

TORTOISE ENERGY INFRASTRUCTURE CORP

Form 497

August 10, 2006

**Table of Contents**

Filed pursuant to Rules 497(c) and (h)  
under the Securities Act of 1933, as amended.  
File No. 333-131204

**PROSPECTUS SUPPLEMENT**  
**(To prospectus dated June 23, 2006)**

**1,675,050 Shares**

**Tortoise Energy  
Infrastructure Corporation**

**Common Stock**

We are offering 1,675,050 shares of our common stock. We seek to provide our stockholders with an efficient vehicle to invest in a portfolio of publicly traded master limited partnerships ( MLPs ) in the energy infrastructure sector. Our investment objective is to seek a high level of total return with an emphasis on current distributions paid to stockholders. We are a nondiversified, closed-end management investment company. This prospectus supplement, together with the accompanying prospectus dated June 23, 2006 sets forth the information that you should know before investing.

Our currently outstanding shares of common stock are, and the shares offered in this prospectus supplement and accompanying prospectus will be, listed on the New York Stock Exchange under the symbol TYG. The last reported sale price of our common stock on August 8, 2006 was \$29.85 per share. The net asset value per share of our common stock ( NAV ) at the close of business on August 8, 2006 was \$30.02.

**Investing in our common stock involves risks that are described in the Risk Factors section beginning on page 26 of the accompanying prospectus.**

	<b>Per Share</b>	<b>Total<sup>(1)</sup></b>
Public offering price	\$29.85	\$50,000,243
Underwriting discount	\$1.27	\$2,127,314
Proceeds, before expenses, to us <sup>(1)</sup>	\$28.58	\$47,872,929

(1) The aggregate expenses of the offering are estimated to be \$365,000, of which \$75,000 will be borne by us, which represents approximately \$.045 per share, and the remainder will be borne by the Adviser.

The underwriters also may purchase up to an additional 251,257 shares from us at the public offering price, less the underwriting discount, within 45 days from the date of this prospectus supplement to cover overallotments. If the underwriters exercise their entire overallotment option, the total public offering price will be \$57,500,264 and the total underwriting discount will be \$2,446,410. The proceeds to us would be \$55,053,854, before deducting offering expenses.

Neither the Securities and Exchange Commission nor any State Securities Commission has approved or disapproved of these securities or determined if this prospectus supplement or accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about August 11, 2006.

*Joint Book-Running Managers*

**Merrill Lynch & Co.**

**Stifel Nicolaus**

**Lehman Brothers**

**A.G. Edwards**

**Oppenheimer & Co.**

**RBC Capital Markets**

**BB&T Capital Markets**

**Morgan Keegan & Company, Inc.**

The date of this prospectus supplement is August 8, 2006.

---

**Table of Contents**

---

## TABLE OF CONTENTS

<b>Prospectus Supplement</b>	<b>Page</b>
<u>Prospectus Supplement Summary</u>	S-1
<u>Issuance Below NAV</u>	S-3
<u>Use of Proceeds</u>	S-3
<u>Capitalization</u>	S-4
<u>Underwriting</u>	S-5
<u>Leverage</u>	S-7
<u>Legal Matters</u>	S-7
<u>Where You Can Find More Information</u>	S-8
<u>Unaudited Financial Statements as of May 31, 2006</u>	F-1
<b>Prospectus</b>	
<u>Prospectus Summary</u>	1
<u>Summary of Company Expenses</u>	8
<u>Financial Highlights</u>	10
<u>Senior Securities</u>	12
<u>Market and Net Asset Value Information</u>	13
<u>Use of Proceeds</u>	15
<u>The Company</u>	16
<u>Investment Objective and Principal Investment Strategies</u>	16
<u>Leverage</u>	23
<u>Risk Factors</u>	26
<u>Management of the Company</u>	34
<u>Closed-End Company Structure</u>	36
<u>Certain Federal Income Tax Matters</u>	37
<u>Determination of Net Asset Value</u>	42
<u>Automatic Dividend Reinvestment Plan</u>	42
<u>Description of Securities</u>	44
<u>Rating Agency Guidelines</u>	52
<u>Certain Provisions in the Company's Charter and Bylaws</u>	53
<u>Plan of Distribution</u>	55
<u>Administrator and Custodian</u>	58
<u>Legal Matters</u>	58
<u>Intellectual Property Rights</u>	58
<u>Available Information</u>	58
<u>Table of Contents of the Statement of Additional Information</u>	59

**You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and in the statement of additional information. We have not, and the underwriters have not, authorized anyone to provide you with different information. We are not making an offer of these securities where the offer is not permitted. The information appearing in this prospectus supplement, the accompanying prospectus and in the statement of additional information is accurate only as of**

**the dates on their covers. Our business, financial condition and prospects may have changed since such dates. We will advise investors of any material changes to the extent required by applicable law.**

**Table of Contents**

**CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus supplement, the accompanying prospectus and the statement of additional information contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the 1933 Act ) and Section 21E of the Securities and Exchange Act of 1934, as amended (the 1934 Act ). Forward-looking statements can be identified by the words may, will, intend, expect, estimate, continue, plan, anticipate, terms and the negative of such terms. Such forward-looking statements may be contained in this prospectus supplement as well as in the accompanying prospectus. 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 our actual results are the performance of the portfolio of securities we hold, the conditions in the U.S. and international financial, petroleum and other markets, the price at which our shares will trade in the public markets and other factors discussed in our periodic filings with the Securities and Exchange Commission (the SEC ).

Although we believe that the expectations expressed in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and are subject to inherent risks and uncertainties, such as those disclosed in the Risk Factors section of the prospectus accompanying this prospectus supplement. All forward-looking statements contained or incorporated by reference in this prospectus supplement or the accompanying prospectus are made as of the date of this prospectus supplement or the accompanying prospectus, as the case may be. Except for our ongoing obligations under the federal securities laws, we do not intend, and we undertake no obligation, to update any forward-looking statement.

Currently known risk factors that could cause actual results to differ materially from our expectations include, but are not limited to, the factors described in the Risk Factors section of the prospectus accompanying this prospectus supplement. We urge you to review carefully that section for a more complex discussion of the risks of an investment in our common stock.

**Table of Contents**

**PROSPECTUS SUPPLEMENT SUMMARY**

*This summary contains basic information about us but does not contain all of the information that is important to your investment decision. You should read this summary together with the more detailed information contained elsewhere in this prospectus supplement and accompanying prospectus and in the statement of additional information, especially the information set forth under the heading "Risk Factors" beginning on page 26 of the accompanying prospectus.*

**The Company**

We seek to provide our stockholders with an efficient vehicle to invest in a portfolio of publicly traded master limited partnerships ( MLPs ) in the energy infrastructure sector. Our investment objective is to seek a high level of total return with an emphasis on current distributions paid to stockholders. For purposes of our investment objective, total return includes capital appreciation of, and all distributions received from, securities in which we invest regardless of the tax character of the distributions. Similar to the tax characterization of distributions made by MLPs to unitholders, a significant portion of our distributions have been and are expected to continue to be treated as a return of capital to stockholders.

We are a nondiversified, closed-end management investment company. We commenced operations in February 2004 following our initial public offering. We were the first publicly traded investment company offering access to a portfolio of energy infrastructure MLPs. Since that time, we completed an additional offering of common stock in December 2004. We have \$70 million of Money Market Cumulative Preferred (MMP®) Shares ( MMP Shares ) and \$165 million of Auction Rate Senior Notes ( Tortoise Notes ) outstanding. We have a fiscal year ending November 30.

We expect to distribute substantially all of our distributable cash flow ( DCF ) to holders of common stock through quarterly distributions. DCF is the amount we receive as cash or paid-in-kind distributions from MLPs or their affiliates, and interest payments received on debt securities owned by us, less current or anticipated operating expenses, taxes on our taxable income, and leverage costs paid by us (including leverage costs of the Tortoise Notes and MMP Shares). Our Board of Directors adopted a policy to target distributions to common stockholders in an amount of at least 95% of DCF on an annual basis.

**Investment Adviser**

Tortoise Capital Advisors, L.L.C. (the Adviser ) serves as our investment adviser. The Adviser specializes in managing portfolios of investments in MLPs and other energy infrastructure companies. The Adviser was formed in October 2002 to provide portfolio management services to institutional and high-net-worth investors seeking professional management of their MLP investments. As of July 31, 2006, the Adviser had approximately \$1.8 billion of client assets under management. The Adviser's investment committee is comprised of five portfolio managers. See "Management of the Company" in the accompanying prospectus.

The Adviser also serves as the investment adviser to Tortoise Energy Capital Corporation ( TYY ) and Tortoise North American Energy Corporation ( TYN ), which are also publicly traded, closed-end management investment companies. TYY, which commenced operations on May 31, 2005, invests primarily in equity securities of MLPs and their affiliates in the energy infrastructure sector. TYN, which commenced operations on October 31, 2005, invests primarily in equity securities of companies in the energy sector whose primary operations are in North America. In December 2005, the Adviser began managing the investments of Tortoise Capital Resources Corporation, a private investment fund created to invest primarily in privately held and micro-cap public companies in the U.S. energy infrastructure sector.

The principal business address of the Adviser is 10801 Mastin Boulevard, Suite 222, Overland Park, Kansas 66210.

S-1

---

**Table of Contents**

**The Offering**

Common stock offered by the Company	1,675,050 shares
Shares outstanding after the offering	16,655,177 shares
Use of proceeds	<p>We estimate that our net proceeds from this offering after expenses without exercise of the overallotment option will be approximately \$47,797,929. We intend to use these net proceeds to:</p> <p style="padding-left: 40px;">retire short-term debt of approximately \$41 million which we incurred in connection with the acquisition of equity securities and certain open market purchases in pursuit of our investment objective and policies, and</p> <p style="padding-left: 40px;">invest in energy infrastructure companies in accordance with our investment objective and policies.</p>
Risk factors	<p>See Risk Factors and other information included in the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.</p>
NYSE symbol	TYG

The number of shares outstanding after the offering assumes the underwriters' overallotment option is not exercised. If the overallotment option is exercised in full, we will issue and sell an additional 251,257 shares.

**Recent Developments**

On June 30, 2006, we acquired equity portfolio securities through a direct placement with Crosstex Energy, L.P. in the amount of \$20 million. On July 26, 2006, we acquired equity portfolio securities through a direct placement with Plains All American Pipeline, L.P. in the amount of \$12 million. On August 7, 2006, we acquired equity securities of MarkWest Energy Partners, L.P. in the amount of \$7.8 million from an institutional investor. These investments were funded by drawing on our unsecured credit facility.

On July 24, 2006, the Board of Directors approved an increase in the amount of credit available under our unsecured credit facility from \$20 million to \$60 million. As of the date of this prospectus supplement, our outstanding balance under the credit facility was approximately \$41 million.

On July 24, 2006, the Board of Directors approved a policy permitting temporary increases in the amount of leverage we may use from 33% of total assets to up to 38% of total assets at the time of incurrence, provided that (i) such leverage is consistent with the limits set forth in the Investment Company Act of 1940, as amended, and (ii) such increased leverage is reduced over time in an orderly fashion.

On August 4, 2006, we declared a quarterly dividend of \$0.51 per share to common stockholders of record on August 22, 2006, expected to be paid September 1, 2006. Investors in this offering will be entitled to receive the dividend provided that the offering is completed and the investor holds the stock on the record date.

**Table of Contents****ISSUANCE BELOW NAV**

The offering price per share is below our NAV as of August 8, 2006. Accordingly, the NAV of our currently outstanding shares of common stock will be diluted upon the issuance of shares offered hereby. At our Annual Meeting of Stockholders held on April 15, 2005, our stockholders granted us the authority to sell a limited number of shares of our common stock for less than NAV, subject to certain conditions. See Description of Securities Common Stock Issuance of Additional Shares in the accompanying prospectus.

The table below sets forth the estimated dilutive effect on our NAV to existing common stockholders following the completion of the offering, assuming the underwriters overallotment option is not exercised.

**Impact of Issuance of Common Shares Below NAV**

Common shares outstanding as of August 8, 2006 (prior to this offering)	14,980,127
Common shares issued below NAV pursuant to this offering	1,675,050
Total common shares outstanding subsequent to this offering	16,655,177
NAV per share as of August 8, 2006	\$30.02
Aggregate net asset value of all outstanding common shares based on NAV as of August 8, 2006	\$ 449,765,879
Aggregate net proceeds to the Company	47,797,929
Expected aggregate net asset value of the Company immediately subsequent to this offering	\$ 497,563,808
NAV per share subsequent to this offering	\$29.87
Percentage dilution to pre-offering NAV	0.5%

**USE OF PROCEEDS**

We estimate that we will receive net proceeds from this offering of approximately \$47,797,929, after deducting the underwriters discount and our estimated offering expenses, or \$54,978,854 if the underwriters exercise their overallotment option in full.

We intend to use a portion of the net proceeds of this offering to retire short-term debt of approximately \$41 million under our unsecured line of credit. Outstanding balances under the credit facility accrue interest at a variable annual rate equal to the one-month LIBOR rate plus .75%. As of the date of this prospectus supplement, the current rate is 6.15%. The credit facility remains in effect through June 13, 2007, and we may draw on the facility from time to time in accordance with our investment policies. We will invest the remaining net proceeds of this offering in accordance with our investment objective and policies as described under Investment Objective and Principal Investment Strategies in the accompanying prospectus and expect to be fully invested within approximately three months of receipt of such proceeds. Pending such investment, we anticipate that we will invest the proceeds in securities issued by the U.S. Government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations.

**Table of Contents****CAPITALIZATION**

The following table sets forth our capitalization as of May 31, 2006, pro forma to reflect the use of our line of credit, and pro forma as adjusted to give effect to the issuance of the common shares offered hereby. As indicated below, common stockholders will bear the offering costs associated with this offering.

