

TORTOISE ENERGY INFRASTRUCTURE CORP

Form N-30B-2

October 24, 2013

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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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September 15, 2013

Dear Fellow Stockholders,

Equity market performance was uneven over the summer months, with the S&P 500® registering gains in July but declines for both June and August. The broad market index closed the three month period with a paltry 0.7 percent gain and a much healthier 17.2 percent return for the fiscal year to date ending Aug. 31, 2013. Disappointing data on manufacturing and new home sales in July set the tone for a downbeat August that erased much of July's gains. Early in August, U.S. unemployment dropped to its lowest level since December 2008, renewing speculation that the Federal Reserve may begin to taper its quantitative easing. Additional headwinds in August included an escalation of the crisis in Syria and economic data showing sluggish consumer spending. Against this uneven backdrop, midstream MLPs outperformed the broader market.

### Master Limited Partnership Sector Review

The Tortoise MLP Index® posted a 0.7 percent and 16.7 percent total return for the three and nine months ending Aug. 31, 2013, respectively. MLPs' market performance during the quarter was markedly lower than in previous fiscal quarters. This was largely in response to concern and uncertainty around rising interest rates, as well as the digestion of increased equity offerings and some compression in crude oil location price differentials that had previously been at record levels. Midstream MLPs dramatically outperformed upstream MLPs for the quarter and by a wide margin for the fiscal year to date, as reflected by the Tortoise Midstream MLP Index's 19.4 percent fiscal year-to-date return as compared to the Tortoise Upstream MLP Index's -4.0 percent return for the same period. This outperformance was driven by midstream MLPs' solid fundamentals, strong underlying distribution growth and continued infrastructure build-out in support of robust production out of North American shales, as well as some market and regulatory pressures faced by certain upstream MLPs.

The midstream sector of the energy value chain continues to benefit from escalating volumes of oil and natural gas production, which in turn is driving infrastructure build-out. To put this production growth into perspective, consider that domestic crude oil production rose 17.4 percent from July 2012 to July 2013, averaging a 25-year high of nearly 7.5 million barrels per day.<sup>1</sup> By 2020, oil production may approach 10 million barrels per day.<sup>2</sup> The natural gas production numbers are equally astounding. It is estimated that U.S. natural gas production, which effectively has eliminated U.S. dependency on foreign gas imports, will reach nearly 74 billion cubic feet per day by the end of this decade, an increase of 50 percent since 2005.<sup>3</sup> We continue to project more than \$50 billion in MLP growth projects from 2013 through 2015 to support this activity.

Capital markets are humming, with MLPs raising approximately \$32 billion in equity and \$23 billion in debt fiscal year to date. This included the launch of four new midstream MLP initial public offerings during the fiscal quarter. Fiscal year to date, 12 MLPs have gone public, raising total proceeds of \$3.2 billion. Merger and acquisition (M&A) activity also has been vigorous, with announced MLP transactions totaling nearly \$40 billion fiscal year to date through Aug. 31, 2013, including more than \$16 billion in the quarter. The largest announced midstream transactions during the quarter were two sponsor dropdowns, with Spectra Energy Corporation and EQT Corporation both announcing dropdowns of midstream assets to their respective MLPs. Both transactions are pending.

### Fund Performance Review

The fund's total assets increased from approximately \$1.97 billion on May 31, 2013 to \$2.03 billion on Aug. 31, 2013, primarily from market appreciation of its investments and additional leverage. The fund's market-based total return was -1.1 percent and 15.1 percent (both including the reinvestment of distributions) for the three and nine months ending Aug. 31, 2013. The fund's NAV-based total return was 2.4 percent and 19.5 percent for the same periods. During the periods, the fund's market total return underperformed its NAV return, resulting in a narrowing of its stock price premium relative to its NAV.

During the fiscal quarter, the fund's asset performance was boosted by its exposure to natural gas pipeline, refined product pipeline and gathering and processing MLPs as well as its overall midstream focus. Refined product pipelines specifically saw a boost from a favorable tariff escalator (PPI + 2.65 percent) and, along with natural gas pipelines, the ongoing investment in energy infrastructure to support the country's emerging supply basins. Gathering and processing MLPs benefitted from a growing fee-based profile. M&A activity also positively impacted performance as assets migrated to MLPs from larger integrated energy companies. On a broader basis, crude oil pipeline MLPs experienced some downward pressure during the quarter due in part to narrowing of location price differentials. However, this was mitigated by the fund's specific holdings, which were generally less affected.

*(Unaudited)*



The fund paid a distribution of \$0.5725 per common share (\$2.29 annualized) to stockholders on Sept. 3, 2013, an increase of 0.4 percent quarter over quarter and 1.8 percent year over year. This distribution represented an annualized yield of 5.3 percent based on the fund's third fiscal quarter closing price of \$43.34. The distribution payout coverage (distributable cash flow divided by distributions) for the fiscal quarter was 111.0 percent, reflective of our emphasis on sustainability. The fund ended the period with leverage (including bank debt, senior notes and preferred stock) at 16.7 percent of total assets. 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.

### Concluding Thoughts

The unconventional oil and gas revolution taking place in North America today is profoundly altering the energy landscape. Prolific oil and gas production is creating opportunities for energy companies across the energy value chain. In particular, midstream MLPs continue to see solid distribution growth potential as a result of the robust infrastructure build-out taking place to support this growing change. We remain enthusiastic about these prospects and about the future of North American energy. We look forward to serving you as your professional investment adviser as this compelling story continues.

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

P. Bradley Adams

H. Kevin Birzer

Zachary A. Hamel

Kenneth P. Malvey

Terry Matlack

David J. Schulte

<sup>1</sup> *American Petroleum Institute, 2013*

<sup>2</sup> *Citi, 2012*

<sup>3</sup> *Energy Information Administration, 2013*

*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 an unmanaged market-value-weighted index of stocks, which is widely regarded as the standard for measuring large-cap U.S. stock market performance.*

*(Unaudited)*

2 Tortoise Energy Infrastructure Corp.

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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.

