

TORTOISE ENERGY INFRASTRUCTURE CORP

Form N-30B-2

April 20, 2011

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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 approximately 70 MLPs in the market, mostly in industries related to energy and natural resources.

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

### A TYG Investment Versus a Direct Investment in MLPs

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

Additional features include:

- ◆ One Form 1099 per stockholder at the end of the year, thus avoiding multiple K-1s and multiple state filings for individual partnership investments;
- ◆ A professional management team, with more than 120 years combined investment experience, to select and manage the portfolio on your behalf;
- ◆ The ability to access investment grade credit markets to enhance stockholder return; and

- ◆ Access to direct placements and other investments not available through the public markets.
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March 31, 2011

## Dear Fellow Stockholders,

Fundamentals in the midstream MLP market were off to a solid start in TYG's first fiscal quarter ended Feb. 28, 2011, against a backdrop of geopolitical uncertainty and commodity price volatility. As a result of volume-based fees or reservation charges paid to transport energy resources through pipelines (similar to rent), the midstream energy infrastructure companies targeted by TYG generally have limited direct commodity price exposure. As a toll road does not distinguish between a Bentley or a car of lesser value as long as the toll is paid — much the same can be said for the price of oil or gas moving through our nation's pipelines.

### Master Limited Partnership Sector Review and Outlook

During our first fiscal quarter, the Tortoise MLP Total Return Index™ (TMLPT) had a total return of 9.2 percent, as an improving economy, continued MLP distribution growth and an active acquisition market propelled returns. Despite the strong sector performance, MLPs lagged the S&P 500 total return of 13.0 percent during the same period, as a result of lower relative December performance stemming in part from a rebound in the broader economic recovery.

Capital markets remained supportive of sector growth activity, with three direct placements announced during the quarter to finance acquisitions. We expect the sector to require additional growth investments as MLPs continue to focus on the tremendous build-out of midstream infrastructure in the North American oil and gas shales. In our view, this growth should translate into positive distribution growth potential. We anticipate MLP distribution growth between 4 and 6 percent in fiscal 2011, up slightly from our expectation for fiscal 2010 of between 3 and 5 percent.

On another note, The Federal Energy Regulatory Commission (FERC) recently increased the inflation escalator associated with the tariff pricing of petroleum pipelines to the Producer Price Index plus 2.65 percent (previously 1.30 percent), which will commence for the five year period beginning July 1, 2011. This inherent partial inflation hedge should help offset any higher costs and continue to position these regulated assets well in a higher inflationary environment.

### Company Performance Review and Outlook

Our total assets increased from more than \$1.4 billion on Nov. 30, 2010 to nearly \$1.6 billion on Feb. 28, 2011, primarily resulting from market appreciation of our investments. Our total return based on market value (including the reinvestment of distributions) for the first fiscal quarter of 2011 was 11.9 percent, as compared to 12.7 percent for the prior fiscal quarter ended Nov. 30, 2010 and 5.2 percent for the first fiscal quarter of 2010.

We paid a distribution of \$0.545 per common share (\$2.18 annualized) to our stockholders on March 1, 2011, a 0.9 percent increase from our prior quarterly distribution of \$0.54. This represents an annualized yield of 5.5 percent based on the fiscal quarter closing price of \$40.00. Our payout ratio of distributions to distributable cash flow (DCF) for the fiscal quarter was 93.4 percent.

TYG helped finance energy infrastructure sector growth with the completion of two direct placement investments totaling \$45 million during the fiscal quarter. Through these investments, we acquired common units in PAA Natural Gas Storage, L.P. and Buckeye Partners, L.P., which used the proceeds to help finance acquisitions in natural gas and crude oil/refined products storage assets, respectively.

We ended our fiscal quarter with leverage at 18 percent of total assets, well below our long-term target of 25 percent. We continue to seek to emphasize quality and DCF sustainability through a conservative leverage policy. As of fiscal quarter end, 84.8 percent of our leverage had fixed interest or distribution rates, a weighted average maturity of 4.7 years and a weighted average cost of 5.27 percent.

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

### Conclusion

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Thank you for your investment and please plan to join us for our annual stockholders' meeting on May 20, 2011 at 10 a.m. central time at our offices located at 11550 Ash St., Suite 300, in Leawood, Kan. If you are unable to attend the meeting, you can join us via our Web site at [www.tortoiseadvisors.com](http://www.tortoiseadvisors.com).