	<b>May 31, 2006</b>		
	<b>Actual (Unaudited)</b>	<b>Pro Forma (Unaudited)</b>	<b>Pro Forma As Adjusted (Unaudited)</b>
Short-Term Debt:			
Unsecured line of credit facility; \$60,000,000 available		\$40,720,000	
Long-Term Debt:			
Tortoise Notes, denominations of \$25,000 or any multiple thereof <sup>(1)</sup>	\$165,000,000	\$165,000,000	\$165,000,000
Preferred Shares Outstanding:			
MMP Shares, \$.001 par value per share, \$25,000 stated value per share at liquidation; 10,000,000 shares authorized/2,800 shares issued <sup>(1)</sup>	\$70,000,000	\$70,000,000	\$70,000,000
Net Assets Applicable to Common Stock:			
Capital Stock, \$.001 par value per share; 100,000,000 shares authorized; 14,944,103 shares actually outstanding, 14,944,103 shares outstanding pro forma and 16,655,177 shares outstanding pro forma as adjusted, respectively <sup>(1)</sup>	\$14,944	\$14,944	\$16,655
Additional paid-in capital	303,629,209	303,629,209 <sup>(2)</sup>	352,466,599 <sup>(3)(4)</sup>
Accumulated net investment loss, net of deferred tax benefit	(5,354,401)	(5,354,401)	(5,354,401)
Undistributed realized gain, net of deferred tax expense	4,488,241	4,488,241	4,488,241
Net unrealized gain on investments and interest rate swap contracts, net of deferred tax expense	129,299,230	129,299,230	129,299,230
Net assets applicable to common stockholders	\$432,077,223	\$432,077,223	\$480,916,324

(1) None of these outstanding shares/notes are held by us or for our account.

(2) May 31, 2006 pro forma, additional paid-in capital, does not include the issuance of 36,024 common shares on June 1, 2006 pursuant to our automatic dividend reinvestment plan.

(3) Pro forma as adjusted, additional paid-in capital reflects the proceeds of the issuance of common shares offered hereby (\$50,000,243), less \$.001 par value per share of common stock (\$1,675), the underwriting discount (\$2,127,314) and less the estimated offering costs borne by us (\$75,000) related to the issuance of common shares.

(4) Pro forma as adjusted, additional paid-in capital also reflects the issuance of 36,024 common shares on June 1, 2006 pursuant to our automatic dividend reinvestment plan (\$1,041,172), less \$.001 par value per share of common stock (\$36).



**Table of Contents****UNDERWRITING**

We intend to offer our common stock through the underwriters. Merrill Lynch, Pierce, Fenner & Smith Incorporated and Stifel, Nicolaus & Company, Incorporated are acting as representatives of the underwriters named below. Subject to the terms and conditions described in a purchase agreement among us and the underwriters, we have agreed to sell to the underwriters, and the underwriters severally have agreed to purchase from us, the number of shares of common stock listed opposite their respective names below.

<b>Underwriter</b>	<b>Number of Shares</b>
Merrill Lynch, Pierce, Fenner & Smith Incorporated	502,515
Stifel, Nicolaus & Company, Incorporated	502,515
Lehman Brothers Inc.	167,505
A.G. Edwards & Sons, Inc.	100,503
Oppenheimer & Co. Inc.	100,503
RBC Capital Markets Corporation	100,503
BB&T Capital Markets, a division of Scott & Stringfellow	100,503
Morgan Keegan & Company, Inc.	100,503
Total	1,675,050

Subject to the terms and conditions set forth in the purchase agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares sold under the purchase agreement if any of these shares are purchased. If an underwriter defaults, the purchase agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the 1933 Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities; provided that such indemnification shall not extend to any liability or action resulting from the gross negligence or willful misconduct of the underwriters.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the purchase agreement, such as the receipt by the underwriters of certain officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

**Commissions and Discounts**

The representatives have advised us that the underwriters propose initially to offer the shares to the public at the public offering price on the cover page of this prospectus supplement and to dealers at that price less a concession not in excess of \$.75 per share. The underwriters may allow, and the dealers may reallow, a discount not in excess of \$.10 per share to other dealers. After the initial public offering, the public offering price, concession and discount may

be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of the overallotment option.

	<b>Per Share</b>	<b>Without Option</b>	<b>With Option</b>
Public offering price	\$29.85	\$50,000,243	\$57,500,264
Underwriting discount	\$1.27	\$2,127,314	\$2,446,410
Proceeds, before expenses, to us	\$28.58	\$47,872,929	\$55,053,854

The expenses of the offering are estimated to be \$365,000, of which \$75,000 will be borne by us, and the remainder will be borne by the Adviser.

Investors must pay for any shares purchased in this offering on or before August 11, 2006.

S-5

---

## **Table of Contents**

### **Overallotment Option**

We have granted an option to the underwriters to purchase up to additional 251,257 shares at the public offering price less the underwriting discount. The underwriters may exercise this option for 45 days from the date of this prospectus supplement solely to cover any overallotments. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the purchase agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

### **Lock-Up Agreement**

We have agreed not to offer or sell any additional common stock for a period of 90 days after the date of the purchase agreement without first obtaining the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Stifel, Nicolaus & Company, Incorporated, except for the sale of common stock to the underwriters pursuant to the purchase agreement or common stock issued pursuant to our dividend reinvestment plan. Specifically, we have agreed, with certain limited exceptions, not to directly or indirectly

offer, pledge, sell or contract to sell any common stock;

sell any option or contract to purchase any common stock;

purchase any option or contract to sell any common stock;

grant any option, right or warrant for the sale of any common stock;

lend or otherwise dispose of or transfer any common stock;

request or demand that we file a registration statement related to the common stock; or

enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock, whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

### **New York Stock Exchange Listing**

Our currently outstanding shares of common stock are, and the shares of common stock sold pursuant to this prospectus supplement and the accompanying prospectus will be, listed on the New York Stock Exchange under the symbol TYG.

### **Price Stabilization, Short Positions**

Until the distribution of the shares is completed, SEC rules may limit the underwriters and selling group members from bidding for and purchasing our common stock. However, the representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may purchase and sell our common stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. Covered short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares in the offering. The underwriters may close out any covered short position by

either exercising their overallotment option or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the overallotment option. Naked short sales are sales in excess of the overallotment option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares of common stock made by the underwriters in the open market prior to the completion of the offering.

S-6

---

## **Table of Contents**

Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. Prior to purchasing common shares offered in this prospectus supplement and accompanying prospectus, one of the representatives purchased on behalf of the underwriters a total of 50,000 shares of our common stock on August 8, 2006 at an average price of \$30.05 per share.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the underwriters makes any representation that the representative will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

## **Electronic Offer, Sale and Distribution of Shares**

In connection with the offering, certain of the underwriters or securities dealers may distribute this prospectus supplement and accompanying prospectus by electronic means, such as e-mail. In addition, Merrill Lynch, Pierce, Fenner & Smith Incorporated will be facilitating Internet distribution for this offering to certain of its Internet subscription customers. Merrill Lynch, Pierce, Fenner & Smith Incorporated intends to allocate a limited number of shares for sale to its online brokerage customers. An electronic prospectus supplement and accompanying prospectus is available on the Internet web site maintained by Merrill Lynch, Pierce, Fenner & Smith Incorporated. Other than the prospectus supplement and accompanying prospectus in electronic format, the information on the Merrill Lynch, Pierce, Fenner & Smith Incorporated web site is not part of this prospectus supplement and accompanying prospectus.

## **Other Relationships**

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us. They have received customary fees and commissions for these transactions.

## **LEVERAGE**

The "Effects of Leverage" section on page 25 of the prospectus is revised as follows:

As of May 31, 2006, we were obligated to pay a rate of 5.36% and 5.30% on \$35 million aggregate liquidation preference for Series I MMP Shares and \$35 million aggregate liquidation preference for Series II MMP Shares, respectively. However, we have entered into interest rate swap agreements to protect ourselves from increasing dividend expense on MMP Shares resulting from increasing short-term interest rates. Under the terms of outstanding swap agreements as of May 31, 2006, we were instead obligated to pay only a rate of 5.20% and 5.21%, respectively, on a notional amount of \$35 million for Series I MMP Shares and a notional amount of \$35 million for Series II MMP Shares.

As of May 31, 2006, we were obligated to pay a rate of 5.15%, 5.28% and 5.25% on a principal amount of \$60 million for Series A Tortoise Notes, \$50 million principal amount for Series B Tortoise Notes and \$55 million principal amount for Series C Tortoise Notes, respectively. However, we have entered into interest rate swap agreements to protect ourselves from increasing interest expense on Tortoise Notes resulting from increasing short-term interest rates. Under the terms of outstanding swap agreements as of May 31, 2006, we were instead obligated to pay only a rate of 3.54%, 3.56% and 4.54% on a notional amount of \$60 million for Series A Tortoise Notes, \$50 million notional amount for Series B Tortoise Notes and \$55 million notional amount for Series C Tortoise Notes, respectively.

**LEGAL MATTERS**

Blackwell Sanders Peper Martin, L.L.P., Kansas City, Missouri, serves as our counsel. Vedder, Price, Kaufman & Kammholz, P.C. ( Vedder Price ), Chicago, Illinois, is serving as our special counsel in connection

S-7

---

**Table of Contents**

with the offering under this prospectus supplement and accompanying prospectus. Certain legal matters in connection with the securities offered hereby will be passed upon for us by Vedder Price. Vedder Price may rely on the opinion of Venable LLP, Baltimore, Maryland, on certain matters of Maryland law. Kaye Scholer LLP ( Kaye Scholer ), New York, New York, is serving as counsel to the underwriters. Stroock Stroock & Lavan LLP ( Stroock ), New York, New York, is serving as special counsel to the underwriters. Certain legal matters in connection with this offering will be passed upon for the underwriters by Kaye Scholer and Stroock.

**WHERE YOU CAN FIND MORE INFORMATION**

We are subject to the informational requirements of the 1934 Act and the Investment Company Act of 1940, as amended, and are required to file reports, including annual and semi-annual reports, proxy statements and other information with the SEC. We voluntarily file quarterly shareholder reports. Our most recent shareholder report filed with the SEC is for the period ended May 31, 2006. These documents are available on the SEC's EDGAR system and can be inspected and copied for a fee at the SEC's public reference room, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Additional information about the operation of the public reference room facilities may be obtained by calling the SEC at (202) 551-5850.

This prospectus supplement and the accompanying prospectus do not contain all of the information in our registration statement, including amendments, exhibits, and schedules. Statements in this prospectus supplement and the accompanying prospectus about the contents of any contract or other document are not necessarily complete and in each instance reference is made to the copy of the contract or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by this reference.

Additional information about us can be found in our Registration Statement (including amendments, exhibits, and schedules) on Form N-2 filed with the SEC. The SEC maintains a web site (<http://www.sec.gov>) that contains our Registration Statement, other documents incorporated by reference, and other information we have filed electronically with the SEC, including proxy statements and reports filed under the Exchange Act.

The addresses of the representatives are: Merrill Lynch & Co., 4 World Financial Center, 250 Vesey Street, New York, New York 10080; Stifel, Nicolaus & Company, Incorporated, 501 North Broadway, St. Louis, Missouri 63102.

**Table of Contents****UNAUDITED FINANCIAL STATEMENTS AS OF MAY 31, 2006****TORTOISE ENERGY INFRASTRUCTURE CORPORATION****SCHEDULE OF INVESTMENTS (Unaudited)**

	<b>May 31, 2006</b>	
	<b>Shares/Units</b>	<b>Value</b>
<b>Common Stock 1.1%</b> <sup>1)</sup>		
<b>Natural Gas Gathering/Processing 1.1%</b> <sup>1)</sup>		
Crosstex Energy, Inc. (Cost \$2,172,703)	54,136	\$ 4,886,857
<b>Master Limited Partnerships and Related Companies 167.1%</b> <sup>1)</sup>		
<b>Coal 0.6%</b> <sup>1)</sup>		
Natural Resource Partners L.P.	50,700	\$ 2,777,346
<b>Crude/Refined Products Pipelines 98.2%</b> <sup>1)</sup>		
Buckeye Partners, L.P.	567,102	\$ 24,646,253
Enbridge Energy Partners, L.P.	904,000	39,342,080
Holly Energy Partners, L.P.	427,070	17,134,048
Kinder Morgan Management, LLC <sup>(2)</sup>	1,490,874	64,808,293
Magellan Midstream Partners, L.P.	2,190,213	75,868,978
Pacific Energy Partners, L.P.	981,700	30,727,210
Plains All American Pipeline, L.P.	1,247,155	60,487,017
Plains All American Pipeline, L.P. <sup>(3)</sup>	87,960	4,095,418
Sunoco Logistics Partners L.P.	934,625	40,142,144
TEPPCO Partners, L.P.	811,320	30,538,085
Valero L.P.	709,874	36,544,313
		\$ 424,333,839
<b>Natural Gas/Natural Gas Liquid Pipelines 15.4%</b> <sup>1)</sup>		
Enterprise GP Holdings L.P.	71,400	\$ 2,534,700
Enterprise Products Partners L.P.	2,248,940	56,673,288
ONEOK Partners, L.P.	144,600	7,186,620
		\$ 66,394,608
<b>Natural Gas Gathering/Processing 36.6%</b> <sup>1)</sup>		
Copano Energy, L.L.C.	623,651	\$ 29,099,556
Crosstex Energy, L.P.	268,587	9,228,649
Energy Transfer Partners, L.P.	1,801,750	81,511,170
Hiland Partners, LP	36,548	1,545,615
MarkWest Energy Partners, L.P.	805,810	34,649,830
Williams Partners L.P.	59,750	2,062,570
		\$ 158,097,390

**Shipping 4.6%**

K-Sea Transportation Partners, L.P.	571,300	\$	17,767,430
Teekay LNG Partners, L.P.	67,200		2,065,056
		\$	19,832,486

F-1

---

**Table of Contents**

	<b>May 31, 2006</b>	
	<b>Shares/Units</b>	<b>Value</b>
<b>Propane Distribution 11.7%</b> <sup>(1)</sup>		
Inergy, L.P.	1,767,979	\$ 46,763,045
Inergy, L.P. <sup>(3)</sup>	82,655	1,936,607
Inergy Holdings, L.P.	61,761	2,018,349
		\$ 50,718,001
Total Master Limited Partnerships and Related Companies (Cost \$523,982,475)		\$ 722,153,670
	<b>Principal Amount</b>	<b>Value</b>
<b>Promissory Note 1.4%</b> <sup>(1)</sup>		
<b>Shipping 1.4%</b> <sup>(1)</sup>		
E.W. Transportation, LLC Unregistered, 8.80%, Due 3/31/2009 (Cost \$5,825,355) <sup>(3)(4)</sup>	\$ 5,881,375	\$ 5,825,355
	<b>Shares</b>	<b>Value</b>
<b>Short-Term Investments 1.0%</b> <sup>(1)</sup>		
First American Government Obligations Money Market Fund Class Y, 4.64% <sup>(1)</sup> (Cost \$4,450,905)	4,450,905	\$ 4,450,905
<b>Total Investments 170.6%</b> <sup>(1)</sup> (Cost \$536,431,438)		\$ 737,316,787
<b>Auction Rate Senior Notes (38.2%)</b> <sup>(1)</sup>		(165,000,000)
<b>Interest Rate Swap Contracts 2.7%</b> <sup>(1)</sup>		
\$345,000,000 notional Unrealized Appreciation <sup>(6)</sup>		\$ 11,458,231
<b>Liabilities in Excess of Cash and Other Assets (18.9%)</b> <sup>(1)</sup>		(81,697,795)
<b>Preferred Shares at Redemption Value (16.2%)</b> <sup>(1)</sup>		(70,000,000)
<b>Total Net Assets Applicable to Common Stockholders 100.0%</b> <sup>(1)</sup>		\$ 432,077,223

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

(2) Security distributions are paid in kind. Related company of master limited partnership.