	2012		2013		
	Q3 <sup>(1)</sup>	Q4 <sup>(1)</sup>	Q1 <sup>(1)</sup>	Q2 <sup>(1)</sup>	Q3 <sup>(1)</sup>
<b>Total Income from Investments</b>					
Distributions received from master limited partnerships	\$23,788	\$24,232	\$24,594	\$25,525	\$25,660
Dividends paid in stock	1,745	1,918	1,811	1,492	1,537
Total from investments	25,533	26,150	26,405	27,017	27,197
<b>Operating Expenses Before Leverage Costs and Current Taxes</b>					
Advisory fees, net of fees waived	3,892	4,045	4,166	4,752	4,895
Other operating expenses	292	291	348	348	351
	4,184	4,336	4,514	5,100	5,246
Distributable cash flow before leverage costs and current taxes	21,349	21,814	21,891	21,917	21,951
Leverage costs <sup>(2)</sup>	4,084	4,052	4,243	3,816	3,835
Current income tax expense <sup>(3)</sup>					
<b>Distributable Cash Flow<sup>(4)</sup></b>	\$17,265	\$17,762	\$17,648	\$18,101	\$18,116
<b>As a percent of average total assets<sup>(5)</sup></b>					
Total from investments	6.17%	6.06%	5.94%	5.41%	5.28%
Operating expenses before leverage costs and current taxes	1.01%	1.00%	1.02%	1.02%	1.02%
Distributable cash flow before leverage costs and current taxes	5.16%	5.06%	4.92%	4.39%	4.26%
<b>As a percent of average net assets<sup>(5)</sup></b>					
Total from investments	10.55%	10.28%	10.10%	9.04%	8.91%
Operating expenses before leverage costs and current taxes	1.73%	1.70%	1.73%	1.71%	1.72%
Leverage costs and current taxes	1.69%	1.59%	1.62%	1.28%	1.26%
Distributable cash flow	7.13%	6.99%	6.75%	6.05%	5.93%
<b>Selected Financial Information</b>					
Distributions paid on common stock	\$15,772	\$15,972	\$16,101	\$16,225	\$16,321
Distributions paid on common stock per share	0.5625	0.5650	0.5675	0.5700	0.5725
Distribution coverage percentage for period <sup>(6)</sup>	109.5%	111.2%	109.6%	111.6%	111.0%
Net realized gain, net of income taxes, for the period	19,994	36,877	20,300	32,768	3,363
Total assets, end of period	1,705,337	1,729,272	1,900,047	1,974,131	2,031,736
Average total assets during period <sup>(7)</sup>	1,645,938	1,735,812	1,803,562	1,981,853	2,043,631
Leverage <sup>(8)</sup>	310,575	331,375	314,700	315,900	339,400
Leverage as a percent of total assets	18.2%	19.2%	16.6%	16.0%	16.7%
Net unrealized appreciation, end of period	509,018	501,993	603,431	630,465	660,779
Net assets, end of period	1,001,336	1,020,421	1,121,950	1,167,024	1,180,576
Average net assets during period <sup>(9)</sup>	962,943	1,023,366	1,060,308	1,185,578	1,210,359
Net asset value per common share	35.70	36.06	39.54	40.98	41.41
Market value per share	40.23	39.17	47.25	44.43	43.34
Shares outstanding (actual)	28,048,320	28,296,347	28,372,298	28,480,993	28,508,688

(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.

(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 MLP distributions, the value of paid-in-kind distributions, distributions included in direct placement discounts, premium on

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- redemption of MRP stock and amortization of debt issuance costs; 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) 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 \$58 million during the 3rd quarter, primarily as a result of higher market values of our MLP investments as well as increased leverage utilization. Distribution increases from our MLP investments were in-line with our expectations, and 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 \$0.5725 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 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 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. 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 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 taxes paid on net investment income. A reconciliation of Net Investment Loss, before Income Taxes to DCF is included below.

#### **Distributions Received from Investments**

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

4 Tortoise Energy Infrastructure Corp.

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

*(Continued)*

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 MLPs' distributions will outpace inflation and interest rate increases, and produce positive real returns.

Total distributions received from our investments for the 3rd quarter 2013 were approximately \$27.2 million, representing a 6.5 percent increase as compared to 3rd quarter 2012 and a 0.7 percent increase as compared to 2nd quarter 2013. These changes reflect increases in per share distribution rates on our MLP investments, the distributions received from additional investments funded from equity and leverage proceeds and the impact of various portfolio trading activity.

### **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 1.02 percent of average total assets for the 3rd quarter 2013, an increase of 0.01 percent as compared to 3rd quarter 2012 and unchanged as compared to 2nd quarter 2013. Advisory fees for the 3rd quarter 2013 increased 3.0 percent from 2nd quarter 2013 as a result of increased average managed assets for 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 decrease and distributions remain constant or grow, MLP asset values will increase as will our managed assets and advisory fees. Other operating expenses increased 0.9 percent as compared to 2nd quarter 2013.

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 \$3.8 million for the 3rd quarter 2013, a slight increase as compared to 2nd quarter 2013 due to increased leverage utilization.

The weighted average annual rate of our leverage at August 31, 2013 was 4.43 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 3rd quarter 2013, our DCF was approximately \$18.1 million, an increase of 4.9 percent as compared to 3rd quarter 2012 and a slight increase as compared to 2nd quarter 2013. The changes are the net result of changes in distributions and expenses as outlined above. We declared a distribution of \$16.3 million, or \$0.5725 per share, during the quarter. This represents an increase of \$0.01 per share as compared to 3rd quarter 2012 and an increase of \$0.0025 per share as compared to 2nd quarter 2013.

Our distribution coverage ratio was 111.0 percent for 3rd quarter 2013, an increase in the coverage ratio of 1.5 percent as compared to 3rd quarter 2012 and a decrease of 0.6 percent as compared to 2nd 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.

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Net investment loss before income taxes on the Statement of Operations is adjusted as follows to reconcile to DCF for 2013 YTD and 3rd quarter 2013 (in thousands):

	2013 YTD	3rd Qtr 2013
Net Investment Loss, before Income Taxes	\$(21,727)	\$ (7,395)
Adjustments to reconcile to DCF:		
Dividends paid in stock	4,840	1,537
Distributions characterized as return of capital	68,360	23,918
Amortization of debt issuance costs	1,662	56
Premium on redemption of MRP Stock	730	
DCF	\$ 53,865	\$18,116

**Liquidity and Capital Resources**

We had total assets of \$2.0 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 3rd quarter 2013, total assets increased approximately \$58 million, primarily due to an increase in the value of our investments as reflected by the change in realized and unrealized gains on investments (excluding return of capital on distributions) as well as increased leverage utilization.

