 and the period ended February 28, 2014 was 100 percent return of capital. For tax purposes, the Company's distributions to MRP stockholders for the year ended November 30, 2013 were 100 percent qualified dividend income. The tax character of distributions paid to MRP stockholders in the current year will be determined subsequent to November 30, 2014.

### **E. Federal Income Taxation**

The Company, as a corporation, is obligated to pay federal and state income tax on its taxable income. Currently, the highest regular marginal federal income tax rate for a corporation is 35 percent. The Company may be subject to a 20 percent federal alternative minimum tax ( AMT ) on its federal alternative minimum taxable income to the extent that its AMT exceeds its regular federal income tax.

The Company invests its assets primarily in master limited partnerships ( MLPs ), which generally are treated as partnerships for federal income tax purposes. As a limited partner in the MLPs, the Company reports its allocable share of the MLP's taxable income in computing its own taxable income. The Company's tax expense or benefit is included in the Statement of Operations based on the component of income or gains (losses) to which such expense or benefit relates. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred income tax asset will not be realized.

### **F. Offering and Debt Issuance Costs**

Offering costs related to the issuance of common and preferred stock are charged to additional paid-in capital when the stock is issued. Offering costs (excluding underwriter discounts and commissions) of \$14,783 related to the issuance of common stock were recorded to additional paid-in capital during the period ended February 28, 2014. Debt issuance costs related to long-term debt obligations and MRP Stock are capitalized and amortized over the period the debt and MRP Stock is outstanding.

### **G. Derivative Financial Instruments**

The Company uses derivative financial instruments (principally interest rate swap contracts) in an attempt to manage interest rate risk. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. The Company does not hold or issue derivative financial instruments for speculative purposes. All derivative financial instruments are recorded at fair value with changes in fair value during the reporting period, and amounts accrued under the agreements, included as unrealized gains or losses in the accompanying Statement of Operations. The fair value of derivative financial instruments in a loss position are offset against the fair value of derivative financial instruments in a gain position, with the net fair value appropriately reflected as an asset or liability within the accompanying Statement of Assets & Liabilities. Cash settlements under the terms of the derivative instruments and the termination of such contracts are recorded as realized gains or losses in the accompanying Statement of Operations.

### **H. Indemnifications**

Under the Company's organizational documents, its officers and directors are indemnified against certain liabilities arising out of the performance of their duties to the Company. In addition, in the normal course of business, the Company may enter into contracts that provide general indemnification to other parties. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred, and may not occur. However, the Company has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

### **3. Concentration Risk**

Under normal circumstances, the Company intends to invest at least 90 percent of its total assets in securities of energy infrastructure companies, and to invest at least 70 percent of its total assets in equity securities of MLPs. The Company will not invest more than 10 percent of its total assets in any single issuer as of the time of purchase. The Company may invest up to 25 percent of its assets in debt securities, which may include below investment grade securities. In determining application of these policies, the term "total assets" includes assets obtained through leverage. Companies that primarily invest in a particular sector may experience greater volatility than companies investing in a broad range of industry sectors. The Company may, for defensive purposes, temporarily invest all or a significant portion of its assets in investment grade securities, short-term debt securities and cash or cash equivalents. To the extent the Company uses this strategy, it may not achieve its investment objective.

#### 4. Agreements

The Company has entered into an Investment Advisory Agreement with Tortoise Capital Advisors, L.L.C. (the "Adviser"). Under the terms of the agreement, the Company pays the Adviser a fee equal to an annual rate of 0.95 percent of the Company's average monthly total assets (including any assets attributable to leverage and excluding any net deferred tax asset) minus accrued liabilities (other than net deferred tax liability, debt entered into for purposes of leverage and the aggregate liquidation preference of outstanding preferred stock) ("Managed Assets"), in exchange for the investment advisory services provided. The Adviser has contractually agreed to waive all fees due under the Investment Advisory Agreement related to the net proceeds received from the issuance of additional common stock under the at-the-market equity program for a six month period following the date of issuance. The waived fees are not subject to recapture by the Adviser.