(3) Fair valued securities represent a total market value of \$11,857,380 which represents 2.7% of net assets. These securities are deemed to be restricted; see Note 6 for further disclosure.

(4) Security is a variable rate instrument. Interest rate is as of May 31, 2006.

- (5) Rate indicated is the 7-day effective yield.
- (6) See Note 10 for further disclosure.

See Accompanying Notes to the Financial Statements.

F-2

---

**Table of Contents****TORTOISE ENERGY INFRASTRUCTURE CORPORATION****STATEMENT OF ASSETS & LIABILITIES (Unaudited)**

	<b>As of May 31, 2006</b>
<b>Assets</b>	
Investments at value (cost \$536,431,438)	\$ 737,316,787
Cash	6,856,206
Receivable for Adviser reimbursement	122,090
Interest and dividend receivable	387,016
Distribution receivable	
Unrealized appreciation on interest rate swap contracts	11,458,231
Prepaid expenses and other assets	2,543,940
 Total assets	 \$ 758,684,270
<b>Liabilities</b>	
Payable to Adviser	\$ 1,159,855
Dividend payable on common shares	7,472,051
Dividend payable on preferred shares	88,722
Accrued expenses and other liabilities	413,852
Current tax liability	196,251
Deferred tax liability	82,276,316
Auction rate senior notes payable:	
Series A, due July 15, 2044	60,000,000
Series B, due July 15, 2044	50,000,000
Series C, due April 10, 2045	55,000,000
 Total liabilities	 \$ 256,607,047
<b>Preferred Shares</b>	
\$25,000 liquidation value per share applicable to 2,800 outstanding shares (7,500 shares authorized)	\$ 70,000,000
 Net assets applicable to common stockholders	 \$ 432,077,223
<b>Net Assets Applicable to Common Stockholders Consist of</b>	
Capital stock, \$0.001 par value; 14,944,103 shares issued and outstanding (100,000,000 shares authorized)	\$ 14,944
Additional paid-in capital	303,629,209
Accumulated net investment loss, net of deferred tax benefit	(5,354,401)
Undistributed realized gain, net of deferred tax expense	4,488,241
Net unrealized gain on investments and interest rate swap contracts, net of deferred tax expense	129,299,230
 Net assets applicable to common stockholders	 \$ 432,077,223

Net Asset Value per common share outstanding (net assets applicable to common shares, divided by common shares outstanding)	\$	28.91
---	----	-------

See Accompanying Notes to the Financial Statements.

F-3

---

Table of Contents**TORTOISE ENERGY INFRASTRUCTURE CORPORATION****STATEMENT OF OPERATIONS (Unaudited)**

	<b>Period from December 1, 2005 through May 31, 2006</b>
<b>Investment Income</b>	
Distributions received from master limited partnerships	\$ 21,674,776
Less return of capital on distributions	(18,344,206)
Distribution income from master limited partnerships	\$ 3,330,570
Dividends from common stock	63,470
Dividends from money market mutual funds	109,009
Interest	286,489
<b>Total Investment Income</b>	<b>\$ 3,789,538</b>
<b>Expenses</b>	
Advisory fees	\$ 3,378,996
Administrator fees	231,443
Professional fees	155,421
Reports to stockholders	66,455
Directors fees	58,669
Custodian fees and expenses	32,909
Fund accounting fees	29,917
Registration fees	25,148
Stock transfer agent fees	7,002
Other expenses	45,796
<b>Total Expenses before Interest Expense and Auction Agent Fees</b>	<b>\$ 4,031,756</b>
Interest expense	\$ 3,825,995
Auction agent fees	327,257
<b>Total Interest Expense and Auction Agent Fees</b>	<b>\$ 4,153,252</b>
<b>Total Expenses</b>	<b>\$ 8,185,008</b>
Less expense reimbursement by Adviser	\$ (581,002)
<b>Net Expenses</b>	<b>\$ 7,604,006</b>
<b>Net Investment Loss, before income taxes</b>	<b>\$ (3,814,468)</b>
Current tax expense	(196,251)
Deferred tax benefit	1,564,180

Income tax benefit	\$	1,367,929
<b>Net Investment Loss</b>	\$	(2,446,539)
<b>Realized and Unrealized Gain on Investments</b>		
Net realized gain on investments	\$	697,862
Net realized gain on interest rate swap settlements		305,835
Net realized gain, before deferred tax expense	\$	1,003,697
Deferred tax expense		(391,442)
Net realized gain on investments and interest rate swap settlements	\$	612,255
Net unrealized appreciation of investments		64,961,625
Net unrealized appreciation of interest rate swap contracts		8,555,715
Net unrealized gain, before deferred tax expense	\$	73,517,340
Deferred tax expense		(28,673,877)
Net unrealized appreciation of investments and interest rate swap contracts	\$	44,843,463
<b>Net Realized and Unrealized Gain on Investments</b>	\$	45,455,718
<b>Dividends to Preferred Stockholders</b>	\$	(1,641,864)
<b>Net Increase in Net Assets Applicable to Common Stockholders Resulting from Operations</b>	\$	41,367,315

See Accompanying Notes to the Financial Statements.

Table of Contents**TORTOISE ENERGY INFRASTRUCTURE CORPORATION****STATEMENT OF CHANGES IN NET ASSETS**

	<b>Period from December 1, 2005 through May 31, 2006 (Unaudited)</b>	<b>Year Ended November 30, 2005</b>
<b>Operations</b>		
Net investment loss	\$ (2,446,539)	\$ (2,664,574)
Net realized gain on investments and interest rate swap settlements	612,255	3,910,013
Net unrealized appreciation of investments and interest rate swap contracts	44,843,463	36,586,625
Dividends to preferred stockholders	(1,641,864)	(1,639,910)
Net increase in net assets applicable to common stockholders resulting from operations	\$ 41,367,315	\$ 36,192,154
<b>Dividends and Distributions to Common Stockholders</b>		
Net investment income		
Return of capital	\$ (14,626,698)	\$ (26,506,341)
Total dividends to common stockholders	\$ (14,626,698)	\$ (26,506,341)
<b>Capital Share Transactions</b>		
Proceeds from secondary offering of 1,755,027 common shares	\$	\$ 47,999,988
Proceeds from issuance of 263,254 common shares in connection with exercising an overallotment option granted to underwriters of the secondary offering		7,199,997
Underwriting discounts and offering expenses associated with the issuance of common shares		(2,443,688)
Underwriting discounts and offering expenses associated with the issuance of preferred shares		(356,815)
Issuance of 38,588 and 203,080 common shares from reinvestment of dividend distributions to stockholders, respectively	\$ 1,063,106	\$ 5,635,662
Net increase in net assets, applicable to common stockholders, from capital share transactions	\$ 1,063,106	\$ 58,035,144
Total increase in net assets applicable to common stockholders	\$ 27,803,723	\$ 67,720,957
<b>Net Assets</b>		
Beginning of period	404,273,500	336,552,543
End of period	\$ 432,077,223	\$ 404,273,500
	\$ (5,354,401)	\$ (2,907,862)

Accumulated net investment loss, net of deferred tax benefit, at the end of  
period

See Accompanying Notes to the Financial Statements.

F-5

---

Table of Contents**TORTOISE ENERGY INFRASTRUCTURE CORPORATION****STATEMENT OF CASH FLOWS (Unaudited)**

	<b>Period from December 1, 2005 through May 31, 2006</b>
<b>Cash Flows From Operating Activities</b>	
Distributions received from master limited partnerships	\$ 21,330,326
Interest and dividend income received	445,319
Purchases of long-term investments	(3,894,147)
Proceeds from sale of long-term investments	2,958,785
Proceeds from sale of short-term investments, net	1,245,510
Proceeds from interest rate swap contracts, net	305,835
Interest expense paid	(4,069,723)
Operating expenses paid	(3,682,713)
Net cash provided by operating activities	\$ 14,639,192
<b>Cash Flows From Financing Activities</b>	
Dividends paid to common stockholders	\$ (6,091,540)
Dividends paid to preferred stockholders	(1,736,868)
Net cash used in financing activities	\$ (7,828,408)
Net increase in cash	6,810,784
Cash beginning of period	45,422
Cash end of period	\$ 6,856,206
<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	\$ 41,367,315
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	(3,894,147)
Return of capital on distributions received	18,344,206
Proceeds from sales of long-term investments	2,958,785
Proceeds from sale of short-term investments, net	1,245,510
Deferred income taxes	27,501,139
Net unrealized appreciation on investments and interest rate swap contracts	(73,517,340)
Realized gains on investments and interest rate swap settlements	(697,862)
Accretion of discount on investments	(8,846)
Amortization of debt issuance costs	28,711
Dividends to preferred stockholders	1,641,864
Changes in operating assets and liabilities:	

Increase in interest and dividends receivable		(349,253)
Increase in prepaid expenses and other assets		(159,196)
Decrease in current tax liability		(18,010)
Increase in payables to Adviser, net of expense reimbursement		174,389
Increase in accrued expenses and other liabilities		21,927
Total adjustments	\$	(26,728,123)
Net cash provided by operating activities	\$	14,639,192
<b>Non-Cash Financing Activities</b>		
Reinvestment of distributions by common stockholders in additional common shares	\$	1,063,106

See Accompanying Notes to the Financial Statements.

F-6

---

**Table of Contents****TORTOISE ENERGY INFRASTRUCTURE CORPORATION****FINANCIAL HIGHLIGHTS (Unaudited)**

	<b>Period from December 1, 2005 through May 31, 2006 (Unaudited)</b>	<b>Year Ended November 30, 2005</b>	<b>Period from February 27, 2004<sup>(1)</sup> through November 30, 2004</b>
<b>Per Common Share Data<sup>(2)</sup></b>			
Net Asset Value, beginning of period	\$ 27.12	\$ 26.53	\$ 25.00
Public offering price			25.00
Underwriting discounts and offering costs on initial public offering			(1.17)
Underwriting discounts and offering costs on issuance of preferred shares		(0.02)	(0.06)
Premiums less underwriting discounts and offering costs on secondary offering <sup>(3)</sup>			
Income (loss) from Investment Operations:			
Net investment loss <sup>(4)</sup>	(0.16)	(0.16)	(0.03)
Net realized and unrealized gain on investments <sup>(4)</sup>	3.04	2.67	3.77
Total increase from investment operations	\$ 2.88	\$ 2.51	\$ 3.74
Less Dividends to Preferred Stockholders:			
Net investment income			
Return of capital	\$ (0.11)	\$ (0.11)	\$ (0.01)
Total dividends to preferred stockholders	\$ (0.11)	\$ (0.11)	\$ (0.01)
Less Dividends to Common Stockholders:			
Net investment income			
Return of capital	\$ (0.98)	\$ (1.79)	\$ (0.97)
Total dividends to common stockholders	\$ (0.98)	\$ (1.79)	\$ (0.97)
Net Asset Value, end of period	\$ 28.91	\$ 27.12	\$ 26.53
Per common share market value, end of period	\$ 28.75	\$ 28.72	\$ 27.06
Total Investment Return Based on Market Value <sup>(5)</sup>	3.61%	13.06%	12.51%
<b>Supplemental Data and Ratios</b>			
Net assets applicable to common stockholders, end of period (000 s)	\$ 432,077 17.32%	\$ 404,274 9.10%	\$ 336,553 15.20%

Ratio of expenses (including current and deferred income tax expense) to average net assets before waiver: <sup>(6)(7)(8)</sup>			
Ratio of expenses (including current and deferred income tax expense) to average net assets after waiver: <sup>(6)(7)(8)</sup>	17.04%	8.73%	14.92%
Ratio of expenses (excluding current and deferred income tax expense) to average net assets before waiver: <sup>(6)(7)(8)</sup>	3.95%	3.15%	2.01%
Ratio of expenses (excluding current and deferred income tax expense) to average net assets after waiver: <sup>(6)(7)(8)</sup>	3.67%	2.78%	1.73%

F-7

---

**Table of Contents**

	<b>Period from December 1, 2005 through May 31, 2006 (Unaudited)</b>	<b>Year Ended November 30, 2005</b>	<b>Period from February 27, 2004<sup>(1)</sup> through November 30, 2004</b>
Ratio of expenses (excluding current and deferred income tax expense), without regard to non-recurring organizational expenses, to average net assets before waiver: <sup>(6)(7)(8)</sup>	3.95%	3.15%	1.90%
Ratio of expenses (excluding current and deferred income tax expense), without regard to non-recurring organizational expenses, to average net assets after waiver: <sup>(6)(7)(8)</sup>	3.67%	2.78%	1.62%
Ratio of net investment loss to average net assets before waiver: <sup>(6)(7)(9)</sup>	(2.12)%	(1.42)%	(0.45)%
Ratio of net investment loss to average net assets after waiver: <sup>(6)(7)(9)</sup>	(1.84)%	(1.05)%	(0.17)%
Ratio of net investment loss to average net assets after current and deferred income tax expense, before waiver: <sup>(6)(7)(8)</sup>	(15.49)%	(7.37)%	(13.37)%
Ratio of net investment loss to average net assets after current and deferred income tax expense, after waiver: <sup>(6)(7)(8)</sup>	(15.21)%	(7.00)%	(13.65)%
Portfolio turnover rate	0.42%	4.92%	1.39%
Tortoise Auction Rate Senior Notes, end of period (000 s)	\$ 165,000	\$ 165,000	\$ 110,000
Tortoise Preferred Shares, end of period (000 s)	70,000	70,000	35,000
Per common share amount of auction rate senior notes outstanding at end of period	\$ 11.04	\$ 11.07	\$ 8.67
Per common share amount of net assets, excluding auction rate senior notes, at end of period	\$ 39.95	\$ 38.19	\$ 35.21
Asset coverage, per \$1,000 of principal amount of auction rate senior notes <sup>(10)</sup>			
Series A	\$ 4,043	\$ 3,874	\$ 4,378
Series B	4,043	3,874	4,378
Series C	4,043	3,874	
Asset coverage, per \$25,000 liquidation value per share of preferred shares <sup>(11)</sup>	\$ 179,313	\$ 169,383	\$ 265,395
Asset coverage ratio of auction rate senior notes <sup>(10)</sup>	404%	387%	438%
Asset coverage ratio of preferred shares <sup>(12)</sup>	284%	272%	332%

(1) Commencement of operations.