We issued 2,600 shares of our common stock during the quarter under our at-the-market equity program for a net total of approximately \$0.1 million. We are waiving our advisory fees on the net proceeds from shares issued under our at-the-market equity program for six months.

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

*(Continued)*

Total leverage outstanding at August 31, 2013 was \$339.4 million, an increase of \$23.5 million as compared to May 31, 2013. Outstanding leverage is comprised of \$210 million in senior notes, \$80 million in preferred shares and \$49.4 million outstanding under the credit facility, with 81.0 percent of leverage with fixed rates and a weighted average maturity of 5.7 years. Total leverage represented 16.7 percent of total assets at August 31, 2013, as compared to 16.0 percent as of May 31, 2013 and 18.2 percent as of August 31, 2012. Our leverage as a percent of total assets remains below our long-term target level of 25 percent, allowing the opportunity to add leverage when compelling investment opportunities arise. Temporary increases to up to 30 percent of our total assets may be permitted, provided that such leverage is consistent with the limits set forth in the 1940 Act, and that such leverage is expected to be reduced over time in an orderly fashion to reach our long-term target. Our leverage ratio is impacted by increases or decreases in MLP values, issuance of equity and/or the sale of securities where proceeds are used to reduce leverage.

Our longer-term leverage (excluding our bank credit facility) of approximately \$290 million is comprised of 72 percent private placement debt and 28 percent publicly traded preferred equity with a weighted average rate of 4.94 percent and remaining weighted average laddered maturity of approximately 6.5 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.

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 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 issued \$60,000,000 of privately placed debt on September 27, 2013. Tranches of debt issued include \$13,000,000 of Series M Notes which carry a fixed interest rate of 2.75 percent and mature on September 27, 2017, \$10,000,000 of Series N Notes which carry a fixed interest rate of 3.15 percent and mature on September 27, 2018, \$15,000,000 of Series O Notes which carry a fixed interest rate of 3.78 percent and mature on September 27, 2020, \$12,000,000 of Series P Notes which carry a fixed interest rate of 4.39 percent and mature on September 27, 2023 and \$10,000,000 of Series Q Notes which carry a floating interest rate based on 3-month LIBOR plus 1.35 percent and mature on September 27, 2018. The proceeds will be used to fund the purchase of additional portfolio investments consistent with our investment philosophy.

### **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.

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 2012 exceeded total distributions to stockholders. As a result, for tax purposes, distributions to common stockholders for the year ended 2012 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

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stockholders for the year ended 2012 was 100 percent return of capital. We currently estimate that 80 to 100 percent of 2013 distributions will be characterized as qualified dividend income for tax purposes, with the remaining percentage, if any, characterized as return of capital. A final determination of the characterization will be made in January 2014.

The unrealized gain or loss we have in the portfolio is reflected in the Statement of Assets and Liabilities. At August 31, 2013, our investments are valued at \$2.019 billion, with an adjusted cost of \$978 million. The \$1.041 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 either a net deferred tax liability or net deferred tax asset depending primarily upon unrealized gains (losses) on investments, realized gains (losses) on investments, capital loss carryforwards and net operating losses. At August 31, 2013, the balance sheet reflects a net deferred tax liability of approximately \$490 million or \$17.18 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.

6 Tortoise Energy Infrastructure Corp.

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**Schedule of Investments**

August 31, 2013

(Unaudited)

	Shares	Fair Value
<b>Master Limited Partnerships and Related Companies 171.0%</b>		
<b>Crude/Refined Products Pipelines 66.9%</b>		
<b>United States 66.9%</b>		
Buckeye Partners, L.P.	1,141,200	\$ 79,884,000
Enbridge Energy Partners, L.P.	2,287,200	68,204,304
Genesis Energy L.P.	195,000	9,490,650
Holly Energy Partners, L.P.	1,232,000	43,772,960
Magellan Midstream Partners, L.P.	3,227,503	175,124,313
MPLX LP	859,800	30,694,860
NuStar Energy L.P.	928,800	38,740,248
Oiltanking Partners, L.P.	666,500	32,325,250
Phillips 66 Partners LP	319,300	9,824,861
Plains All American Pipeline, L.P.	2,660,100	134,494,656
Rose Rock Midstream, L.P.	146,157	4,774,949
Sunoco Logistics Partners L.P.	2,030,300	130,426,472
Tesoro Logistics LP	600,123	32,166,593
		789,924,116
<b>Natural Gas/Natural Gas Liquids Pipelines 78.9%</b>		
<b>United States 78.9%</b>		
Boardwalk Pipeline Partners, LP	3,038,600	91,340,316
El Paso Pipeline Partners, L.P.	2,309,700	96,383,781
Energy Transfer Equity, L.P.	704,400	45,314,052
Energy Transfer Partners, L.P.	1,759,295	90,199,055
Enterprise Products Partners L.P.	2,358,900	140,165,838
EQT Midstream Partners, LP	464,400	22,240,116
Inergy Midstream, L.P.	1,246,119	28,959,805
Kinder Morgan Energy Partners, L.P.	181,105	14,770,924
Kinder Morgan Management, LLC <sup>(2)</sup>	1,182,956	94,447,179
ONEOK Partners, L.P.	1,162,600	57,653,334
Regency Energy Partners LP	3,148,400	85,101,252
Spectra Energy Partners, LP	1,370,900	57,139,112
TC PipeLines, LP	835,800	40,385,856
Williams Partners L.P.	1,374,200	67,789,286
		931,889,906
<b>Natural Gas Gathering/Processing 25.2%</b>		
<b>United States 25.2%</b>		
Access Midstream Partners, L.P.	1,929,700	88,013,617
Crestwood Midstream Partners LP	307,400	7,973,956
DCP Midstream Partners, LP	1,042,001	49,943,108
MarkWest Energy Partners, L.P.	520,900	34,790,911
Targa Resources Partners LP	892,367	43,601,051
Western Gas Partners LP	1,228,800	72,671,232
		296,993,875
Total Master Limited Partnerships and Related Companies (Cost \$977,413,815)		2,018,807,897
<b>Short-Term Investment 0.0%</b>		
<b>United States Investment Company 0.0%</b>		
Fidelity Institutional Money Market Portfolio		