U.S. Bancorp Fund Services, LLC serves as the Company's administrator. The Company pays the administrator a monthly fee computed at an annual rate of 0.04 percent of the first \$1,000,000,000 of the Company's Managed Assets, 0.01 percent on the next \$500,000,000 of Managed Assets and 0.005 percent on the balance of the Company's Managed Assets.

**Notes to Financial Statements** *(Unaudited)**(Continued)*

Computershare Trust Company, N.A. serves as the Company's transfer agent and registrar and Computershare Inc. serves as the Company's dividend paying agent and agent for the automatic dividend reinvestment and cash purchase plan.

U.S. Bank, N.A. serves as the Company's custodian. The Company pays the custodian a monthly fee computed at an annual rate of 0.004 percent of the Company's portfolio assets, plus portfolio transaction fees.

**5. Income Taxes**

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting and tax purposes. Components of the Company's deferred tax assets and liabilities as of February 28, 2014, are as follows:

<b>Deferred tax assets:</b>	
Net operating loss carryforwards	\$ 5,740,718
Capital loss carryforwards	9,395,781
	15,136,499
<b>Deferred tax liabilities:</b>	
Basis reduction of investment in MLPs	115,579,175
Net unrealized gains on investment securities	440,663,317
	556,242,492
<b>Total net deferred tax liability</b>	<b>\$541,105,993</b>

At February 28, 2014, a valuation allowance on deferred tax assets was not deemed necessary because the Company believes it is more likely than not that there is an ability to realize its deferred tax assets through future taxable income of the appropriate character. Any adjustments to the Company's estimates of future taxable income will be made in the period such determination is made. The Company recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained upon examination by the tax authorities based on the technical merits of the tax position. The Company's policy is to record interest and penalties on uncertain tax positions as part of tax expense. As of February 28, 2014, the Company had no uncertain tax positions and no penalties and interest were accrued. Tax years subsequent to the year ending November 30, 2003 remain open to examination by federal and state tax authorities.

Total income tax expense differs from the amount computed by applying the federal statutory income tax rate of 35 percent to net investment loss and net realized and unrealized gains on investments for the period ended February 28, 2014, as follows:

Application of statutory income tax rate	\$26,111,323
State income taxes, net of federal tax benefit	1,544,298
Permanent differences	366,696
<b>Total income tax expense</b>	<b>\$28,022,317</b>

Total income taxes are computed by applying the federal statutory rate plus a blended state income tax rate.

For the period from December 1, 2013 through February 28, 2014, the components of income tax expense include deferred federal and state income tax expense (net of federal tax benefit) of \$26,457,543 and \$1,564,774, respectively.

As of November 30, 2013, the Company had net operating losses for state income tax purposes of approximately \$461,000. If not utilized, these net operating losses will expire in the years ending November 30, 2020 through November 30, 2032. The amount of deferred tax asset for net operating losses and capital loss carryforwards at February 28, 2014 includes amounts for the period from December 1, 2013 through February 28, 2014. For corporations, capital losses can only be used to offset capital gains and cannot be used to offset ordinary income.

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As of February 28, 2014, the aggregate cost of securities for federal income tax purposes was \$785,928,972. The aggregate gross unrealized appreciation for all securities in which there was an excess of fair value over tax cost was \$1,497,587,566, the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over fair value was \$0 and the net unrealized appreciation was \$1,497,587,566.

### 6. Fair Value of Financial Instruments

Various inputs are used in determining the fair value of the Company's financial instruments. These inputs are summarized in the three broad levels listed below:

- Level 1 quoted prices in active markets for identical investments
- Level 2 other significant observable inputs (including quoted prices for similar investments, market corroborated inputs, etc.)
- Level 3 significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following table provides the fair value measurements of applicable Company assets by level within the fair value hierarchy as of February 28, 2014. These assets are measured on a recurring basis.