- (2) Information presented relates to a share of common stock outstanding for the entire period.
- (3) The amount is less than \$0.01 per share, and represents the premium on the secondary offering of \$0.14 per share, less the underwriting discounts and offering costs of \$0.14 per share for the year ended November 30, 2005.
- (4) The per common share data for the periods ended November 30, 2005 and 2004, do not reflect the change in estimate of investment income and return of capital, for the respective period.
- (5) Not annualized for periods less than a year. Total investment return is calculated assuming a purchase of common stock at the market price on the first day and a sale at the current market price on the last day of the

**Table of Contents**

period reported. The calculation also assumes reinvestment of dividends at actual prices pursuant to the Company's dividend reinvestment plan. Total investment return does not reflect brokerage commissions.

- (6) Annualized for periods less than one full year.
- (7) The expense ratios and net investment loss ratios do not reflect the effect of dividend payments to preferred stockholders.
- (8) The Company accrued \$27,697,390, \$24,659,420 and \$30,330,018 for the period ended May 31, 2006, for the year ended November 30, 2005 and for the period from February 27, 2004 through November 30, 2004, respectively, for current and deferred income tax expense.
- (9) The ratio excludes net deferred income tax benefit on net investment loss.
- (10) Represents value of total assets less all liabilities and indebtedness not represented by auction rate senior notes and preferred shares at the end of the period divided by auction rate senior notes outstanding at the end of the period.
- (11) Represents value of total assets less all liabilities and indebtedness not represented by preferred shares at the end of the period divided by preferred shares outstanding at the end of the period.
- (12) Represents value of total assets less all liabilities and indebtedness not represented by auction rate senior notes and preferred shares at the end of the period divided by auction rate senior notes and preferred shares outstanding at the end of the period.

See Accompanying Notes to the Financial Statements.

**Table of Contents**

**TORTOISE ENERGY INFRASTRUCTURE CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (Unaudited)**

**May 31, 2006**

**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 dividends paid to shareholders. The Company seeks to provide its shareholders with an efficient vehicle to invest in the energy infrastructure sector. The Company commenced operations on February 27, 2004. The Company's shares are 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. The Company values those securities at their last sale price on that exchange on the valuation date. If the security is listed on more than one exchange, the Company will use the price of the exchange that it generally 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 NASDAQ on such day, the security will be valued at the mean between bid and asked 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, securities with similar yields, quality, type of issue, coupon, duration and rating. If events occur that will 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 a fair value procedure.

The Company generally values short-term 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. Distributions are recorded on the ex-dividend date. Distributions received from the Company's investments in master limited partnerships (MLPs) generally are comprised of ordinary income, capital gains and return of capital from the MLP. The Company records investment

F-10

---

**Table of Contents**

**TORTOISE ENERGY INFRASTRUCTURE CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

income and return of capital based on estimates made at the time such distributions are received. Such estimates are based on historical information available from each MLP and other industry sources. These estimates may subsequently be revised based on information received from MLPs after their tax reporting periods are concluded, as the actual character of these distributions are not known until after the fiscal year-end of the Company.

For the period from December 1, 2004 through November 30, 2005, 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 23 percent as investment income and approximately 77 percent as return of capital.

Subsequent to November 30, 2005, the Company reclassified the amount of investment income and return of capital it recognized based on the 2005 tax reporting information received from the individual MLPs. This reclassification amounted to a decrease in pre-tax net investment income of approximately \$190,000 or \$0.01 per share (\$116,000 or \$0.008 per share, net of deferred tax benefit), and a corresponding increase in unrealized appreciation of investments for the period from December 1, 2005 through May 31, 2006. The reclassification is reflected in the accompanying financial statements.

***D. Dividends to Stockholders***

Dividends to common stockholders are recorded on the ex-dividend date. The character of dividends to common stockholders made during the year may differ from their ultimate characterization for federal income tax purposes. For the year ended November 30, 2005 and the period ended May 31, 2006, the Company's dividends, for book purposes, were comprised entirely of return of capital as a result of the net investment loss incurred by the Company in each reporting period. For the year ended November 30, 2005, for tax purposes, the Company determined the dividends to common stockholders were comprised of 100 percent return of capital.

Dividends to preferred stockholders are based on variable rates set at auctions, normally held every 28 days. Dividends on preferred shares are accrued on a daily basis for the subsequent 28-day period at a rate as determined on the auction date. Dividends on preferred shares are payable every 28 days, on the first day following the end of the dividend period. The character of dividends to preferred stockholders made during the year may differ from their ultimate characterization for federal income tax purposes. For the year ended November 30, 2005 and the period ended May 31, 2006, the Company's dividends, for book purposes, were comprised entirely of return of capital as a result of the net investment loss incurred by the Company in each reporting period. For the year ended November 30, 2005, for tax purposes, the Company determined the dividends to preferred stockholders were comprised of 100 percent return of capital.

***E. Federal Income Taxation***

The Company, as a corporation, is obligated to pay federal and state income tax on its taxable income. 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 will be 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.

***F. Organization Expenses, Offering and Debt Issuance Costs***

The Company is responsible for paying all organizational expenses, which were expensed as incurred. Offering costs related to the issuance of common and preferred stock are charged to additional paid-in capital when the shares are issued. Offering costs (excluding underwriter commissions) of \$164,530 were charged to additional

F-11

---

**Table of Contents**

**TORTOISE ENERGY INFRASTRUCTURE CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

paid-in capital for the MMP II preferred shares issued in July 2005. Debt issuance costs related to the auction rate senior notes are capitalized and amortized over the period the notes are outstanding. The amount of such capitalized costs (excluding underwriter commissions) for Auction Rate Senior Notes Series C issued in April 2005, was \$254,099.

***G. Derivative Financial Instruments***

The Company uses derivative financial instruments (principally interest rate swap contracts) 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 value during the reporting period, and amounts accrued under the agreements, included as unrealized gains or losses in the Statement of Operations. Monthly cash settlements under the terms of the interest rate swap agreements are recorded as realized gains or losses in the Statement of Operations.

***H. Indemnifications***

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

**3. Concentration of Risk**

The Company's investment objective is to seek a high level of total return with an emphasis on current dividends paid to its stockholders. Under normal circumstances, the Company intends to invest at least 90 percent of its total assets in securities of domestic 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. 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 will pay 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) minus the sum of accrued liabilities (other than deferred income taxes, debt entered into for purposes of leverage and the aggregate liquidation preference of outstanding preferred shares) (Managed Assets), in exchange for the investment

advisory services provided. For the period following the commencement of the Company's operations through February 28, 2006, the Adviser agreed to waive or reimburse the Company for fees and expenses in an amount equal to 0.23 percent of the average monthly Managed Assets of the Company. For years ending February 28, 2007, 2008 and 2009, the Adviser has agreed to waive or reimburse the Company for fees and expenses in an amount equal to 0.10 percent of the average monthly Managed Assets of the Company.

F-12

---

**Table of Contents****TORTOISE ENERGY INFRASTRUCTURE CORPORATION****NOTES TO FINANCIAL STATEMENTS (Continued)**

The Company has engaged U.S. Bancorp Fund Services, LLC to serve as the Company's administrator. The Company pays the administrator a monthly fee computed at an annual rate of 0.07 percent of the first \$300 million of the Company's Managed Assets, 0.06 percent on the next \$500 million of Managed Assets and 0.04 percent on the balance of the Company's Managed Assets, subject to a minimum annual fee of \$45,000.

Computershare Investor Services, LLC serves as the Company's transfer agent, dividend paying agent, and agent for the automatic dividend reinvestment 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 0.015 percent on the first \$100 million of the Company's Managed Assets and 0.01 percent on the balance of the Company's Managed Assets, subject to a minimum annual fee of \$4,800.

**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 May 31, 2006 are as follows:

Deferred tax assets:	
Net operating loss carryforwards	\$ 11,904,169
Organization costs	53,371
	11,957,540
Deferred tax liabilities:	
Unrealized gains on investment securities and interest rate swap contracts	82,816,111
Basis reduction of investment in MLPs	11,417,745
	94,233,856
Total net deferred tax liability	\$ 82,276,316

For the period from December 1, 2005 to May 31, 2006, the components of income tax expense include current foreign taxes payable of \$196,251 and deferred federal and state income taxes (net of federal tax benefit) of \$24,680,509 and \$2,820,630, respectively. As of November 30, 2005, the Company had a net operating loss for federal income tax purposes of approximately \$19,171,000. If not utilized, this net operating loss will expire as follows: \$2,833,000 and \$16,338,000 in the years ending November 30, 2024 and 2025, respectively.

Total income tax expense differs from the amount computed by applying the federal statutory income tax rate of 35 percent to net investment income and realized and unrealized gains on investments and interest rate swap contracts before taxes for the period from December 1, 2005 through May 31, 2006, as follows:

Application of statutory income tax rate	\$ 24,747,299
State income taxes, net of federal tax benefit	2,828,263
Other, net	121,828
Total	\$ 27,697,390

At May 31, 2006, the Company did not record a valuation allowance against its deferred tax assets.

F-13

---

**Table of Contents****TORTOISE ENERGY INFRASTRUCTURE CORPORATION****NOTES TO FINANCIAL STATEMENTS (Continued)****6. Restricted Securities**

Certain of the Company's investments are restricted and are valued as determined in accordance with procedures established by the Board of Directors and more fully described in Note 2. The table below shows the number of units held or principal amount, the acquisition dates, acquisition costs, value per unit of such securities and percent of net assets which the securities comprise.

Investment Security		Number of Units or		Acquisition Dates	Acquisition Cost	Value Per Unit	Percent of Net Assets
		Principal Amount					
Plains All American Pipeline, L.P.	Common Units	87,960		3/22/06-4/19/06	\$ 3,736,472	\$ 46.56	0.9%
Inergy, L.P. E.W. Transportation, LLC	Subordinated Units	82,655		9/14/04-2/04/05	2,232,123	23.43	0.4
	Promissory Note	\$ 5,881,375		5/03/04	8,569,500	N/A	1.4
					\$ 14,538,095		2.7%

**7. Investment Transactions**

For the period ended May 31, 2006, the Company purchased (at cost) and sold securities (proceeds) in the amount of \$3,894,147 and \$2,958,785 (excluding short-term debt securities and interest rate swaps), respectively.

**8. Auction Rate Senior Notes**

The Company has issued \$60,000,000, \$50,000,000, and \$55,000,000 aggregate principal amount of auction rate senior notes Series A, Series B, and Series C, respectively (collectively, the Notes). The Notes were issued in denominations of \$25,000. The principal amount of the Notes will be due and payable on July 15, 2044 for Series A and Series B, and April 10, 2045 for Series C. Fair value of the notes approximates carrying amount because the interest rate fluctuates with changes in interest rates available in the current market.

Holders of the Notes are entitled to receive cash interest payments at an annual rate that may vary for each rate period. Interest rates for Series A, Series B, and Series C as of May 31, 2006 were 5.15 percent, 5.28 percent, and 5.25 percent, respectively. The weighted average interest rates for Series A, Series B, and Series C for the period

ended May 31, 2006, were 4.80 percent, 4.85 percent, and 4.77 percent, respectively. These rates include the applicable rate based on the latest results of the auction, plus commissions paid to the auction agent in the amount of 0.25 percent. For each subsequent rate period, the interest rate will be determined by an auction conducted in accordance with the procedures described in the Notes prospectus. Generally, the rate period will be 28 days for Series A and Series B, and 7 days for Series C. The Notes are not listed on any exchange or automated quotation system.

The Notes are redeemable in certain circumstances at the option of the Company. The Notes are also subject to a mandatory redemption if the Company fails to meet an asset coverage ratio required by law, or fails to cure in a timely manner a deficiency as stated in the rating agency guidelines applicable to the Notes.

The Notes are unsecured obligations of the Company and, upon liquidation, dissolution or winding up of the Company, will rank: (1) senior to all the Company's outstanding preferred shares; (2) senior to all of the Company's outstanding common shares; (3) on a 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.

**Table of Contents**

**TORTOISE ENERGY INFRASTRUCTURE CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**9. Preferred Shares**

The Company has 7,500 authorized Money Market Preferred ( MMP ) Shares, of which 2,800 shares (1,400 MMP Shares and 1,400 MMP II Shares) are currently outstanding. The MMP and MMP II Shares have rights determined by the Board of Directors. The MMP and MMP II Shares have a liquidation value of \$25,000 per share plus any accumulated, but unpaid dividends, whether or not declared.

Holders of the MMP and MMP II Shares are entitled to receive cash dividend payments at an annual rate that may vary for each rate period. The dividend rates for MMP and MMP II Shares as of May 31, 2006, were 5.36 percent and 5.30 percent, respectively. The weighted average dividend rates for MMP and MMP II Shares for the period ended May 31, 2006, were 4.88 percent and 4.91 percent, respectively. These rates include the applicable rate based on the latest results of the auction, plus commissions paid to the auction agent in the amount of 0.25 percent. 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 MMP Shares would be less than 200 percent.