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Class I, 0.05% <sup>(3)</sup> (Cost \$156,035)	156,035	156,035
<b>Total Investments 171.0%</b> (Cost \$977,569,850)		2,018,963,932
<b>Interest Rate Swap Contracts 0.5%</b> \$110,000,000 notional Unrealized Appreciation <sup>(4)</sup>		6,169,041
<b>Other Assets and Liabilities (46.9%)</b>		(554,556,868)
<b>Long-Term Debt Obligations (17.8%)</b>		(210,000,000)
<b>Mandatory Redeemable Preferred Stock at Liquidation Value (6.8%)</b>		(80,000,000)
<b>Total Net Assets Applicable to Common Stockholders 100.0%</b>		\$ 1,180,576,105

(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 August 31, 2013.

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

See accompanying Notes to Financial Statements.



**Statement of Assets & Liabilities**

August 31, 2013

*(Unaudited)*

<b>Assets</b>	
Investments at fair value (cost \$977,569,850)	\$2,018,963,932
Receivable for Adviser fee waiver	7,552
Unrealized appreciation of interest rate swap contracts	6,169,041
Current tax asset	4,025,380
Prepaid expenses and other assets	2,570,506
<b>Total assets</b>	<b>2,031,736,411</b>
<b>Liabilities</b>	
Payable to Adviser	3,353,676
Distribution payable to common stockholders	16,321,268
Accrued expenses and other liabilities	2,372,887
Deferred tax liability	489,712,475
Short-term borrowings	49,400,000
Long-term debt obligations	210,000,000
Mandatory redeemable preferred stock (\$10.00 liquidation value per share; 8,000,000 shares outstanding)	80,000,000
<b>Total liabilities</b>	<b>851,160,306</b>
<b>Net assets applicable to common stockholders</b>	<b>\$1,180,576,105</b>
<b>Net Assets Applicable to Common Stockholders Consist of:</b>	
Capital stock, \$0.001 par value; 28,508,688 shares issued and outstanding (100,000,000 shares authorized)	\$ 28,509
Additional paid-in capital	311,081,070
Accumulated net investment loss, net of income taxes	(110,034,946)
Undistributed realized gain, net of income taxes	318,722,302
Net unrealized appreciation of investments and interest rate swap contracts, net of income taxes	660,779,170
<b>Net assets applicable to common stockholders</b>	<b>\$1,180,576,105</b>
<b>Net Asset Value per common share outstanding</b> (net assets applicable to common stock, divided by common shares outstanding)	<b>\$ 41.41</b>

**Statement of Operations**

Period from December 1, 2012 through August 31, 2013

*(Unaudited)*

<b>Investment Income</b>	
Distributions from master limited partnerships	\$ 75,778,202
Less return of capital on distributions	(68,360,205)
Net distributions from master limited partnerships	7,417,997
Dividends from money market mutual funds	160
<b>Total Investment Income</b>	<b>7,418,157</b>
<b>Operating Expenses</b>	
Advisory fees	13,867,654
Administrator fees	354,468
Professional fees	150,268
Stockholder communication expenses	129,407
Directors fees	101,136
Custodian fees and expenses	63,544
Fund accounting fees	63,091
Franchise fees	59,798
Registration fees	31,492
Stock transfer agent fees	17,034

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Other operating expenses	76,305
<b>Total Operating Expenses</b>	<b>14,914,197</b>
<b>Leverage Expenses</b>	
Interest expense	8,707,761
Distributions to mandatory redeemable preferred stockholders	3,042,418
Amortization of debt issuance costs	1,661,830
Premium on redemption of mandatory redeemable preferred stock	730,000
Other leverage expenses	143,619
<b>Total Leverage Expenses</b>	<b>14,285,628</b>
<b>Total Expenses</b>	<b>29,199,825</b>
Less fees waived by Adviser	(54,233)
<b>Net Expenses</b>	<b>29,145,592</b>
<b>Net Investment Loss, before Income Taxes</b>	<b>(21,727,435)</b>
Deferred tax benefit	6,068,993
<b>Net Investment Loss</b>	<b>(15,658,442)</b>
<b>Realized and Unrealized Gain on Investments and Interest Rate Swaps</b>	
Net realized gain on investments, before income taxes	89,746,134
Current tax expense	(3,612,873)
Deferred tax expense	(29,702,048)
Income tax expense	(33,314,921)
Net realized gain on investments	56,431,213
Net unrealized appreciation of investments	246,358,342
Net unrealized appreciation of interest rate swap contracts	6,169,041
Net unrealized appreciation of investments and interest rate swap contracts, before income taxes	252,527,383
Deferred tax expense	(93,741,419)
Net unrealized appreciation of investments and interest rate swap contracts	158,785,964
<b>Net Realized and Unrealized Gain on Investments and Interest Rate Swaps</b>	<b>215,217,177</b>
<b>Net Increase in Net Assets Applicable to Common Stockholders Resulting from Operations</b>	<b>\$ 199,558,735</b>

*See accompanying Notes to Financial Statements.*

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**Statement of Changes in Net Assets**