Sincerely,

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

H. Kevin Birzer

Zachary A. Hamel

Kenneth P. Malvey

Terry Matlack

David J. Schulte

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

	2010			
	Q1(1)	Q2(1)	Q3(1)	Q4(1)
<b>Total Distributions Received from Investments</b>				
Distributions received from master limited partnerships	\$ 19,426	\$ 20,034	\$ 20,178	\$
Dividends paid in stock	2,044	1,969	1,993	
Other income	—	—	—	
Total from investments	21,470	22,003	22,171	
<b>Operating Expenses Before Leverage Costs and Current Taxes</b>				
Advisory fees, net of expense reimbursement	2,584	2,946	3,097	
Other operating expenses	397	441	377	
	2,981	3,387	3,474	
Distributable cash flow before leverage costs and current taxes	18,489	18,616	18,697	
Leverage costs(2)	4,032	3,880	3,825	
Current income tax expense	24	137	134	
Distributable Cash Flow(3)	\$ 14,433	\$ 14,599	\$ 14,738	\$
Distributions paid on common stock	\$ 14,497	\$ 14,536	\$ 14,567	\$
Distributions paid on common stock per share	0.540	0.540	0.540	
Payout percentage for period(4)	100.4%	99.6%	98.8%	
Net realized gain, net of income taxes, for the period	3,545	17,545	5,775	
Total assets, end of period	1,205,941	1,195,309	1,307,719	1,
Average total assets during period(5)	1,114,507	1,232,509	1,285,312	1,
Leverage (long-term debt obligations, preferred stock and short-term borrowings)(6)	255,375	262,575	271,075	2
Leverage as a percent of total assets	21.2%	22.0%	20.7%	
Unrealized appreciation, net of income taxes, end of period	291,147	275,046	345,211	4
Net assets, end of period	753,374	736,965	796,270	8
Average net assets during period(7)	689,774	769,890	802,057	8
Net asset value per common share	28.06	27.38	29.52	
Market value per share	30.46	32.84	32.66	
Shares outstanding	26,845,987	26,918,015	26,976,691	27,
<b>Selected Operating Ratios(8)</b>				
<b>As a Percent of Average Total Assets</b>				
Total distributions received from investments	7.81%	7.08%	6.84%	
Operating expenses before leverage costs and current taxes	1.08%	1.09%	1.07%	
Distributable cash flow before leverage costs and current taxes	6.73%	5.99%	5.77%	
<b>As a Percent of Average Net Assets</b>				
Distributable cash flow(3)	8.49%	7.52%	7.29%	

(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.

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- (2) Leverage costs include interest expense, other recurring leverage expenses and distributions to preferred stockholders.
- (3) "Net investment income (loss), before income taxes" on the Statement of Operations is adjusted as follows to reconcile to Distributable Cash Flow (DCF): increased by the return of capital on MLP distributions, the value of paid-in-kind distributions, distributions included in direct placement discounts, other non-recurring leverage expenses and amortization of debt issuance costs; and decreased by distributions to preferred stockholders and current taxes paid.
- (4) Distributions paid as a percentage of Distributable Cash Flow.
- (5) Computed by averaging month-end values within each period.
- (6) The balance on the short-term credit facility was \$43,400,000 as of February 28, 2011.
- (7) Computed by averaging daily values within each period.
- (8) Annualized for periods less than one full year. Operating ratios contained in our Financial Highlights are based on average net assets.

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## Management's Discussion (Unaudited)

### Management's Discussion

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

### Overview

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

### Company Update

Total assets increased approximately \$144 million during the 1st quarter primarily as a result of increased market values of our MLP investments. In addition, we had net purchases of \$23.5 million during the quarter comprised of two direct MLP investments totaling \$45 million and portfolio sales of \$21.5 million. Distribution increases from our MLP investments were in-line with our expectations while the increase in total assets during the quarter resulted in increased asset-based expenses. Total leverage decreased as a percent of total assets and we increased our quarterly distribution to \$0.545 per share. Additional information on these events and results of our operations are discussed in more detail below.

### Critical Accounting Policies

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

### Determining Distributions to Stockholders

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

### Determining DCF

DCF is simply distributions received from investments less expenses. The total distributions received from our investments include the amount received by us as cash distributions from MLPs, paid-in-kind distributions, and dividend and interest payments. The total expenses include current or anticipated operating expenses, leverage costs and current income taxes (excluding taxes generated from realized gains). Realized gains and expected tax benefits are not included in our DCF. Each are summarized for you in the table on page 2 and are discussed in more detail below.