The MMP Shares are redeemable in certain circumstances at the option of the Company. The MMP Shares are also subject to a mandatory redemption if the Company fails to meet an asset coverage ratio required by law, or fails to cure a deficiency in a timely manner as stated in the rating agency guidelines.

The holders of MMP and MMP II Shares have voting rights equal to the holders of common stock (one vote per 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.

**10. Interest Rate Swap Contracts**

The Company has entered into interest rate swap contracts to protect itself from increasing interest expense on its leverage resulting from increasing short-term 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. In addition, if the counterparty to the interest rate swap contracts defaults, the Company would not be able to use the anticipated receipts under the swap contracts to offset the interest payments on the Company's leverage. 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 Company failing to maintain a required 300 percent asset coverage of the liquidation value of the outstanding auction rate senior notes or if the Company loses its credit rating on its auction rate senior notes, then the Company could be required to

**Table of Contents****TORTOISE ENERGY INFRASTRUCTURE CORPORATION****NOTES TO FINANCIAL STATEMENTS (Continued)**

make a termination payment, in addition to redeeming all or some of the auction rate senior notes. Details of the interest rate swap contracts outstanding as of May 31, 2006, were as follows:

<b>Counterparty</b>	<b>Maturity Date</b>	<b>Notional Amount</b>	<b>Fixed Rate Paid by the Company</b>	<b>Floating Rate Received by the Company</b>	<b>Unrealized Appreciation</b>
U.S. Bank, N.A	7/10/2007	\$ 60,000,000	3.54%	1 month U.S. Dollar LIBOR	\$ 1,215,473
U.S. Bank, N.A.*	7/05/2011	60,000,000	4.63%	1 month U.S. Dollar LIBOR	1,660,902
U.S. Bank, N.A	7/17/2007	50,000,000	3.56%	1 month U.S. Dollar LIBOR	1,006,337
U.S. Bank, N.A.*	7/12/2011	50,000,000	4.64%	1 month U.S. Dollar LIBOR	1,375,771
U.S. Bank, N.A	5/01/2014	55,000,000	4.54%	1 week U.S. Dollar LIBOR	3,372,946
U.S. Bank, N.A	11/12/2020	35,000,000	5.20%	1 month U.S. Dollar LIBOR	1,427,115
U.S. Bank, N.A	11/18/2020	35,000,000	5.21%	1 month U.S. Dollar LIBOR	1,399,687
		\$ 345,000,000			\$ 11,458,231

\* The Company has entered into additional interest rate swap contracts for Series A and Series B notes with settlements commencing on 7/10/2007 and 7/17/2007, respectively.

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 contract, as no collateral is pledged by the counterparty.

**11. Common Stock**

The Company has 100,000,000 shares of capital stock authorized and 14,944,103 shares outstanding at May 31, 2006. Transactions in common shares for the year ended November 30, 2005 and the period ended May 31, 2006, were as follows:

Shares at November 30, 2004	12,684,154
Shares sold through secondary offering and exercise of overallotment options	2,018,281
Shares issued through reinvestment of dividends	203,080
Shares at November 30, 2005	14,905,515
Shares issued through reinvestment of dividends	38,588
Shares at May 31, 2006	14,944,103

## 12. Subsequent Events

On June 1, 2006, the Company paid a dividend in the amount of \$0.50 per share, for a total of \$7,472,051. Of this total, the dividend reinvestment amounted to \$1,041,172.

On December 9, 2005, the Board of Directors authorized the Company to file a shelf registration statement allowing the Company to issue common stock, auction rate senior notes and money market cumulative preferred shares in an aggregate amount of \$125 million in the event suitable investment opportunities are presented. On June 23, 2006 the shelf registration was declared effective by the Securities and Exchange Commission.

On June 30, 2006, the Company acquired equity portfolio securities through a direct placement with Crosstex Energy, L.P. in the amount of \$20 million. On July 26, 2006, the Company acquired equity portfolio securities through a direct placement with Plains All American Pipeline, L.P. in the amount of \$12 million. These investments were funded by drawing on an unsecured credit facility.

**Table of Contents**

**TORTOISE ENERGY INFRASTRUCTURE CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

On July 24, 2006, the Board of Directors approved an increase in the amount of credit available under an unsecured credit facility from \$20 million to \$60 million.

On July 24, 2006, the Board of Directors approved a policy permitting temporary increases in the amount of leverage the Company may use from 33% of total assets to up to 38% of total assets at the time of incurrence, provided that (i) such leverage is consistent with the limits set forth in the Investment Company Act of 1940, as amended, and (ii) such increased leverage is reduced over time in an orderly fashion.

F-17

---

**Table of Contents**

**Base Prospectus**

**\$125,000,000**  
**Tortoise Energy Infrastructure Corporation**  
**Common Stock**  
**Preferred Stock**  
**Debt Securities**

Tortoise Energy Infrastructure Corporation (the Company, we or our ) is a nondiversified, closed-end management investment company. Our investment objective is to seek a high level of total return with an emphasis on current distributions paid to stockholders. We seek to provide our stockholders with an efficient vehicle to invest in a portfolio of publicly traded master limited partnerships ( MLPs ) in the energy infrastructure sector. Under normal circumstances, we invest at least 90% of our total assets (including assets obtained through leverage) in securities of energy infrastructure companies and invest at least 70% of our total assets in equity securities of MLPs. We cannot assure you that we will achieve our investment objective.

We may offer, from time to time, up to \$125,000,000 aggregate initial offering price of our common stock (\$0.001 par value per share), preferred stock (\$0.001 par value per share) or debt securities, which we refer to in this prospectus collectively as our securities, in one or more offerings. We may offer our common stock, preferred stock and debt securities separately or together, in amounts, at prices and on terms set forth in a prospectus supplement to this prospectus. You should read this prospectus and the related prospectus supplement carefully before you decide to invest in any of our securities.

We may offer our securities directly to one or more purchasers, through agents that we designate from time to time, or to or through underwriters or dealers. The prospectus supplement relating to the particular offering will identify any agents or underwriters involved in the sale of our securities, and will set forth any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. For more information about the manners in which we may offer our securities, see Plan of Distribution. We may not sell any of our securities through agents, underwriters or dealers without delivery of a prospectus supplement.

Our common stock is listed on the New York Stock Exchange under the symbol TYG. As of June 23, 2006, the last reported sale price for our common stock was \$28.11.

**Investing in our securities involves certain risks. You could lose some or all of your investment. See Risk Factors beginning on page 26 of this prospectus. You should consider carefully these risks together with all of the other information contained in this prospectus and any prospectus supplement before making a decision to purchase our securities.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

Prospectus dated June 23, 2006

---

**Table of Contents**

This prospectus, together with any prospectus supplement, sets forth concisely the information that you should know before investing. You should read the prospectus and prospectus supplement, which contain important information, before deciding whether to invest in our securities. You should retain the prospectus and prospectus supplement for future reference. A statement of additional information, dated June 23, 2006, as supplemented from time to time, containing additional information, has been filed with the Securities and Exchange Commission ( SEC ) and is incorporated by reference in its entirety into this prospectus. You may request a free copy of the statement of additional information, the table of contents of which is on page 59 of this prospectus, request a free copy of our annual, semi-annual and quarterly reports, request other information or make stockholder inquiries, by calling toll-free 1-888-728-8784 or by writing to us at 10801 Mastin Boulevard, Suite 222, Overland Park, Kansas 66210. Our annual, semi-annual and quarterly reports and the statement of additional information also are available on our investment adviser s website at [www.tortoiseadvisors.com](http://www.tortoiseadvisors.com). Information included on our website does not form part of this prospectus. You can review and copy documents we have filed at the SEC s Public Reference Room in Washington, D.C. Call 1-202-551-5850 for information. The SEC charges a fee for copies. You can get the same information free from the SEC s website (<http://www.sec.gov>). You may also e-mail requests for these documents to [publicinfo@sec.gov](mailto:publicinfo@sec.gov) or make a request in writing to the SEC s Public Reference Section, 100 F. Street, N.E., Room 1580, Washington, D.C. 20549.

Our securities do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution and is not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

---

## TABLE OF CONTENTS

<u>Prospectus Summary</u>	1
<u>Summary of Company Expenses</u>	8
<u>Financial Highlights</u>	10
<u>Senior Securities</u>	12
<u>Market and Net Asset Value Information</u>	13
<u>Use of Proceeds</u>	15
<u>The Company</u>	16
<u>Investment Objective and Principal Investment Strategies</u>	16
<u>Leverage</u>	23
<u>Risk Factors</u>	26
<u>Management of the Company</u>	34
<u>Closed-End Company Structure</u>	36
<u>Certain Federal Income Tax Matters</u>	37
<u>Determination of Net Asset Value</u>	42
<u>Automatic Dividend Reinvestment Plan</u>	42
<u>Description of Securities</u>	44
<u>Rating Agency Guidelines</u>	52
<u>Certain Provisions in the Company's Charter and Bylaws</u>	53
<u>Plan of Distribution</u>	55
<u>Administrator and Custodian</u>	58
<u>Legal Matters</u>	58
<u>Intellectual Property Rights</u>	58
<u>Available Information</u>	58
<u>Table of Contents of the Statement of Additional Information</u>	59

**You should rely only on the information contained or incorporated by reference in this prospectus and any related prospectus supplement in making your investment decisions. We have not authorized any other person to provide you with different or inconsistent information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus and any prospectus supplement do not constitute an offer to sell or solicitation of an offer to buy any securities in any jurisdiction where the offer or sale is not permitted. The information appearing in this prospectus and in any prospectus supplement is accurate only as of the dates on their covers. Our business, financial condition and prospects may have changed since such dates. We will advise investors of any material changes to the extent required by applicable law.**

**Table of Contents**

**PROSPECTUS SUMMARY**

*The following summary contains basic information about us and our securities. It is not complete and may not contain all of the information you may want to consider. You should review the more detailed information contained in this prospectus and in any related prospectus supplement and in the statement of additional information, especially the information set forth under the heading Risk Factors beginning on page 26 of this prospectus.*

**The Company**

We are a nondiversified, closed-end management investment company. Our investment objective is to seek a high level of total return with an emphasis on current distributions paid to stockholders. For purposes of our investment objective, total return includes capital appreciation of, and all distributions received from, securities in which we invest regardless of the tax character of the distributions. We seek to provide our stockholders with an efficient vehicle to invest in a portfolio of publicly traded master limited partnerships ( MLPs ) in the energy infrastructure sector. We have a fiscal year ending November 30.

We commenced operations in February 2004 following our initial public offering. We were the first publicly traded investment company offering access to a portfolio of MLPs. Since that time, we completed an additional offering of common stock in December 2004. As of the date of this prospectus, we have two series of Money Market Cumulative Preferred (MMP®) Shares ( MMP Shares ) and three series of Auction Rate Senior Notes ( Tortoise Notes ) outstanding.

**Investment Adviser**

Tortoise Capital Advisors, L.L.C. (the Adviser ) serves as our investment adviser. The Adviser specializes in managing portfolios of investments in MLPs and other energy infrastructure companies. The Adviser was formed in October 2002 to provide portfolio management services to institutional and high-net-worth investors seeking professional management of their MLP investments. As of May 31, 2006, the Adviser had approximately \$1.7 billion of client assets under management. The Adviser's investment committee is comprised of five portfolio managers. See Management of the Company.

The Adviser also serves as investment adviser to Tortoise Energy Capital Corporation ( TYY ) and Tortoise North American Energy Corporation ( TYN ), which are recently organized, nondiversified, closed-end management investment companies. TYY, which commenced operations on May 31, 2005, invests primarily in equity securities of MLPs and their affiliates in the energy infrastructure sector. TYN, which commenced operations on October 31, 2005, invests primarily in equity securities of companies in the energy sector whose primary operations are in North America. In December 2005, the Adviser began managing the investments of Tortoise Capital Resources Corporation ( TTO ). TTO is a private investment fund created to invest primarily in privately held and micro-cap public companies in the U.S. energy infrastructure sector.

The principal business address of the Adviser is 10801 Mastin Boulevard, Suite 222, Overland Park, Kansas 66210.

**The Offering**

We may offer, from time to time, up to \$125,000,000 of our securities, on terms to be determined at the time of the offering. We will offer our securities at prices and on terms to be set forth in one or more supplements to this prospectus. Subject to certain conditions, offerings of our common stock may be at prices below our net asset value ( NAV ). Preferred stock and debt securities (collectively, senior securities ) may be auction rate securities, in which

case the senior securities will not be listed on any exchange or automated quotation system. Rather, investors generally may only buy and sell senior securities through an auction conducted by an auction agent and participating broker-dealers.

While the number and amount of securities we may issue pursuant to this registration statement is limited to \$125,000,000 of securities, our board of directors (the Board of Directors or the Board ) may, without any action by the stockholders, amend our Charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue.

## **Table of Contents**

We may offer our securities directly to one or more purchasers, through agents that we designate from time to time, or to or through underwriters or dealers. The prospectus supplement relating to the offering will identify any agents or underwriters involved in the sale of our securities, and will set forth any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See Plan of Distribution. We may not sell any of our securities through agents, underwriters or dealers without delivery of a prospectus supplement describing the method and terms of the offering of our securities.

## **Use of Proceeds**

Unless otherwise specified in a prospectus supplement, we intend to use the net proceeds from the sale of our securities primarily to invest in energy infrastructure companies in accordance with our investment objective and policies within approximately 3 months of receipt of such proceeds. We also may use sale proceeds for working capital purposes, including the payment of distributions, interest and operating expenses, although there is currently no intent to issue securities primarily for this purpose.

## **Tax Status of Company**

Unlike most investment companies, we have not elected to be treated as a regulated investment company under the U.S. Internal Revenue Code of 1986, as amended (the Internal Revenue Code). Therefore, we are obligated to pay federal and applicable state corporate taxes on our taxable income. On the other hand, we are not subject to the Internal Revenue Code's diversification rules limiting the assets in which regulated investment companies can invest. Under current federal income tax law, these rules limit the amount that regulated investment companies may invest directly in the securities of MLPs to 25% of the value of their total assets. We invest a substantial portion of our assets in MLPs. Although MLPs generate taxable income to us, we expect the MLPs to pay cash distributions in excess of the taxable income reportable by us. Similarly, we expect to distribute substantially all of our distributable cash flow ( DCF ) (generally, cash from operations less certain operating expenses and reserves) to our common stockholders. However, unlike regulated investment companies, we are not effectively required by the Internal Revenue Code to distribute substantially all of our income and capital gains. See Certain Federal Income Tax Matters.