Description	Fair Value at			Level 3
	February 28, 2014	Level 1	Level 2	
<b>Assets</b>				
Equity Securities:				
Common Stock <sup>(a)</sup>	\$ 11,608,604	\$ 11,608,604	\$	\$
Master Limited Partnerships and Related Companies <sup>(a)</sup>	2,271,811,895	2,271,811,895		
Other Securities:				
Short-Term Investment <sup>(b)</sup>	96,039	96,039		
Interest Rate Swap Contracts	2,931,699		2,931,699	
<b>Total Assets</b>	<b>\$2,286,448,237</b>	<b>\$2,283,516,538</b>	<b>\$2,931,699</b>	<b>\$</b>

*(a) All other industry classifications are identified in the Schedule of Investments.*

*(b) Short-term investment is a sweep investment for cash balances in the Company at February 28, 2014.*

**Notes to Financial Statements** *(Unaudited)**(Continued)*

The Company did not hold any Level 3 securities during the period from December 1, 2013 through February 28, 2014. The Company utilizes the beginning of reporting period method for determining transfers between levels. There were no transfers between levels during the period ended February 28, 2014.

**Valuation Techniques**

In general, and where applicable, the Company uses readily available market quotations based upon the last updated sales price from the principal market to determine fair value. This pricing methodology applies to the Company's Level 1 investments.

An equity security of a publicly traded company acquired in a private placement transaction without registration under the Securities Act of 1933, as amended (the "1933 Act"), is subject to restrictions on resale that can affect the security's fair value. If such a security is convertible into publicly-traded common shares, the security generally will be valued at the common share market price adjusted by a percentage discount due to the restrictions and categorized as Level 2 in the fair value hierarchy. If the security has characteristics that are dissimilar to the class of security that trades on the open market, the security will generally be valued and categorized as Level 3 in the fair value hierarchy.

Interest rate swap contracts are valued by using industry-accepted models which discount the estimated future cash flows based on a forward rate curve and the stated terms of the interest rate swap agreement by using interest rates currently available in the market, or based on dealer quotations, if available, and are categorized as Level 2 in the fair value hierarchy.

**7. Investment Transactions**

For the period from December 1, 2013 through February 28, 2014, the Company purchased (at cost) and sold securities (proceeds received) in the amount of \$135,186,100 and \$92,874,630 (excluding short-term debt securities), respectively.

**8. Long-Term Debt Obligations**

The Company has \$330,000,000 aggregate principal amount of private senior notes (collectively, the "Notes") outstanding at February 28, 2014. During the period from December 1, 2013 through February 28, 2014, the Company issued Notes with an aggregate principal amount of \$30,000,000. Additional amounts of Series R (\$12,500,000), Series S (\$5,000,000) and Series T Notes (\$12,500,000) were issued on January 22, 2014.

The Notes are unsecured obligations of the Company and, upon liquidation, dissolution or winding up of the Company, will rank: (1) senior to all of the Company's outstanding preferred shares; (2) senior to all of the Company's outstanding common shares; (3) on parity with any unsecured creditors of the Company and any unsecured senior securities representing indebtedness of the Company and (4) junior to any secured creditors of the Company. Holders of the Notes are entitled to receive periodic cash interest payments until maturity. The Notes are not listed on any exchange or automated quotation system.

The Notes are redeemable in certain circumstances at the option of the Company. The Notes are also subject to a mandatory redemption if the Company fails to meet asset coverage ratios required under the 1940 Act or the rating agency guidelines if such failure is not waived or cured. At February 28, 2014, the Company was in compliance with asset coverage covenants and basic maintenance covenants for its senior notes.