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

### Distributions Received from Investments

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

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

Total distributions received from our investments for the 1st quarter 2011 was approximately \$23.7 million, representing a 10.2 percent increase as compared to 1st quarter 2010 and a 4.0 percent increase or approximately \$0.9 million as compared to 4th quarter 2010. The change from 4th quarter 2010 reflects distribution increases from our MLP investments, receipt of distributions from \$23.5 million in net MLP purchases during the quarter and a one-time commitment fee of \$150,000 related to a direct MLP investment completed during the quarter.

### Expenses

We incur two types of expenses: (1) operating expenses, consisting primarily of the advisory fee, and (2) leverage costs. On a percentage basis, operating expenses before leverage costs and current taxes were an annualized 1.03 percent of average total assets for the 1st quarter 2011, a decrease of 0.05 percent as compared to the 1st quarter 2010 and 4th quarter 2010. Advisory fees for the 1st quarter 2011 increased 5.0 percent from 4th quarter 2010 as a result of increased average managed assets for the quarter. Average managed assets increased primarily as a result of increased MLP asset values and net purchases during the quarter. Yields on our MLP investments are currently below their 5-year historical average of approximately 7 percent. All else being equal, if MLP yields continue to decrease and distributions remain constant or grow, MLP asset values will increase as will our managed assets and advisory fees. Other operating expenses decreased approximately \$62,000 or 14.5 percent from 4th quarter 2010, primarily as a result of decreased estimated franchise taxes.

Leverage costs consist of two major components: (1) the direct interest expense on our Tortoise Notes and short-term credit facility, and (2) distributions to preferred stockholders. Other leverage expenses include rating agency fees and commitment fees. Total leverage costs for DCF purposes were approximately \$3.8 million for the 1st quarter 2011, unchanged as compared to 4th quarter 2010.

The weighted average annual rate of our leverage at February 28, 2011 was 5.27 percent. This rate includes balances on our bank credit facility which accrue interest at a variable rate equal to one-month LIBOR plus 1.25 percent. Our weighted average rate may vary in

## Management's Discussion (Unaudited)

(Continued)

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 2011, our DCF was approximately \$15.9 million, an increase of 10.0 percent as compared to 1st quarter 2010 and an increase of 5.6 percent as compared to 4th quarter 2010. The changes are the net result of increased distributions and expenses as outlined above. We declared a distribution of \$14.8 million during the quarter. On a per share basis, we declared a \$0.545 distribution on February 8, 2011. This represents an increase of \$0.005 per share as compared to 1st quarter 2010 and 4th quarter 2010.

Our dividend payout ratio as a percentage of DCF decreased from 97.0 percent for 4th quarter 2010 to 93.4 percent for 1st quarter 2011. A payout of less than 100 percent of DCF provides cushion for on-going management of the portfolio, changes in leverage costs and other expenses. An on-going payout ratio in excess of 100 percent will, over time, erode the earning power of a portfolio and may lead to lower distributions or portfolio managers taking on more risk than they otherwise would.

Net investment loss before income taxes on the Statement of Operations is adjusted as follows to reconcile to DCF for 1st quarter 2011 (in thousands):

	1st Qtr 2011
Net Investment Loss, before Income Taxes	\$ (5,377)
Adjustments to reconcile to DCF:	
Dividends paid in stock	2,031
Return of capital on distributions	19,028
Distribution included in direct placement discount	238
Amortization of debt issuance costs	71
Current income tax expenses	(112)
DCF	\$ 15,879

## Liquidity and Capital Resources

We had total assets of \$1.593 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 2011, total assets increased \$144 million. This change was primarily the result of net realized and unrealized gains on investments of approximately \$120 million during the quarter (excluding return of capital on distributions reflected during the quarter) and net purchases of approximately \$23.5 million.

We issued 130,856 shares of our common stock with net proceeds of approximately \$5 million in a direct transaction with an institutional investor. The proceeds were used to help fund two direct placements with MLPs during the quarter. We are waiving our advisory fees on the net proceeds of this transaction for six months, further improving the economic benefit of the transaction for all stockholders.