## **Distributions**

We expect to distribute substantially all of our DCF to holders of common stock through quarterly distributions. DCF is the amount we receive as cash or paid-in-kind distributions from MLPs or their affiliates, and interest payments received on debt securities owned by us, less current or anticipated operating expenses, taxes on our taxable income, and leverage costs paid by us (including leverage costs of the Tortoise Notes and MMP Shares). Our Board of Directors adopted a policy to target distributions to common stockholders in an amount of at least 95% of DCF on an annual basis. We will pay distributions on our common stock each fiscal quarter out of DCF, if any. As of the date of this prospectus, we have paid distributions every quarter since inception. There is no assurance that we will continue to make regular distributions. If distributions paid to holders of our common and preferred stock exceed the current and accumulated earnings and profit allocated to the particular shares held by a stockholder, the excess of such distribution will constitute a tax-free return of capital to the extent of the stockholder's basis and capital gain thereafter. A return of capital reduces the basis of the shares held by a stockholder, which may increase the amount of gain recognized upon the sale of such shares. Our preferred stock and debt securities will pay dividends and interest, respectively, in accordance with their terms. So long as we have preferred stock and debt securities outstanding, we may not declare dividends on common or preferred stock unless we meet applicable asset coverage tests.

## **Principal Investment Policies**

Under normal circumstances, we invest at least 90% of our total assets (including assets we obtain through leverage) in securities of energy infrastructure companies and invest at least 70% of our total assets in equity securities of MLPs. Energy infrastructure companies engage in the business of transporting, processing, storing, distributing or marketing natural gas, natural gas liquids (primarily propane), coal, crude oil or refined petroleum

## **Table of Contents**

products, or exploring, developing, managing or producing such commodities. We invest solely in energy infrastructure companies organized in the United States. All publicly traded companies in which we invest have an equity market capitalization greater than \$100 million.

Although we also may invest in equity and debt securities of energy infrastructure companies that are organized and/or taxed as corporations, it is likely that any such investments will be in debt securities because the dividends from equity securities of such corporations typically do not meet our investment objective. We also may invest in securities of general partners or other affiliates of MLPs and private companies operating energy infrastructure assets.

We have adopted the following additional nonfundamental investment policies:

We may invest up to 30% of our total assets in restricted securities, primarily through direct placements. Subject to this policy, we may invest without limitation in illiquid securities. The types of restricted securities that we may purchase include securities of private energy infrastructure companies and privately issued securities of publicly traded energy infrastructure companies. Restricted securities, whether issued by public companies or private companies, are generally considered illiquid. Investments in private companies that do not have any publicly traded shares or units are limited to 5% of total assets.

We may invest up to 25% of our total assets in debt securities of energy infrastructure companies, including securities rated below investment grade (commonly referred to as junk bonds). Below investment grade debt securities will be rated at least B3 by Moody's Investors Service, Inc. (Moody's) and at least B- by Standard & Poor's Ratings Group (S&P) at the time of purchase, or comparably rated by another statistical rating organization or if unrated, determined to be of comparable quality by the Adviser.

We will not invest more than 10% of total assets in any single issuer.

We will not engage in short sales.

We may change our nonfundamental investment policies without stockholder approval and will provide notice to stockholders of material changes (including notice through stockholder reports); provided, however, that a change in the policy of investing at least 90% of our total assets in energy infrastructure companies requires at least 60 days prior written notice to stockholders. Unless otherwise stated, all investment restrictions apply at the time of purchase and we will not be required to reduce a position due solely to market value fluctuations. The term total assets includes assets obtained through leverage for the purpose of each investment restriction.

Under adverse market or economic conditions, we may invest up to 100% of our total assets in securities issued or guaranteed by the U.S. Government or its instrumentalities or agencies, short-term debt securities, certificates of deposit, bankers' acceptances and other bank obligations, commercial paper rated in the highest category by a rating agency or other fixed income securities deemed by the Adviser to be consistent with a defensive posture (collectively, short-term securities), or we may hold cash. To the extent we invest in short-term securities or cash for defensive purposes, such investments are inconsistent with, and may result in us not achieving, our investment objective.

We also may invest in short-term securities or cash pending investment of offering proceeds to meet working capital needs including, but not limited to, for collateral in connection with certain investment techniques, to hold a reserve pending payment of distributions, and to facilitate the payment of expenses and settlement of trades. The yield on such securities may be lower than the returns on MLPs or yields on lower rated fixed income securities.

## **Use of Leverage by the Company**

The issuance of preferred stock and debt securities represents the leveraging of our common stock. The issuance of additional common stock will enable us to increase the aggregate amount of our leverage. Currently, we are using leverage and anticipate continuing to use leverage to represent approximately 33% of our total assets, including the proceeds of such leverage. However, we reserve the right at any time, if we believe that market conditions are appropriate, to use financial leverage to the extent permitted by the Investment Company Act of 1940, as amended (the "1940 Act") (50% of total assets for preferred stock and 33 1/3% of total assets for debt securities). The timing and terms of any leverage transactions will be determined by our Board of Directors.

## **Table of Contents**

The use of leverage creates an opportunity for increased income and capital appreciation for common stockholders, but at the same time, it creates special risks that may adversely affect common stockholders. Because the Adviser's fee is based upon a percentage of our Managed Assets (as defined below), the Adviser's fee is higher when we are leveraged. Therefore, the Adviser has a financial incentive to use leverage, which will create a conflict of interest between the Adviser and our common stockholders. There can be no assurance that a leveraging strategy will be successful during any period in which it is used. The use of leverage involves risks, which can be significant. See [Leverage](#) and [Risk Factors](#) [Additional Risks to Common Stockholders](#) [Leverage Risk](#).

We currently use, and may in the future use, interest rate transactions for hedging purposes only, in an attempt to reduce the interest rate risk arising from our leveraged capital structure. We do not intend to hedge the interest rate risk of our portfolio holdings. Interest rate transactions that we may use for hedging purposes may expose us to certain risks that differ from the risks associated with our portfolio holdings. See [Leverage](#) [Hedging Transactions](#) and [Risk Factors](#) [Company Risks](#) [Hedging Strategy Risk](#).

## **Conflicts of Interest**

Conflicts of interest may arise from the fact that the Adviser and its affiliates carry on substantial investment activities for other clients, in which we have no interest. The Adviser or its affiliates may have financial incentives to favor certain of these accounts over us. Any of their proprietary accounts or other customer accounts may compete with us for specific trades. The Adviser or its affiliates may give advice and recommend securities to, or buy or sell securities for, other accounts and customers, which advice or securities recommended may differ from advice given to, or securities recommended or bought or sold for, us, even though their investment objectives may be the same as, or similar to, our objectives.

Situations may occur when we could be disadvantaged because of the investment activities conducted by the Adviser and its affiliates for their other accounts. Such situations may be based on, among other things, the following: (1) legal or internal restrictions on the combined size of positions that may be taken for us or the other accounts, thereby limiting the size of our position; (2) the difficulty of liquidating an investment for us or the other accounts where the market cannot absorb the sale of the combined position; or (3) limits on co-investing in private placement securities under the 1940 Act. Our investment opportunities may be limited by affiliations of the Adviser or its affiliates with energy infrastructure companies. See [Investment Objective and Principal Investment Strategies](#) [Conflicts of Interest](#).

## **Company Risks**

Our NAV, our ability to make distributions, our ability to service debt securities and preferred stock, and our ability to meet asset coverage requirements depends on the performance of our investment portfolio. The performance of our investment portfolio is subject to a number of risks, including the following:

*Concentration Risk.* Under normal circumstances, we concentrate our investments in the energy infrastructure sector, with an emphasis on securities issued by MLPs. The primary risks inherent in the energy infrastructure industry include the following: (1) the performance and level of distributions of MLPs can be affected by direct and indirect commodity price exposure, (2) a decrease in market demand for natural gas or other energy commodities could adversely affect MLP revenues or cash flows, (3) energy infrastructure assets deplete over time and must be replaced, and (4) a rising interest rate environment could increase an MLP's cost of capital.

*Industry Specific Risk.* Energy infrastructure companies also are subject to risks specific to the industry they serve. For risks specific to the pipeline, processing, propane and coal industries, see [Risk Factors](#) [Company Risks](#) [Industry Specific Risk](#).

*MLP Risk.* We invest primarily in equity securities of MLPs. As a result, we are subject to the risks associated with an investment in MLPs, including cash flow risk and tax risk. Cash flow risk is the risk that MLPs will not make distributions to holders (including us) at anticipated levels or that such distributions will not have the expected tax character. MLPs also are subject to tax risk, which is the risk that MLPs might lose their partnership status for tax purposes.

**Table of Contents**

*Equity Securities Risk.* MLP common units and other equity securities can be affected by macro economic and other factors affecting the stock market in general, expectations of interest rates, investor sentiment towards MLPs or the energy sector, changes in a particular issuer's financial condition, or unfavorable or unanticipated poor performance of a particular issuer (in the case of MLPs, generally measured in terms of DCF). Prices of common units of individual MLPs and other equity securities also can be affected by fundamentals unique to the partnership or company, including size, earnings power, coverage ratios and characteristics and features of different classes of securities. See Risk Factors Company Risks Equity Securities Risk.

*Hedging Strategy Risk.* We currently use, and may in the future use, interest rate transactions for hedging purposes only, in an attempt to reduce the interest rate risk arising from our leveraged capital structure. Interest rate transactions that we may use for hedging purposes, such as swaps, caps and floors, will expose us to certain risks that differ from the risks associated with our portfolio holdings. See Risk Factors Company Risks Hedging Strategy Risk.

*Competition Risk.* At the time we completed our initial public offering in February 2004, we were the only publicly traded investment company offering access to a portfolio of energy infrastructure MLPs. Since that time a number of alternative vehicles for investment in a portfolio of energy infrastructure MLPs, including other publicly traded investment companies and private funds, have emerged. In addition, recent tax law changes have increased the ability of regulated investment companies or other institutions to invest in MLPs. These competitive conditions may adversely impact our ability to meet our investment objective, which in turn could adversely impact our ability to make interest or dividend payments.

*Restricted Security Risk.* We may invest up to 30% of total assets in restricted securities, primarily through direct placements. Restricted securities are less liquid than securities traded in the open market because of statutory and contractual restrictions on resale. Such securities are, therefore, unlike securities that are traded in the open market, which can be expected to be sold immediately if the market is adequate. This lack of liquidity creates special risks for us. See Risk Factors Company Risks Restricted Security Risk.

*Liquidity Risk.* Certain MLP securities may trade less frequently than those of other companies due to their smaller capitalizations. Investments in securities that are less actively traded or over time experience decreased trading volume may be difficult to dispose of when we believe it is desirable to do so, may restrict our ability to take advantage of other opportunities, and may be more difficult to value.

*Valuation Risk.* We may invest up to 30% of total assets in restricted securities, which are subject to restrictions on resale. The value of such investments ordinarily will be based on fair valuations determined by the Adviser pursuant to procedures adopted by the Board of Directors. Restrictions on resale or the absence of a liquid secondary market may affect adversely our ability to determine NAV. The sale price of securities that are restricted or otherwise are not readily marketable may be higher or lower than our most recent valuations.

*Nondiversification Risk.* We are a nondiversified investment company under the 1940 Act and we are not a regulated investment company under the Internal Revenue Code. Accordingly, there are no limits under the 1940 Act or Internal Revenue Code with respect to the number or size of issuers held by us and we may invest more assets in fewer issuers as compared to a diversified fund.

*Management Risk.* The Adviser was formed in October 2002 to provide portfolio management services to institutional and high-net worth investors seeking professional management of their MLP investments. The Adviser has been managing our portfolio since we began operations in February 2004. The Adviser has seventeen full-time employees, but also relies on the officers, employees, and resources of its affiliate, Fountain Capital Management, L.L.C. ( Fountain Capital ) and its affiliates, for certain functions.

See [Risk Factors](#) [Company Risks](#) for a more detailed discussion of these and other risks of investing in our securities.

## **Table of Contents**

### **Additional Risks to Common Stockholders**

*Leverage Risk.* We are currently leveraged and intend to continue to use leverage primarily for investment purposes. Leverage, which is a speculative technique, could cause us to lose money and can magnify the effect of any losses. There is no assurance that a leveraging strategy will be successful. Currently, we anticipate using leverage to represent approximately 33% of our total assets, including the proceeds from such leverage. However, we reserve the right at any time, if we believe that market conditions are appropriate, to use financial leverage to the extent permitted by the 1940 Act (50% for preferred stock and 331/3% for debt securities).

*Market Impact Risk.* The sale of our common stock (or the perception that such sales may occur) may have an adverse effect on prices in the secondary market for our common stock by increasing the number of shares available, which may put downward pressure on the market price for our common stock. Our ability to sell shares of common stock below NAV may increase this pressure. These sales also might make it more difficult for us to sell additional equity securities in the future at a time and price we deem appropriate.

*Dilution Risk.* The voting power of current stockholders will be diluted to the extent that such stockholders do not purchase shares in any future common stock offerings or do not purchase sufficient shares to maintain their percentage interest. In addition, if we sell shares of common stock below NAV, our NAV will fall immediately after such issuance. See [Description of Securities](#) [Common Stock](#) [Issuance of Additional Shares](#) which includes a table reflecting the dilutive effect of selling our common stock below NAV.

If we are unable to invest the proceeds of such offering as intended, our per share distribution may decrease and we may not participate in market advances to the same extent as if such proceeds were fully invested as planned.

*Market Discount Risk.* Our common stock has a limited trading history and has traded both at a premium and at a discount in relation to NAV. We cannot predict whether our shares will trade in the future at a premium or discount to NAV.

See [Risk Factors](#) [Additional Risks to Common Stockholders](#) for a more detailed discussion of these risks.

### **Additional Risks to Senior Security Holders**

*Additional risks of investing in senior securities, which will likely be auction rate securities, include the following:*

*Interest Rate Risk.* To the extent that senior securities trade through an auction, such securities pay dividends or interest based on short-term interest rates. If short-term interest rates rise, dividends or interest on the auction rate senior securities may rise so that the amount of dividends or interest due to holders of auction rate senior securities would exceed the cash flow generated by our portfolio securities. This might require that we sell portfolio securities at a time when we would otherwise not do so, which may affect adversely our future ability to generate cash flow. In addition, rising market interest rates could impact negatively the value of our investment portfolio, reducing the amount of assets serving as asset coverage for the senior securities.