	Period from December 1, 2012 through  August 31, 2013 <i>(Unaudited)</i>	Year Ended November 30, 2012
<b>Operations</b>		
Net investment loss	\$ (15,658,442)	\$ (17,889,271)
Net realized gain on investments	56,431,213	69,538,383
Net unrealized appreciation of investments and interest rate swap contracts	158,785,964	84,141,723
Net increase in net assets applicable to common stockholders resulting from operations	199,558,735	135,790,835
<b>Distributions to Common Stockholders</b>		
Return of capital	(48,647,671)	(62,906,190)
<b>Capital Stock Transactions</b>		
Proceeds from shelf offerings of 163,259 and 441,662 common shares, respectively	7,204,169	17,701,002
Underwriting discounts and offering expenses associated with the issuance of common stock	(88,322)	(332,137)
Issuance of 49,082 and 125,865 common shares from reinvestment of distributions to stockholders, respectively	2,128,046	4,749,128
Net increase in net assets applicable to common stockholders from capital stock transactions	9,243,893	22,117,993
Total increase in net assets applicable to common stockholders	160,154,957	95,002,638
<b>Net Assets</b>		
Beginning of period	1,020,421,148	925,418,510
End of period	\$ 1,180,576,105	\$ 1,020,421,148
Accumulated net investment loss, net of income taxes, end of period	\$ (110,034,946)	\$ (94,376,504)

*See accompanying Notes to Financial Statements.*

**Statement of Cash Flows**

Period from December 1, 2012 through August 31, 2013

*(Unaudited)*

<b>Cash Flows From Operating Activities</b>	
Distributions received from master limited partnerships	\$ 75,778,202
Dividend income received	166
Purchases of long-term investments	(201,235,337)
Proceeds from sales of long-term investments	176,377,147
Purchases of short-term investments, net	(54,677)
Interest expense paid	(8,640,547)
Distributions to mandatory redeemable preferred stockholders	(3,130,951)
Other leverage expenses paid	(179,774)
Income taxes paid	(6,640,750)
Premium on redemption of mandatory redeemable preferred stock	(730,000)
Operating expenses paid	(14,283,649)
Net cash provided by operating activities	17,259,830
<b>Cash Flows From Financing Activities</b>	
Advances from revolving line of credit	192,300,000
Repayments on revolving line of credit	(206,300,000)
Issuance of mandatory redeemable preferred stock	80,000,000
Redemption of mandatory redeemable preferred stock	(73,000,000)
Issuance of long-term debt obligations	45,000,000
Redemption of long-term debt obligations	(29,975,000)
Debt issuance costs	(2,186,912)
Issuance of common stock	7,204,169
Common stock issuance costs	(103,720)
Distributions paid to common stockholders	(30,198,367)
Net cash used in financing activities	(17,259,830)
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 provided by operating activities</b>	
Net increase in net assets applicable to common stockholders resulting from operations	\$ 199,558,735
Adjustments to reconcile net increase in net assets applicable to common stockholders resulting from operations to net cash provided by operating activities:	
Purchases of long-term investments	(201,235,337)
Proceeds from sales of long-term investments	176,377,147
Purchases of short-term investments, net	(54,677)
Return of capital on distributions received	68,360,205
Deferred tax expense	117,374,474
Net unrealized appreciation of investments and interest rate swap contracts	(252,527,383)
Net realized gain on investments	(89,746,134)
Amortization of debt issuance costs	1,661,830
Changes in operating assets and liabilities:	
Increase in current tax asset	(3,027,877)
Increase in prepaid expenses and other assets	(94,966)
Increase in payable to Adviser, net of fees waived	629,676
Decrease in accrued expenses and other liabilities	(15,863)
Total adjustments	(182,298,905)
Net cash provided by operating activities	\$ 17,259,830

**Non-Cash Financing Activities**

Reinvestment of distributions by common stockholders  
in additional common shares

\$ 2,128,046

*See accompanying Notes to Financial Statements.*

10 Tortoise Energy Infrastructure Corp.

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## Financial Highlights

	Period from December 1, 2012  through August 31, 2013 <i>(Unaudited)</i>	Year Ended November 30, 2012	Year Ended November 30, 2011	Year Ended November 30, 2010	Year Ended November 30, 2009
<b>Per Common Share Data<sup>(1)</sup></b>					
Net Asset Value, beginning of period	\$ 36.06	\$ 33.37	\$ 32.91	\$ 25.53	\$ 20.00
Income (Loss) from Investment Operations					
Net investment loss <sup>(2)(3)</sup>	(0.55)	(0.64)	(0.77)	(0.66)	
Net realized and unrealized gains (losses) on investments and interest rate swap contracts <sup>(2)(3)</sup>	7.59	5.51	3.35	10.10	
Total income (loss) from investment operations	7.04	4.87	2.58	9.44	
Distributions to Auction Preferred Stockholders					
Return of capital				(0.01)	
Distributions to Common Stockholders					
Return of capital	(1.71)	(2.25)	(2.20)	(2.16)	
Capital Stock Transactions					
Underwriting discounts and offering costs on issuance of common and auction preferred stock <sup>(4)</sup>					
Premiums less underwriting discounts and offering costs on issuance of common stock <sup>(5)</sup>	0.02	0.07	0.08	0.11	
Total capital stock transactions	0.02	0.07	0.08	0.11	
Net Asset Value, end of period	\$ 41.41	\$ 36.06	\$ 33.37	\$ 32.91	\$ 20.00
Per common share market value, end of period	\$ 43.34	\$ 39.17	\$ 39.35	\$ 36.25	\$ 20.00
Total Investment Return Based on Market Value <sup>(6)</sup>	15.11%	5.62%	15.25%	31.58%	

## Supplemental Data and Ratios

Net assets applicable to common stockholders, end of period (000 s)	\$1,180,576	\$1,020,421	\$925,419	\$890,879	\$6,000,000
Average net assets (000 s)	\$1,152,752	\$ 989,745	\$912,567	\$782,541	\$5,000,000
Ratio of Expenses to Average Net Assets <sup>(7)</sup>					
Advisory fees	1.61%	1.60%	1.57%	1.53%	
Other operating expenses	0.12	0.13	0.16	0.21	
Fee waiver	(0.01)	(0.01)	(0.01)		
Subtotal	1.72	1.72	1.72	1.74	
Leverage expenses <sup>(8)</sup>	1.65	1.67	1.75	2.11	
Income tax expense (benefit) <sup>(9)</sup>	13.98	8.37	4.63	17.89	
Total expenses	17.35%	11.76%	8.10%	21.74%	

See accompanying Notes to Financial Statements.