Total leverage outstanding at February 28, 2011 was \$286.4 million, an increase of \$5.2 million as compared to November 30, 2010. On an adjusted basis to reflect payment of our 1st quarter 2011 distribution, the increase is approximately \$20.0 million. These additional leverage proceeds, along with the \$5 million from our direct placement of common stock and approximately \$21.5 million in portfolio sales, were used to fund two direct placements totaling \$45 million during the quarter. Outstanding leverage is comprised of approximately \$170 million in senior notes, \$73 million in preferred shares and \$43.4 million outstanding under the credit facility, with 84.8 percent of leverage with fixed rates and a weighted average maturity of 4.7 years. Total leverage represented 18.0 percent of total assets at February 28, 2011, as compared to 19.4 percent as of November 30, 2010 and 21.2 percent as of February 28, 2010. We've allowed leverage as a percent of total assets to decrease as market values increased rather than maintain leverage to total assets at the long-term target level of 25 percent of total assets. This allows the

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opportunity to add leverage when compelling investment opportunities arise, as was the case during the 1st quarter. Temporary increases to up to 30 percent of our total assets may be permitted, provided that such leverage is consistent with the limits set forth in the 1940 Act, and that such leverage is expected to be reduced over time in an orderly fashion to reach our long-term target. Our leverage ratio is impacted by increases or decreases in MLP values, issuance of equity and/or the sale of securities where proceeds are used to reduce leverage.

Our longer-term leverage (excluding our bank credit facility) of approximately \$243 million is comprised of 70 percent private placement debt and 30 percent publicly traded preferred equity with a weighted average fixed rate of 5.92 percent and remaining weighted average laddered maturity of approximately 5.5 years.

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

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

Subsequent to quarter-end, we increased the amount available under our revolving credit facility to \$85 million to allow more flexibility in carrying out our investment goals and objectives.

### Taxation of our Distributions and Income Taxes

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

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

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

For tax purposes, distributions to common stockholders for the fiscal year ended 2010 were 54 percent qualified dividend income and 46 percent return of capital. A holder of our common stock would reduce their cost basis for income tax purposes by 46 percent of the total distributions they received in 2010. This information is reported to stockholders on Form 1099-DIV and is available on our Web site at [www.tortoiseadvisors.com](http://www.tortoiseadvisors.com). For book purposes, the source of distributions to common stockholders for the fiscal year ended 2010 was 100 percent return of capital.

The unrealized gain or loss we have in the portfolio is reflected in the Statement of Assets and Liabilities. At February 28, 2011, our investments are valued at \$1.59 billion, with an adjusted cost of \$777 million. The \$813 million difference reflects unrealized appreciation that would be realized for financial statement purposes if those investments were sold at those values. The Statement of Assets and Liabilities also reflects either a net deferred tax liability or net deferred tax asset depending upon unrealized gains (losses) on investments, realized gains (losses) on investments, capital loss carryforwards and net operating losses. At February 28, 2011, the balance sheet reflects a net deferred tax liability of approximately \$322 million or \$11.84 per share. Accordingly, our net asset value per share represents the amount which would be available for distribution to stockholders after payment of taxes. Details of our deferred taxes are disclosed in Note 5 in our Notes to Financial Statements.

## Schedule of Investments

February 28, 2011

(Unaudited)

	Shares	Fair Value
Master Limited Partnerships and Related Companies — 164.9%(1)		
Crude/Refined Products Pipelines — 66.1%(1)		
United States — 66.1%(1)		
Blueknight Energy Partners, L.P.(2)	342,162	\$ 2,788,620
Buckeye Partners, L.P.	1,134,390	73,531,160
Enbridge Energy Partners, L.P.	1,755,900	117,715,536
Holly Energy Partners, L.P.	616,000	36,744,400
Kinder Morgan Management, LLC(3)	1,750,460	114,847,691
Magellan Midstream Partners, L.P.	1,493,800	90,285,272
NuStar Energy L.P.	926,400	64,986,960
Plains All American Pipeline, L.P.	993,100	65,018,257
Sunoco Logistics Partners L.P.	807,900	71,491,071
		637,408,967
Natural Gas/Natural Gas Liquids Pipelines — 65.5%(1)		
United States — 65.5%(1)		
Boardwalk Pipeline Partners, LP	1,761,700	58,506,057
Duncan Energy Partners L.P.	424,700	17,298,031
El Paso Pipeline Partners, L.P.	1,254,300	47,287,110
Energy Transfer Equity, L.P.	522,610	21,003,696
Energy Transfer Partners, L.P.	2,272,000	124,573,760
Enterprise Products Partners L.P.	2,895,600	126,248,160
Niska Gas Storage Partners LLC	501,300	10,151,325
ONEOK Partners, L.P.	766,700	