*Senior Leverage Risk.* Our preferred stock will be junior in liquidation and with respect to distribution rights to our debt securities and any other borrowings. Senior securities representing indebtedness may constitute a substantial lien and burden on preferred stock by reason of their prior claim against our income and against our net assets in liquidation. We may not be permitted to declare dividends or other distributions with respect to any series of our preferred stock unless at such time we meet applicable asset coverage requirements and the payment of principal or interest is not in default with respect to the Tortoise Notes or any other borrowings.

*Ratings and Asset Coverage Risk.* To the extent that senior securities are rated, a rating does not eliminate or necessarily mitigate the risks of investing in our senior securities, and a rating may not fully or accurately reflect all of the credit and market risks associated with that senior security. A rating agency could downgrade the rating of our shares of preferred stock or debt securities, which may make such securities less liquid at an auction or in the secondary market, though probably with higher resulting interest rates. If a rating agency downgrades the rating assigned to a senior security, we may alter our portfolio or redeem the senior security. We may voluntarily redeem a senior security under certain circumstances.

**Table of Contents**

*Inflation Risk.* Inflation is the reduction in the purchasing power of money resulting from an increase in the price of goods and services. Inflation risk is the risk that the inflation adjusted or real value of an investment in preferred stock or debt securities or the income from that investment will be worth less in the future. As inflation occurs, the real value of the preferred stock or debt securities and the dividend payable to holders of preferred stock or debt securities declines.

*Auction Risk.* To the extent that senior securities trade through an auction, there are certain risks associated with participating in an auction and certain risks if you try to sell senior securities outside of an auction in the secondary market. These risks will be described in more detail in an applicable prospectus supplement if we issue senior securities pursuant to this registration statement.

*Decline in Net Asset Value Risk.* A material decline in our NAV may impair our ability to maintain required levels of asset coverage for our preferred stock or debt securities.

See Risk Factors Additional Risks to Senior Security Holders for a more detailed discussion of these risks.

**Table of Contents****SUMMARY OF COMPANY EXPENSES**

The following table contains information about the costs and expenses that common stockholders will bear directly or indirectly. In accordance with SEC requirements, the table below shows our expenses, including leverage costs, as a percentage of our average net assets, and not as a percentage of gross assets or Managed Assets. By showing expenses as a percentage of average net assets, expenses are not expressed as a percentage of all of the assets we invest. The table is based on our capital structure as of February 28, 2006. As of that date, we had \$235 million in senior securities outstanding (MMP Shares with an aggregate liquidation preference of \$70 million and Tortoise Notes in an aggregate principal amount of \$165 million). Such senior securities represent 32.7% of total assets as of February 28, 2006.

**Stockholder Transaction Expense**

Sales Load (as a percentage of offering price)	(1)
Offering Expenses Borne by the Company (as a percentage of offering price)	(1)
Dividend Reinvestment Plan Fees <sup>(2)</sup>	None

<b>Annual Expenses</b>	<b>Percentage of Net Assets Attributable to Common Stockholders</b>
Management Fee	1.62%
Leverage Costs <sup>(3)</sup>	2.62%
Other Expenses <sup>(4)</sup>	0.34%
Total Annual Expenses <sup>(5)</sup>	4.58%
Less Fee and Expense Reimbursement (through 2/28/09) <sup>(6)</sup>	(0.17)%
Net Annual Expenses <sup>(5)</sup>	4.41%

- (1) If the securities to which this prospectus relates are sold to or through underwriters, the prospectus supplement will set forth any applicable sales load and the estimated offering expenses borne by us.
- (2) Stockholders will pay a transaction fee plus brokerage charges if they direct the Plan Agent to sell common stock held in a dividend reinvestment account. See Automatic Dividend Reinvestment Plan.
- (3) Leverage Costs in the table reflect the weighted average cost of MMP Shares and Tortoise Notes, expressed as a percentage of average net assets. Because Tortoise Notes and MMP Shares were fully hedged under swap agreements as of February 28, 2006, the Leverage Costs are based on the rates payable under the swap agreements as of February 28, 2006. As of that date, the interest payable on Tortoise Notes exceeded the interest payable under the swap agreements. As of February 28, 2006, the interest payable under the swap agreements exceeded the dividends payable on MMP Shares.

- (4) Other Expenses are based on estimated amounts for the current fiscal year and do not include the expenses of leverage. Other Expenses do not include income tax expense (benefit) related to realized or unrealized investment and interest rate swap gains or losses.
- (5) If the Total Annual Expenses and Net Annual Expenses of the Company were expressed as a percentage of average Managed Assets (assuming \$235 million in leverage), Total Annual Expenses would be 2.68% and the Net Annual Expenses would be 2.58%.
- (6) Beginning March 1, 2006, the Adviser has contractually agreed to reimburse us for expenses in an amount equal to 0.10% of our average monthly Managed Assets, which represents 0.17% of our average net assets as of February 28, 2006. The management fee and reimbursement are expressed as a percentage of average net assets in the table. Because holders of preferred stock and debt securities do not bear management fees and other expenses, the cost to common stockholders increases as leverage increases.

The purpose of the table above and the example below is to help investors understand the fees and expenses that they, as common stockholders, would bear directly or indirectly. For additional information with respect to our expenses, see Management of the Company.

**Table of Contents****Example:**

The following example illustrates the expenses that common stockholders would pay on a \$1,000 investment in common stock, assuming (1) total annual expenses of 4.41% of average net assets attributable to common shares in years 1 through 3 and increasing to 4.58% in years 4 through 10; and (2) a 5% annual return:(1)

	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
Total Expenses Paid by Common Stockholders <sup>(2)(3)</sup>	\$ 44	\$ 133	\$ 227	\$ 465

- (1) This example also assumes that (1) we have issued \$235 million in senior securities; (2) the estimated Other Expenses set forth in the fee table are accurate; (3) all distributions are reinvested at NAV; and (4) the cost of leverage is 2.62%. The cost of leverage is expressed as a percentage and represents the weighted average rates payable under the swap agreements on Tortoise Notes and MMP Shares. Without leverage, the 1 year, 3 years, 5 years and 10 years expenses would be \$18, \$56, \$101, and \$224, respectively. **The example should not be considered a representation of future expenses. Actual expenses may be greater or less than those assumed. Moreover, our actual rate of return may be greater or less than the hypothetical 5% return shown in the example.**
- (2) Assumes reimbursement of expenses of 0.17% of average net assets in years one through three. The Adviser has not agreed to reimburse expenses for any year beyond 2009.
- (3) The example above does not include sales loads or estimated offering costs.

**Table of Contents****FINANCIAL HIGHLIGHTS**

Information contained in the table below under the heading Per Common Share Data and Supplemental Data and Ratios shows our per common share operating performance. Except when noted, the information in this table is derived from our financial statements audited by Ernst & Young LLP, whose report on such financial statements is contained in the statement of additional information and is available from us.

	<b>Period from December 1, 2005 through February 28, 2006 (Unaudited)</b>	<b>Year Ended November 30, 2005</b>	<b>Period from February 27, 2004<sup>(1)</sup> through November 30, 2004</b>
<b>Per Common Share Data<sup>(2)</sup></b>			
Net Asset Value, beginning of period	\$ 27.12	\$ 26.53	\$ 25.00
Public offering price			25.00
Underwriting discounts and offering costs on initial public offering			(1.17)
Underwriting discounts and offering costs on issuance of preferred shares		(0.02)	(0.06)
Premiums and underwriting discounts and offering costs on secondary offering <sup>(3)</sup>			
Income (loss) from Investment Operations:			
Net investment loss <sup>(4)</sup>	(0.04)	(0.16)	(0.03)
Net realized and unrealized gain on investments <sup>(4)</sup>	1.00	2.67	3.77
Total increase from investment operations	0.96	2.51	3.74
Less Dividends to Preferred Stockholders:			
Net investment income			
Return of capital	(0.05)	(0.11)	(0.01)
Total dividends to preferred stockholders	(0.05)	(0.11)	(0.01)
Less Dividends to Common Stockholders:			
Net investment income			
Return of capital	(0.48)	(1.79)	(0.97)
Total dividends to common stockholders	(0.48)	(1.79)	(0.97)
Net Asset Value, end of period	\$ 27.55	\$ 27.12	\$ 26.53

Edgar Filing: TORTOISE ENERGY INFRASTRUCTURE CORP - Form 497

Per common share market value, end of period	\$	29.42	\$	28.72	\$	27.06
Total Investment Return Based on Market Value <sup>(5)</sup>		4.22%		13.06%		12.51%

**Supplemental Data and Ratios**

Net assets applicable to common stockholders, end of period (000 s)	\$	410,642		404,274		336,553
Ratio of expenses (including current and deferred income tax expense) to average net assets before waiver: <sup>(6)(7)(8)</sup>		12.97%		9.10%		15.20%
Ratio of expenses (including current and deferred income tax expense) to average net assets after waiver: <sup>(6)(7)(8)</sup>		12.58%		8.73%		14.92%

**Table of Contents**

	<b>Period from December 1, 2005 through February 28, 2006 (Unaudited)</b>	<b>Year Ended November 30, 2005</b>	<b>Period from February 27, 2004<sup>(1)</sup> through November 30, 2004</b>
Ratio of expenses (excluding current and deferred income tax expense) to average net assets before waiver: <sup>(6)(7)(8)</sup>	3.96%	3.15%	2.01%
Ratio of expenses (excluding current and deferred income tax expense) to average net assets after waiver: <sup>(6)(7)(8)</sup>	3.57%	2.78%	1.73%
Ratio of expenses (excluding current and deferred income tax expense), without regard to non-recurring organizational expenses, to average net assets before waiver: <sup>(6)(7)(8)</sup>	3.96%	3.15%	1.90%
Ratio of expenses (excluding current and deferred income tax expense), without regard to non-recurring organizational expenses, to average net assets after waiver: <sup>(6)(7)(8)</sup>	3.57%	2.78%	1.62%
Ratio of net investment loss to average net assets before waiver: <sup>(6)(7)(9)</sup>	(1.30)%	(1.42)%	(0.45)%
Ratio of net investment loss to average net assets after waiver: <sup>(6)(7)(9)</sup>	(0.91)%	(1.05)%	(0.17)%
Ratio of net investment loss to average net assets after current and deferred income tax expense, before waiver: <sup>(6)(8)</sup>	(10.31)%	(7.37)%	(13.37)%
Ratio of net investment loss to average net assets after current and deferred income tax expense, after waiver: <sup>(6)(8)</sup>	(9.92)%	(7.00)%	(13.65)%
Portfolio turnover rate	0.02%	4.92%	1.39%
Tortoise Auction Rate Senior Notes, end of period (000 s)	\$ 165,000	\$ 165,000	\$ 110,000
Tortoise Preferred Shares, end of period (000 s)	\$ 70,000	\$ 70,000	\$ 35,000
Per common share amount of auction rate senior notes outstanding at end of period	\$ 11.07	\$ 11.07	\$ 8.67
Per common share amount of net assets, excluding auction rate senior notes, at end of period	\$ 38.62	\$ 38.19	\$ 35.21
Asset coverage, per \$1,000 of principal amount of auction rate senior notes			
Series A	\$ 3,913	\$ 3,874	\$ 4,378
Series B	\$ 3,913	\$ 3,874	\$ 4,378
Series C	\$ 3,913	\$ 3,874	\$

Asset coverage, per \$25,000 liquidation value per share of preferred shares	\$	171,658	\$	169,383	\$	265,395
Asset coverage ratio of auction rate senior notes <sup>(10)</sup>		391%		387%		438%
Asset coverage ratio of MMP shares <sup>(11)</sup>		275%		272%		332%

- (1) Commencement of Operations.
- (2) Information presented relates to a share of common stock outstanding for the entire period.
- (3) The amount is less than \$0.01 per share, and represents the premium on the secondary offering of \$0.14 per share, less the underwriting discounts and offering costs of \$0.14 per share for the year ending November 30, 2005.

**Table of Contents**

- (4) The per common share data for the period ended November 30, 2004, do not reflect the change in estimate of investment income and return of capital. See note 2 of the Accompanying Notes to the Financial Statements.
- (5) Not Annualized for periods less than a year. Total investment return is calculated assuming a purchase of common stock at the market price on the first day and a sale at the current market price on the last day of the period reported. The calculation also assumes reinvestment of dividends at actual prices pursuant to the Company's dividend reinvestment plan. Total investment return does not reflect brokerage commissions.
- (6) Annualized for periods less than one full year.
- (7) The expense ratios and net investment ratios do not reflect the effect of dividend payments to preferred stockholders.
- (8) The Company accrued \$24,659,420 and \$30,330,018 for the year ended November 30, 2005 and for the period from February 27, 2004 through November 30, 2004, respectively, in current and deferred income taxes.
- (9) The ratio excludes net deferred income tax benefit on net investment income.
- (10) Represents value of total assets less all liabilities and indebtedness not represented by auction rate senior notes and MMP shares at the end of the period divided by auction rate senior notes outstanding at the end of the period.
- (11) Represents value of total assets less all liabilities and indebtedness not represented by auction rate senior notes and MMP shares at the end of the period, divided by the sum of auction rate senior notes and MMP shares outstanding at the end of the period.

See Accompanying Notes to the Financial Statements.

**SENIOR SECURITIES**

The following table sets forth information about our outstanding senior securities as of February 28, 2006:

Title of Security	Total Principal Amount/Liquidation Preference Outstanding	Asset Coverage per \$1,000 of Principal Amount	Asset Coverage per Share (\$25,000 Liquidation Preference)	Average Fair Value per \$25,000 Denomination or Per Share Amount <sup>(1)</sup>
Tortoise Notes:				
Series A	\$ 60,000,000	\$ 3,913		\$ 25,000
Series B	\$ 50,000,000	\$ 3,913		\$ 25,000
Series C	\$ 55,000,000	\$ 3,913		\$ 25,000

Edgar Filing: TORTOISE ENERGY INFRASTRUCTURE CORP - Form 497

	\$	165,000,000			
MMP Shares Series I (1,400 shares)	\$	35,000,000	\$	171,658	\$ 25,000
Series II (1,400 shares)	\$	35,000,000	\$	171,658	\$ 25,000
	\$	70,000,000			
	\$	235,000,000			

- (1) Fair value of the Tortoise Notes and MMP Shares approximates the principal amount and liquidation preference, respectively, because the interest and dividend rates payable on Tortoise Notes and MMP Shares are determined at auctions and fluctuate with changes in prevailing market interest rates.