The estimated fair value of each series of fixed-rate Notes was calculated, for disclosure purposes, by discounting future cash flows by a rate equal to the current U.S. Treasury rate with an equivalent maturity date, plus either 1) the spread between the interest rate on recently issued debt and the U.S. Treasury rate with a similar maturity date or 2) if there has not been a recent debt issuance, the spread between the AAA corporate finance debt rate and the U.S. Treasury rate with an equivalent maturity date plus the spread between the fixed rates of the Notes and the AAA corporate finance debt rate. The estimated fair value of the Series H and Series Q Notes approximates the carrying amount because the interest rate fluctuates with changes in interest rates available in the current market. The estimated fair values in the table below are Level 2 valuations within the fair value hierarchy. The following table shows the maturity date, interest rate, payment frequency, notional/carrying amount and estimated fair value for each series of Notes outstanding at February 28, 2014.

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Series	Maturity Date	Interest Rate	Payment Frequency	Notional/ Carrying Amount	Estimated Fair Value
Series E	April 10, 2015	6.11%	Quarterly	\$ 110,000,000	\$ 116,337,969
Series G	December 21, 2016	5.85%	Quarterly	30,000,000	33,416,930
Series H	May 12, 2014	1.58% <sup>(1)</sup>	Quarterly	15,000,000	15,000,000
Series I	May 12, 2018	4.35%	Quarterly	10,000,000	10,711,432
Series J	December 19, 2019	3.30%	Semi-Annual	15,000,000	15,203,715
Series K	December 19, 2022	3.87%	Semi-Annual	10,000,000	10,136,181
Series L	December 19, 2024	3.99%	Semi-Annual	20,000,000	20,124,593
Series M	September 27, 2017	2.75%	Semi-Annual	13,000,000	13,314,776
Series N	September 27, 2018	3.15%	Semi-Annual	10,000,000	10,297,897
Series O	September 27, 2020	3.78%	Semi-Annual	15,000,000	15,596,542
Series P	September 27, 2023	4.39%	Semi-Annual	12,000,000	12,696,824
Series Q	September 27, 2018	1.60% <sup>(2)</sup>	Quarterly	10,000,000	10,000,000
Series R	January 22, 2022	3.77%	Semi-Annual	25,000,000	25,311,020
Series S	January 22, 2023	3.99%	Semi-Annual	10,000,000	10,183,787
Series T	January 22, 2024	4.16%	Semi-Annual	25,000,000	25,532,570
				\$ 330,000,000	\$ 343,864,236

(1) Floating rate resets each quarter based on 3-month LIBOR plus 1.35 percent. The current rate is effective for the period from February 12, 2014 through May 12, 2014. The weighted-average interest rate for the period ended February 28, 2014 was 1.59 percent.

(2) Floating rate resets each quarter based on 3-month LIBOR plus 1.35 percent. The current rate is effective for the period from December 27, 2013 through March 27, 2014. The weighted-average interest rate for the period ended February 28, 2014 was 1.60 percent.

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**Notes to Financial Statements** *(Unaudited)**(Continued)***9. Preferred Stock**

The Company has 20,000,000 shares of preferred stock authorized. Of that amount, the Company has 8,000,000 authorized shares of Mandatory Redeemable Preferred ( MRP ) B Stock and all 8,000,000 shares are outstanding at February 28, 2014. The MRP B Stock has a liquidation value of \$10.00 per share plus any accumulated but unpaid distributions, whether or not declared. The MRP B Stock pays cash distributions on the first business day of each month at an annual rate of 4.375 percent. The shares of MRP B Stock trade on the NYSE under the symbol TYG Pr B.

The MRP B Stock has rights determined by the Board of Directors. Except as otherwise indicated in the Company's Charter or Bylaws, or as otherwise required by law, the holders of MRP B Stock have voting rights equal to the holders of common stock (one vote per MRP B share) and will vote together with the holders of shares of common stock as a single class except on matters affecting only the holders of preferred stock or the holders of common stock. The 1940 Act requires that the holders of any preferred stock (including MRP B Stock), voting separately as a single class, have the right to elect at least two directors at all times.