**Financial Highlights***(Continued)*

	Period from December 1, 2012  through August 31, 2013 <i>(Unaudited)</i>	Year Ended November 30, 2012	Year Ended November 30, 2011	Year Ended November 30, 2010	Year Nov 30, 2009
Ratio of net investment loss to average net assets before fee waiver <sup>(7)(8)</sup>	(1.82)%	(1.82)%	(2.32)%	(2.23)%	
Ratio of net investment loss to average net assets after fee waiver <sup>(7)(8)</sup>	(1.81)%	(1.81)%	(2.31)%	(2.23)%	
Portfolio turnover rate	9.11%	12.86%	17.70%	10.26%	
Short-term borrowings, end of period (000 s)	\$ 49,400	\$ 63,400	\$ 47,900	\$ 38,200	\$ 1
Long-term debt obligations, end of period (000 s)	\$210,000	\$194,975	\$194,975	\$169,975	\$1
Preferred stock, end of period (000 s)	\$ 80,000	\$ 73,000	\$ 73,000	\$ 73,000	\$ 7
Per common share amount of long-term debt obligations outstanding, end of period	\$ 7.37	\$ 6.89	\$ 7.03	\$ 6.28	\$
Per common share amount of net assets, excluding long-term debt obligations, end of period	\$ 48.78	\$ 42.95	\$ 40.40	\$ 39.19	\$
Asset coverage, per \$1,000 of principal amount of long-term debt obligations and short-term borrowings <sup>(10)(11)</sup>	\$ 5,860	\$ 5,232	\$ 5,111	\$ 5,630	\$
Asset coverage ratio of long-term debt obligations and short-term borrowings <sup>(10)(11)</sup>	586%	523%	511%	563%	
Asset coverage, per \$25,000 liquidation value per share of auction preferred stock <sup>(11)(12)</sup>					\$ 8
Asset coverage, per \$10 liquidation value per share of mandatory redeemable preferred stock <sup>(12)</sup>	\$ 45	\$ 41	\$ 39	\$ 42	
Asset coverage ratio of preferred stock <sup>(11)(12)</sup>	448%	408%	393%	417%	

(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, 2009, and 2008 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) The per common share data for the year ended November 30, 2008 reflects the cumulative effect of adopting ASC 740-10, which was a \$1,165,009 increase to the beginning balance of accumulated net investment loss, or \$(0.06) per share.

(4) Represents the dilution per common share from underwriting and other offering costs for the year ended November 30, 2008.

(5) 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, 2012 through August 31, 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. Represents the premium on the shelf offerings of \$0.34 per share, less the underwriting and offering costs of \$0.25 per share for the year ended November 30, 2008.

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

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

(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, 2012 through August 31, 2013, the Company accrued \$3,612,873 for current income tax expense and \$117,374,474 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. For the year ended November 30, 2008, the Company accrued \$260,089 for net current income tax expense and \$185,024,497 for deferred income tax benefit.

(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.

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- (11) As of November 30, 2008, the Company had restricted cash in the amount of \$20,400,000 to be used to redeem long-term debt obligations with a par value of \$20,000,000, which are excluded from these asset coverage calculations.
- (12) 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.*

12 Tortoise Energy Infrastructure Corp.

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## Notes to Financial Statements *(Unaudited)*

August 31, 2013

### 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.

### 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 August 31, 2013.

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 and distribution income is recorded on the ex-dividend date. Distributions received from the Company's investments in master limited partnerships (MLPs) generally are comprised of ordinary income and return of capital from the MLPs. 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 MLP and other industry sources. These estimates may subsequently be revised based on actual allocations received from MLPs 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, 2011 through November 30, 2012, the Company estimated the allocation of investment income and return of capital for the distributions received from MLPs within the Statement of Operations. For this period, the Company had estimated approximately 7 percent of total distributions as investment income and approximately 93 percent as return of capital.

Subsequent to November 30, 2012, the Company reallocated the amount of investment income and return of capital it recognized for the period from December 1, 2011 through November 30, 2012 based on the 2012 tax reporting information received from the individual MLPs. This reclassification amounted to an increase in pre-tax net investment income of approximately \$2,245,000 or \$0.079 per share (\$1,413,000 or \$0.049 per share, net of deferred tax expense), a decrease in unrealized appreciation of investments of approximately \$1,547,000 or \$0.054 per share (\$974,000 or \$0.034 per share, net of deferred tax benefit), and a decrease in realized gains of approximately \$698,000 or \$0.025 per share (\$439,000 or \$0.015 per share, net of deferred tax benefit) for the period from December 1, 2012 through August 31, 2013.

Subsequent to the period ended February 28, 2013, the Company reallocated the amount of investment income and return of capital it recognized in the current fiscal year based on its revised 2013 estimates, after considering the final allocations for 2012. This reclassification amounted to a decrease in pre-tax net investment income of approximately

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## Notes to Financial Statements *(Unaudited)*

*(Continued)*

\$128,000 or \$0.004 per share (\$81,000 or \$0.003 per share, net of deferred tax benefit), an increase in unrealized appreciation of investments of approximately \$62,000 or \$0.002 per share (\$39,000 or \$0.001 per share, net of deferred tax expense), and an increase in realized gains of approximately \$66,000 or \$0.002 per share (\$42,000 or \$0.002 per share, net of deferred tax expense).

### 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, 2012 and the period ended August 31, 2013 was 100 percent return of capital. For tax purposes, the Company's distributions to common stockholders for the year ended November 30, 2012 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, 2013.

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, 2012 and the period ended August 31, 2013 was 100 percent return of capital. For tax purposes, the Company's distributions to MRP stockholders for the year ended November 30, 2012 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, 2013.

### 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 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 \$16,281 related to the issuance of common stock were recorded to additional paid-in capital during the period ended August 31, 2013. 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. Capitalized costs (excluding underwriter commissions) were reflected during the period ended August 31, 2013 for the Series J Notes (\$13,833), Series K Notes (\$9,222), Series L Notes (\$18,444) and MRP B Stock (\$186,514) that were each issued in December 2012.

### G. Derivative Financial Instruments

The Company may use 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.

#### **I. Recent Accounting Pronouncements**

In December 2011, the FASB issued ASU 2011-11 Balance Sheet (Topic 210) Disclosures about Offsetting Assets and Liabilities. ASU 2011-11 requires new disclosures for recognized financial instruments and derivative instruments that are either offset on the balance sheet in accordance with the offsetting guidance in ASC 210-20-45 or ASC 815-10-45 or are subject to an enforceable master netting arrangement or similar arrangement. ASU 2011-11 is effective for periods beginning on or after January 1, 2013 and must be applied retrospectively.