At February 28, 2014, the estimated fair value of the MRP B Stock is based on the closing market price of \$9.041 per share and is a Level 1 valuation within the fair value hierarchy. The following table shows the mandatory redemption date, fixed rate, number of shares outstanding, aggregate liquidation preference and estimated fair value as of February 28, 2014.

Series	Mandatory Redemption Date	Fixed Rate	Shares Outstanding	Liquidation Preference	Estimated Fair Value
MRP B Stock	December 31, 2027	4.375%	8,000,000	\$80,000,000	\$72,328,000

The MRP B Stock is redeemable in certain circumstances at the option of the Company. Under the Investment Company Act of 1940, the Company may not declare dividends or make other distributions on shares of common stock or purchases of such shares if, at the time of the declaration, distribution or purchase, asset coverage with respect to the outstanding MRP B Stock would be less than 200 percent. The MRP B Stock is also subject to a mandatory redemption if the Company fails to meet an asset coverage ratio of at least 225 percent as determined in accordance with the 1940 Act or a rating agency basic maintenance amount if such failure is not waived or cured. At February 28, 2014, the Company was in compliance with asset coverage covenants and basic maintenance covenants for its MRP B Stock.

**10. Credit Facility**

As of February 28, 2014, the Company has a \$107,500,000 unsecured, revolving credit facility that matures on June 16, 2014. U.S. Bank, N.A. serves as a lender and the lending syndicate agent on behalf of other lenders participating in the credit facility. The capacity of the credit facility was increased from \$85,000,000 to \$107,500,000 on January 15, 2014. Outstanding balances generally accrue interest at a variable annual rate equal to one-month LIBOR plus 1.125 percent and unused portions of the credit facility accrue a non-usage fee equal to an annual rate of 0.15 percent.

The average principal balance and interest rate for the period during which the credit facility was utilized during the period ended February 28, 2014 was approximately \$38,000,000 and 1.29 percent, respectively. At February 28, 2014, the principal balance outstanding was \$44,000,000 at an interest rate of 1.28 percent.

Under the terms of the credit facility, the Company must maintain asset coverage required under the 1940 Act. If the Company fails to maintain the required coverage, it may be required to repay a portion of an outstanding balance until the coverage requirement has been met. At February 28, 2014, the Company was in compliance with the terms of the credit facility.

**11. Interest Rate Swap Contracts**

The Company has entered into interest rate swap contracts in an attempt to protect itself from increasing interest expense on its leverage resulting from increasing interest rates. A decline in interest rates may result in a decline in the value of the swap contracts, which may result in a decline in the net assets of the Company. At the time the interest rate swap contracts reach their

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scheduled termination, there is a risk that the Company would not be able to obtain a replacement transaction, or that the terms of the replacement would not be as favorable as on the expiring transaction. In addition, if the Company is required to terminate any swap contract early due to the net assets of the Company falling below \$450,000,000, the net asset value of the Company declining 50 percent during a span of 12 months, or the Company failing to maintain a required 300 percent asset coverage of the liquidation value of the outstanding debt, then the Company could be required to make a payment to the extent of any net unrealized depreciation of the terminated swaps, in addition to redeeming all or some of its outstanding debt. The Company segregates a portion of its assets as collateral for the amount of any net liability of its interest rate swap contracts. Details of the interest rate swap contracts outstanding as of February 28, 2014, are as follows:

Counterparty	Effective Date	Maturity Date	Notional Amount	Fixed Rate Paid by the Company	Floating Rate Received by the Company	Unrealized Appreciation
Wells Fargo Bank, N.A.	03/31/2015	03/31/2018	\$ 15,000,000	1.465%	3-month U.S. Dollar LIBOR	\$ 61,013
Wells Fargo Bank, N.A.	03/31/2015	03/31/2020	15,000,000	2.006%	3-month U.S. Dollar LIBOR	238,157
Wells Fargo Bank, N.A.	03/31/2015	03/31/2022	25,000,000	2.396%	3-month U.S. Dollar LIBOR	664,435
Wells Fargo Bank, N.A.	03/31/2015	03/31/2023	15,000,000	2.555%	3-month U.S. Dollar LIBOR	457,514
Wells Fargo Bank, N.A.	03/31/2015	03/31/2025	40,000,000	2.803%	3-month U.S. Dollar LIBOR	1,510,580
			\$ 110,000,000			\$ 2,931,699

The Company is exposed to credit risk on the interest rate swap contracts if the counterparty should fail to perform under the terms of the interest rate swap contracts. The amount of credit risk is limited to the net appreciation of the interest rate swap contracts, if any, as no collateral is pledged by the counterparty. In addition, if the counterparty to the interest rate swap contracts defaults, the Company would incur a loss in the amount of the receivable and would not receive amounts due from the counterparty to offset the interest payments on the Company's leverage.

**Notes to Financial Statements** *(Unaudited)**(Continued)*

The unrealized appreciation of interest rate swap contracts in the amount of \$2,931,699 for the period ended February 28, 2014 is included in the Statement of Operations. The total notional amount of all open swap agreements at February 28, 2014 is indicative of the volume of this derivative type for the period ended February 28, 2014.

The following table presents a gross presentation, the effects of offsetting, and a net presentation of the Company's interest rate swap contracts at February 28, 2014.

Description	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Assets & Liabilities	Net Amounts of Assets Presented in the Statement of Assets & Liabilities	Gross Amounts Not Offset in the Statement of Assets & Liabilities		Net Amount
				Financial Instruments	Cash Collateral Received	
Interest Rate Swap Contracts	\$2,931,699	\$	\$2,931,699	\$	\$	\$2,931,699

**12. Common Stock**

The Company has 100,000,000 shares of capital stock authorized and 28,844,464 shares outstanding at February 28, 2014. Transactions in common stock for the period ended February 28, 2014, were as follows:

Shares at November 30, 2013	28,732,841
Shares sold through shelf offerings	86,387
Shares issued through reinvestment of distributions	25,236
Shares at February 28, 2014	28,844,464

**13. Subsequent Events**

On April 17, 2014, the Company entered into an agreement to issue \$35,000,000 of Series U Notes which carry a floating interest rate based on 3-month LIBOR plus 1.35 percent and mature on April 17, 2019. The Company issued \$20,000,000 of Series U Notes on April 17, 2014 and expects to issue the remaining \$15,000,000 on May 8, 2014.

The Company has performed an evaluation of subsequent events through the date the financial statements were issued and has determined that no additional items require recognition or disclosure.

### **Additional Information** *(Unaudited)*

#### **Director and Officer Compensation**

The Company does not compensate any of its directors who are interested persons, as defined in Section 2(a)(19) of the 1940 Act, nor any of its officers. For the period ended February 28, 2014, the aggregate compensation paid by the Company to the independent directors was \$44,500. The Company did not pay any special compensation to any of its directors or officers.

#### **Forward-Looking Statements**

This report contains forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. By their nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect the Company's actual results are the performance of the portfolio of investments held by it, the conditions in the U.S. and international financial, petroleum and other markets, the price at which shares of the Company will trade in the public markets and other factors discussed in filings with the SEC.

#### **Proxy Voting Policies**

A description of the policies and procedures that the Company uses to determine how to vote proxies relating to portfolio securities owned by the Company and information regarding how the Company voted proxies relating to the portfolio of securities during the 12-month period ended June 30, 2013 are available to stockholders (i) without charge, upon request by calling the Company at (913) 981-1020 or toll-free at (866) 362-9331 and on the Company's Web site at [www.tortoiseadvisors.com](http://www.tortoiseadvisors.com); and (ii) on the SEC's Web site at [www.sec.gov](http://www.sec.gov).