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

In January 2013, the Financial Accounting Standards Board issued Accounting Standards Update No. 2013-01 Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities ( ASU 2013-01 ) which amended Accounting Standards Codification Subtopic 210-20, Balance Sheet Offsetting. ASU 2013-01 clarified the scope of ASU No. 2011-11 Disclosures about Offsetting Assets and Liabilities ( ASU 2011-11 ). ASU 2013-01 clarified the scope of ASU 2011-11 as applying to derivatives accounted for in accordance with Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are offset either in accordance with other requirements of U.S. GAAP or subject to an enforceable master netting arrangement or similar agreement. The guidance in ASU 2013-01 and ASU 2011-11 is effective for interim and annual periods beginning on or after January 1, 2013. The additional disclosures required by these amendments are reflected within the financial statements.

**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.

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.

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 August 31, 2013, are as follows:

Deferred tax assets:	
Net operating loss carryforwards	\$ 79,427
Deferred tax liabilities:	
Basis reduction of investment in MLPs	101,460,252
Net unrealized gains on investment securities	388,331,650

	489,791,902
Total net deferred tax liability	<u>\$489,712,475</u>

At August 31, 2013, 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. 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 August 31, 2013, 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 August 31, 2013, as follows:

Application of statutory income tax rate	\$ 112,191,129
State income taxes, net of federal tax benefit	6,635,304
Change in deferred tax liability due to change in overall tax rate	<u>742,580</u>
Nondeductible payments on preferred stock	1,993,752
Dividends received deduction	<u>(575,418)</u>
Total income tax expense	\$ 120,987,347

Total income taxes are computed by applying the federal statutory rate plus a blended state income tax rate. During the period, the Company re-evaluated its blended state income tax rate, increasing the overall rate from 36.96 percent to 37.07 percent due to anticipated state apportionment of income and gains.

**Notes to Financial Statements** (Unaudited)

(Continued)

For the period from December 1, 2012 through August 31, 2013, the components of income tax expense include the following:

Current tax expense (benefit)	
Federal	\$ 4,040,098
AMT	(787,180)
State	359,955
Total current tax expense	3,612,873
Deferred tax expense	
Federal	110,820,248
State (net of federal tax benefit)	6,554,226
Total deferred tax expense	117,374,474
Total income tax expense	\$ 120,987,347

As of November 30, 2012, the Company had net operating losses for state income tax purposes of approximately \$1,652,000. If not utilized, these net operating losses will expire in the years ending November 30, 2019 through November 30, 2032. The amount of deferred tax asset for net operating losses at August 31, 2013 includes amounts for the period from December 1, 2012 through August 31, 2013. As of November 30, 2012, the Company utilized its AMT credit of \$787,180 as a credit against regular income tax.

As of August 31, 2013, the aggregate cost of securities for federal income tax purposes was \$703,870,762. The aggregate gross unrealized appreciation for all securities in which there was an excess of fair value over tax cost was \$1,315,785,013, the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over fair value was \$691,843 and the net unrealized appreciation was \$1,315,093,170.

**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 August 31, 2013. These assets are measured on a recurring basis.

Description	Fair Value at			
	August 31, 2013	Level 1	Level 2	Level 3
<b>Assets</b>				
Equity Securities:				
Master Limited Partnerships and Related Companies <sup>(a)</sup>	\$2,018,807,897	\$2,018,807,897	\$	\$
Other Securities:				
Short-Term Investment <sup>(b)</sup>	156,035	156,035		
Interest Rate Swap Contracts	6,169,041		6,169,041	
Total Assets	\$2,025,132,973	\$2,018,963,932	\$6,169,041	\$

(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 August 31, 2013.

The Company did not hold any Level 3 securities during the period from December 1, 2012 through August 31, 2013.

## 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.

The Company utilizes the beginning of reporting period method for determining transfers between levels. There were no transfers between levels during the period ended August 31, 2013.

## 7. Investment Transactions

For the period from December 1, 2012 through August 31, 2013, the Company purchased (at cost) and sold securities (proceeds received) in the amount of \$201,235,337 and \$176,377,147 (excluding short-term debt securities), respectively.

## 8. Long-Term Debt Obligations

The Company has \$210,000,000 aggregate principal amount of private senior notes, Series E, Series G, Series H, Series I, Series J, Series K, and Series L (collectively, the "Notes"), outstanding. 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 Series E, Series G, Series H, and Series I Notes are entitled to receive cash interest payments each quarter until maturity. Holders of the Series J, Series K, and Series L Notes are entitled to receive cash interest payments semi-annually until maturity. The Series E, Series G, Series I, Series J, Series K, and Series L Notes accrue interest at fixed rates and the Series H Notes accrue interest at an annual rate that resets each quarter based on the 3-month LIBOR plus 1.35 percent. The Notes are not listed on any exchange or automated quotation system.



**Notes to Financial Statements** (Unaudited)

(Continued)

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 August 31, 2013, 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 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, notional/carrying amount and estimated fair value for each series of Notes outstanding at August 31, 2013.

Series	Maturity Date	Interest Rate	Notional/ Carrying Amount	Estimated Fair Value
Series E	April 10, 2015	6.11%	\$110,000,000	\$118,216,814
Series G	December 21, 2016	5.85%	30,000,000	33,501,864
Series H	May 12, 2014	1.61% <sup>(1)</sup>	15,000,000	15,000,000
Series I	May 12, 2018	4.35%	10,000,000	10,582,363
Series J	December 19, 2019	3.30%	15,000,000	14,870,258
Series K	December 19, 2022	3.87%	10,000,000	9,871,389
Series L	December 19, 2024	3.99%	20,000,000	19,599,127
			\$210,000,000	\$221,641,815

(1) Floating rate; rate effective for period from August 12, 2013 through November 12, 2013. The weighted-average interest rate for the period ended August 31, 2013 was 1.64 percent.