#### **Form N-Q**

The Company files its complete schedule of portfolio holdings for the first and third quarters of each fiscal year with the SEC on Form N-Q. The Company's Form N-Q is available without charge upon request by calling the Company at (866) 362-9331 or by visiting the SEC's Web site at [www.sec.gov](http://www.sec.gov). In addition, you may review and copy the Company's Form N-Q at the SEC's Public Reference Room in Washington D.C. You may obtain information on the operation of the Public Reference Room by calling (800) SEC-0330.

The Company's Form N-Qs are also available on the Company's Web site at [www.tortoiseadvisors.com](http://www.tortoiseadvisors.com).

#### **Statement of Additional Information**

The Statement of Additional Information (SAI) includes additional information about the Company's directors and is available upon request without charge by calling the Company at (866) 362-9331 or by visiting the SEC's Web site at [www.sec.gov](http://www.sec.gov).

#### **Certifications**

The Company's Chief Executive Officer has submitted to the New York Stock Exchange the annual CEO certification as required by Section 303A.12(a) of the NYSE Listed Company Manual.

The Company has filed with the SEC, as an exhibit to its most recently filed Form N-CSR, the certification of its Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act.

#### **Privacy Policy**

In order to conduct its business, the Company collects and maintains certain nonpublic personal information about its stockholders of record with respect to their transactions in shares of the Company's securities. This information includes the stockholder's address, tax identification or Social Security number, share balances, and distribution elections. We do not collect or maintain personal information about stockholders whose share balances of our securities are held in street name by a financial institution such as a bank or broker.

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We do not disclose any nonpublic personal information about you, the Company's other stockholders or the Company's former stockholders to third parties unless necessary to process a transaction, service an account, or as otherwise permitted by law.

To protect your personal information internally, we restrict access to nonpublic personal information about the Company's stockholders to those employees who need to know that information to provide services to our stockholders. We also maintain certain other safeguards to protect your nonpublic personal information.



**Office of the Company  
and of the Investment Adviser**

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**ADMINISTRATOR**

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Milwaukee, Wis. 53202

**CUSTODIAN**

U.S. Bank, N.A.  
1555 North Rivercenter Drive, Suite 302  
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**Board of Directors of  
Tortoise Energy Infrastructure Corp.**

**H. Kevin Birzer, Chairman**  
Tortoise Capital Advisors, L.L.C.

**Terry Matlack**  
Tortoise Capital Advisors, L.L.C.

**Rand C. Berney**  
Independent

**Conrad S. Ciccotello**  
Independent

**Charles E. Heath**  
Independent

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**INVESTOR RELATIONS**

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**STOCK SYMBOL**

Listed NYSE Symbol: TYG

This report is for stockholder information. This is not a prospectus intended for use in the purchase or sale of fund shares. **Past performance is no guarantee of future results and your investment may be worth more or less at the time you sell.**

**Tortoise Capital Advisors Closed-end Funds**

Pureplay MLP Funds				Broader Funds			
Name	Ticker	Focus	Total Assets <sup>(1)</sup> (\$ in millions)	Name	Ticker	Focus	Total Assets <sup>(1)</sup> (\$ in millions)
Tortoise Energy Infrastructure Corp.		Midstream Equity	\$2,368	Tortoise Pipeline & Energy Fund, Inc.		Pipeline Equity	\$423
Tortoise Energy Capital Corp.		Midstream Equity	\$1,215	Tortoise Energy Independence Fund, Inc.		North American Upstream Equity	\$465

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Tortoise MLP Fund, Inc.	Natural Gas Infrastructure Equity	\$2,045	Tortoise Power and Energy Infrastructure Fund, Inc.	Power & Energy Infrastructure Debt & Dividend Paying Equity	\$238
Tortoise North American Energy Corp.	Midstream/Upstream Equity	\$296			

(1) As of 3/31/14