The Company's Series F Notes with a notional amount of \$29,975,000 and fixed interest rate of 4.50 percent were paid in full upon maturity on December 21, 2012.

**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 August 31, 2013. The MRP B Stock has a liquidation value of \$10.00 per share plus any accumulated but unpaid distributions, whether or not declared. The Company issued 8,000,000 shares of MRP B Stock on December 6, 2012 and they are mandatorily redeemable on December 31, 2027. 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 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 Stock have voting rights equal to the holders of common stock (one vote per MRP 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 Stock), voting separately as a single class, have the right to elect at least two directors at all times.

At August 31, 2013, the estimated fair value of the MRP B Stock is based on the closing market price of \$8.84 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 August 31, 2013.

Series	Mandatory Redemption Date	Fixed Rate	Shares Outstanding	Aggregate Liquidation Preference	Estimated Fair Value
MRP B Stock	December 31, 2027	4.375%	8,000,000	\$80,000,000	\$70,720,000

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 August 31, 2013, the Company was in compliance with asset coverage covenants and basic maintenance covenants for its MRP B Stock.

The Company defeased its MRP Stock at liquidation value in the amount of \$73,000,000 on December 6, 2012. The Company paid a premium of \$730,000 upon redemption. The unamortized balance of allocated capital costs was expensed and resulted in a total loss on early redemption of \$1,496,146 which is included in amortization of debt issuance costs in the accompanying Statement of Operations.

#### **10. Credit Facility**

As of August 31, 2013, the Company has an \$85,000,000 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. Effective June 17, 2013, 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. For the period from December 1, 2012 through June 16, 2013, outstanding balances accrued interest at a variable annual rate equal to one-month LIBOR plus 1.25 percent and unused portions of the credit facility accrued a non-usage fee equal to an annual rate of 0.20 percent.

The average principal balance and interest rate for the period during which the credit facility was utilized during the period ended August 31, 2013 was approximately \$50,000,000 and 1.41 percent, respectively. At August 31, 2013, the principal balance outstanding was \$49,400,000 at an interest rate of 1.31 percent.

**Notes to Financial Statements** (Unaudited)

(Continued)

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 August 31, 2013, 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 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 termination payment to the extent of the Company's net liability position, in addition to redeeming all or some of the 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 August 31, 2013, 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	\$ 331,479
Wells Fargo Bank, N.A.	03/31/2015	03/31/2020	15,000,000	2.006%	3-month U.S. Dollar LIBOR	622,009
Wells Fargo Bank, N.A.	03/31/2015	03/31/2022	25,000,000	2.396%	3-month U.S. Dollar LIBOR	1,413,061
Wells Fargo Bank, N.A.	03/31/2015	03/31/2023	15,000,000	2.555%	3-month U.S. Dollar LIBOR	929,503
Wells Fargo Bank, N.A.	03/31/2015	03/31/2025	40,000,000	2.803%	3-month U.S. Dollar LIBOR	2,872,989
			\$ 110,000,000			\$ 6,169,041

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.

The unrealized appreciation of interest rate swap contracts in the amount of \$6,169,041 for the period ended August 31, 2013 is included in the Statement of Operations. The Company entered into the above interest rate swap contracts during the month of February 2013. Prior to that, the Company did not have any open swap arrangements during the period ended August 31, 2013.

The following table presents a gross presentation, the effects of offsetting, and a net presentation of the Company's interest rate swap contracts at August 31, 2013.

Description	Gross Amounts of Recognized Assets	Net Amounts		Gross Amounts Not Offset in the Statement of Assets & Liabilities	Cash Collateral Received	Net Amount
		Offset in the Statement of Assets & Liabilities	Presented in the Statement of Assets & Liabilities			
Interest Rate Swap Contracts	\$6,169,041	\$	\$6,169,041	\$	\$	\$6,169,041

**12. Common Stock**

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The Company has 100,000,000 shares of capital stock authorized and 28,508,688 shares outstanding at August 31, 2013. Transactions in common stock for the period ended August 31, 2013, were as follows:

Shares at November 30, 2012	28,296,347
Shares sold through shelf offerings	163,259
Shares issued through reinvestment of distributions	49,082
Shares at August 31, 2013	28,508,688

### 13. Subsequent Events

On September 3, 2013, the Company paid a distribution in the amount of \$0.5725 per common share, for a total of \$16,321,224. Of this total, the dividend reinvestment amounted to \$1,034,762.

On September 27, 2013, the Company issued \$13,000,000 of Series M Notes which carry a fixed interest rate of 2.75 percent and mature on September 27, 2017, \$10,000,000 of Series N Notes which carry a fixed interest rate of 3.15 percent and mature on September 27, 2018, \$15,000,000 of Series O Notes which carry a fixed interest rate of 3.78 percent and mature on September 27, 2020, \$12,000,000 of Series P Notes which carry a fixed interest rate of 4.39 percent and mature on September 27, 2023 and \$10,000,000 of Series Q Notes which carry a floating interest rate based on 3-month LIBOR plus 1.35 percent and mature on September 27, 2018.

During the period from September 1, 2013 through the date the financial statements were issued, the Company issued 27,353 shares of common stock under its at-the-market equity offering program for gross proceeds of approximately \$1.2 million.

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 August 31, 2013, the aggregate compensation paid by the Company to the independent directors was \$98,250. 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**

Tortoise Capital Advisors, L.L.C.  
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Kenneth P. Malvey  
Terry Matlack  
David J. Schulte

**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.

**Conrad S. Ciccotello**  
Independent

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Independent

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**STOCK SYMBOL**

Listed NYSE Symbol: TYG

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**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	\$2,080	Tortoise Pipeline & Energy Fund, Inc.		Pipeline Equity	\$389
Tortoise Energy Capital Corp.		Midstream Equity	\$1,092	Tortoise Energy Independence Fund, Inc.		North American Upstream Equity	\$449



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Tortoise MLP Fund, Inc.	Natural Gas Infrastructure Equity	\$1,927	Tortoise Power and Energy Infrastructure Fund, Inc.	Power & Energy Infrastructure Debt & Dividend Paying Equity	\$230
Tortoise North American Energy Corp.	Midstream/Upstream Equity	\$260			

(1) As of 9/30/13