**Table of Contents**

**MARKET AND NET ASSET VALUE INFORMATION**

Our common stock is listed on the New York Stock Exchange ( NYSE ) under the symbol TYG. Shares of our common stock commenced trading on the NYSE on February 25, 2004.

Our common stock has a limited trading history and has traded both at a premium and at a discount in relation to NAV. We cannot predict whether our shares will trade in the future at a premium or discount to NAV. The provisions of the 1940 Act generally require that the public offering price of common stock (less any underwriting commissions and discounts) must equal or exceed the NAV per share of a company's common stock (calculated within 48 hours of pricing). However, at our Annual Meeting of Stockholders held on April 15, 2005, our common stockholders granted to us the authority to sell a limited number of shares of our common stock for less than NAV, subject to certain conditions. Our issuance of common stock may have an adverse effect on prices in the secondary market for our common stock by increasing the number of shares of common stock available, which may put downward pressure on the market price for our common stock. The continued development of alternatives as vehicles for investing in a portfolio of energy infrastructure MLPs, including other publicly traded investment companies and private funds, may reduce or eliminate any tendency of our shares of common stock to trade at a premium in the future. Shares of common stock of closed-end investment companies frequently trade at a discount from NAV. See Risk Factors Additional Risks to Common Stockholders Market Discount Risk.

**Table of Contents**

The following table sets forth for each of the periods indicated the high and low closing market prices for our shares of common stock on the NYSE, the NAV per share and the premium or discount to NAV per share at which our shares of common stock were trading. NAV is generally determined on the last business day of each calendar month. See [Determination of Net Asset Value](#) for information as to the determination of our NAV.

Month Ended	Market Price <sup>(1)</sup>		Net Asset Value <sup>(2)</sup>	Premium/ (Discount) To Net Asset Value <sup>(3)</sup>	
	High	Low		High	Low
March 31, 2004	\$ 26.00	\$ 24.95	\$ 23.77	9.4%	5.0%
April 30, 2004	25.00	23.10	23.83	4.9%	-3.1%
May 31, 2004	24.20	21.99	22.84	6.0%	-3.7%
June 30, 2004	24.00	22.45	22.67	5.9%	-1.0%
July 31, 2004	24.19	22.74	23.25	4.0%	-2.2%
August 31, 2004	25.06	23.86	24.19	3.6%	-1.4%
September 30, 2004	26.60	24.98	24.38	9.1%	2.5%
October 31, 2004	26.60	24.65	25.30	5.1%	-2.6%
November 30, 2004	27.70	25.39	25.54	8.5%	-0.6%
December 31, 2004	27.53	26.56	26.53	3.8%	0.1%
January 31, 2005	28.57	27.10	27.17	5.2%	-0.3%
February 28, 2005	31.05	28.55	28.56	8.7%	0.0%
March 31, 2005	30.91	28.54	28.37	9.0%	0.6%
April 30, 2005	30.00	28.40	27.61	8.7%	2.9%
May 31, 2005	29.15	28.19	28.61	1.9%	-1.5%
June 30, 2005	31.50	28.30	27.75	13.5%	2.0%
July 31, 2005	33.25	31.10	28.69	15.9%	8.4%
August 31, 2005	33.19	31.10	30.32	9.5%	2.6%
September 30, 2005	32.01	30.32	29.16	9.8%	4.0%
October 31, 2005	31.20	28.10	29.09	7.3%	-3.4%
November 30, 2005	30.75	28.25	28.70	7.1%	-1.6%
December 31, 2005	28.60	26.60	27.12	5.5%	-1.9%
January 31, 2006	29.95	27.92	26.65	12.4%	4.8%
February 28, 2006	29.48	28.35	28.17	4.7%	0.6%
March 31, 2006	29.58	27.91	27.55	7.4%	1.3%
April 30, 2006	28.95	27.56	28.58	1.3%	-3.6%
May 31, 2006	29.89	28.52	28.91	3.4%	-1.3%

Source: Bloomberg Financial and Fund Accounting Records.

(1) Based on high and low closing market price for the respective month.

(2) Based on the NAV calculated on the close of business on the last business day of each prior calendar month.

(3) Calculated based on the information presented. Percentages are rounded.

The last reported sale price, NAV per share and percentage discount to NAV per share of our common stock on June 23, 2006 were \$28.11, \$28.32 and 0.74%, respectively. As of May 31, 2006, we had 14,944,103 shares of our common stock outstanding and net assets of \$432,077,223.

**Table of Contents**

**USE OF PROCEEDS**

Unless otherwise specified in a prospectus supplement, we will invest the net proceeds of any sales of securities in accordance with our investment objective and policies as described under Investment Objective and Principal Investment Strategies within approximately 3 months of receipt of such proceeds. Such investments may be delayed if suitable investments are unavailable at the time or for other reasons. Pending such investment, we anticipate that we will invest the proceeds in securities issued by the U.S. Government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations. A delay in the anticipated use of proceeds could lower returns, reduce our distribution to common stockholders and reduce the amount of cash available to make dividend and interest payments on preferred stock and debt securities, respectively.

**Table of Contents****THE COMPANY**

We are a nondiversified, closed-end management investment company registered under the 1940 Act. We were organized as a corporation on October 30, 2003, pursuant to a charter (the "Charter") governed by the laws of the State of Maryland. In our initial public offering on February 27, 2004, and the exercise of subsequent overallotment options, we raised aggregate gross proceeds of \$315,000,000. We completed an additional offering of common stock in December 2004. As of May 31, 2006, we had net assets of \$432,077,223 attributable to our common stock. Our common stock is listed on the NYSE under the symbol TYG. As of the date of this prospectus, we have issued three series of Tortoise Notes and two series of MMP Shares. The outstanding Tortoise Notes are rated Aaa and AAA by Moody's Investors Service Inc. ("Moody's") and Fitch Ratings ("Fitch"), respectively. The outstanding MMP Shares are rated Aa2 and AA by Moody's and Fitch, respectively.

The following table provides information about our outstanding securities as of May 31, 2006:

<b>Title of Class</b>	<b>Amount Authorized</b>	<b>Amount Held by the Company or for its Account</b>	<b>Amount Outstanding</b>
Common Stock	100,000,000	0	14,944,103
Tortoise Notes			
Series A	\$ 60,000,000	0	\$ 60,000,000
Series B	\$ 50,000,000	0	\$ 50,000,000
Series C	\$ 55,000,000	0	\$ 55,000,000
Preferred Stock	10,000,000 <sup>(1)</sup>		
Series I MMP Shares	1,400 <sup>(2)</sup>	0	1,400
Series II MMP Shares	1,400 <sup>(2)</sup>	0	1,400

(1) Includes 2,800 shares of preferred stock designated as MMP Shares as set forth below.

(2) Each share has a liquidation preference of \$25,000 (\$35,000,000 in the aggregate for each of Series I and Series II MMP Shares).

**INVESTMENT OBJECTIVE AND PRINCIPAL INVESTMENT STRATEGIES****Investment Objective**

Our investment objective is to seek a high level of total return with an emphasis on current distributions paid to stockholders. For purposes of our investment objective, total return includes capital appreciation of, and all distributions received from, securities in which we invest regardless of the tax character of the distributions. We seek to provide our stockholders with an efficient vehicle to invest in a portfolio of publicly traded MLPs in the energy infrastructure sector. Similar to the federal income tax characterization of cash distributions made by MLPs to its unit holders, we believe that our common stockholders will have relatively high levels of return of capital associated with cash distributions made by us to stockholders.

## **Energy Infrastructure Industry**

We concentrate our investments in the energy infrastructure sector. We pursue our objective by investing principally in a portfolio of equity securities issued by MLPs. MLP common units historically have generated higher average total returns than domestic common stock (as measured by the S&P 500) and fixed income securities. A more detailed description of investment policies and restrictions and more detailed information about portfolio investments are contained in the Statement of Additional Information.

*Energy Infrastructure Companies.* For purposes of our policy of investing 90% of total assets in securities of energy infrastructure companies, an energy infrastructure company is one that derives each year at least 50% of its revenues from Qualifying Income under Section 7704 of the Internal Revenue Code or one that derives at least 50% of its revenues from the provision of services directly related to the generation of Qualifying Income. Qualifying Income is defined as including any income and gains from the exploration, development, mining or

**Table of Contents**

production, processing, refining, transportation (including pipelines transporting gas, oil or products thereof), or the marketing of any mineral or natural resource (including fertilizer, geothermal energy, and timber).

Energy infrastructure companies (other than most pipeline MLPs) do not operate as public utilities or local distribution companies, and therefore are not subject to rate regulation by state or federal utility commissions. However, energy infrastructure companies may be subject to greater competitive factors than utility companies, including competitive pricing in the absence of regulated tariff rates, which could cause a reduction in revenue and which could adversely affect profitability. Most pipeline MLPs are subject to government regulation concerning the construction, pricing and operation of pipelines. Pipeline MLPs are able to set prices (rates or tariffs) to cover operating costs, depreciation and taxes, and provide a return on investment. These rates are monitored by the Federal Energy Regulatory Commission (FERC) which seeks to ensure that consumers receive adequate and reliable supplies of energy at the lowest possible price while providing energy suppliers and transporters a just and reasonable return on capital investment and the opportunity to adjust to changing market conditions.

*Master Limited Partnerships.* Under normal circumstances, we invest at least 70% of our total assets in equity securities of MLPs that each year derive at least 90% of their gross income from Qualifying Income and are organized as partnerships, thereby eliminating federal income tax at the entity level. An MLP generally has two classes of partners, the general partner, and the limited partners. The general partner is usually a major energy company, investment fund or the direct management of the MLP. The general partner normally controls the MLP through a 2% equity interest plus units that are subordinated to the common (publicly traded) units for at least the first five years of the partnership's existence and then only converting to common if certain financial tests are met.

As a motivation for the general partner to successfully manage the MLP and increase cash flows, the terms of most MLPs typically provide that the general partner receives a larger portion of the net income as distributions reach higher target levels. As cash flow grows, the general partner receives a greater interest in the incremental income compared to the interest of limited partners. The general partner's incentive compensation typically increases to up to 50% of incremental income. Nevertheless, the aggregate amount of distributions to limited partners will increase as MLP distributions reach higher target levels. Given this incentive structure, the general partner has an incentive to streamline operations and undertake acquisitions and growth projects in order to increase distributions to all partners.

Energy infrastructure MLPs in which we invest generally can be classified in the following categories:

*Pipeline MLPs.* Pipeline MLPs are common carrier transporters of natural gas, natural gas liquids (primarily propane, ethane, butane and natural gasoline), crude oil or refined petroleum products (gasoline, diesel fuel and jet fuel). Pipeline MLPs also may operate ancillary businesses such as storage and marketing of such products. Revenue is derived from capacity and transportation fees. Historically, pipeline output has been less exposed to cyclical economic forces due to its low cost structure and government-regulated nature. In addition, pipeline MLPs do not have direct commodity price exposure because they do not own the product being shipped.

*Processing MLPs.* Processing MLPs are gatherers and processors of natural gas, as well as providers of transportation, fractionation and storage of natural gas liquids ( NGLs ). Revenue is derived from providing services to natural gas producers, which require treatment or processing before their natural gas commodity can be marketed to utilities and other end user markets. Revenue for the processor is fee based, although it is not uncommon to have some participation in the prices of the natural gas and NGL commodities for a portion of revenue.

*Propane MLPs.* Propane MLPs are distributors of propane to homeowners for space and water heating. Revenue is derived from the resale of the commodity on a margin over wholesale cost. The ability to maintain margin is a key to profitability. Propane serves approximately 3% of the household energy needs in the United

States, largely for homes beyond the geographic reach of natural gas distribution pipelines. Approximately 70% of annual cash flow is earned during the winter heating season (October through March). Accordingly, volumes are weather dependent, but have utility type functions similar to electricity and natural gas.

## **Table of Contents**

*Coal MLPs.* Coal MLPs own, lease and manage coal reserves. Revenue is derived from production and sale of coal, or from royalty payments related to leases to coal producers. Electricity generation is the primary use of coal in the United States. Demand for electricity and supply of alternative fuels to generators are the primary drivers of coal demand. Coal MLPs are subject to operating and production risks, such as: the MLP or a lessee meeting necessary production volumes; federal, state and local laws and regulations which may limit the ability to produce coal; the MLP's ability to manage production costs and pay mining reclamation costs; and the effect on demand that the Clean Air Act standards have on coal-end users.

*Marine Shipping MLPs.* Marine shipping MLPs are primarily marine transporters of natural gas, crude oil or refined petroleum products. Marine shipping MLPs derive revenue from charging customers for the transportation of these products utilizing the MLPs' vessels. Transportation services are typically provided pursuant to a charter or contract, the terms of which vary depending on, for example, the length of use of a particular vessel, the amount of cargo transported, the number of voyages made, the parties operating a vessel or other factors.

Although we also may invest in equity and debt securities of energy infrastructure companies that are organized and/or taxed as corporations, it is likely that any such investments will be in debt securities because the equity dividends from such corporations typically do not meet our investment objective. We also may invest in securities of general partners or other affiliates of MLPs and private companies operating energy infrastructure assets.

## **Investment Process**

Under normal circumstances, we invest at least 90% of our total assets (including assets obtained through leverage) in securities of energy infrastructure companies. The Adviser seeks to invest in securities that offer a combination of quality, growth and yield intended to result in superior total returns over the long run. The Adviser's securities selection process includes a comparison of quantitative, qualitative, and relative value factors. Although the Adviser uses research provided by broker-dealers and investment firms, primary emphasis is placed on proprietary analysis and valuation models conducted and maintained by the Adviser's in-house investment analysts. To determine whether a company meets its criteria, the Adviser generally looks for a strong record of distribution growth, a solid ratio of debt to equity and coverage ratio with respect to distributions to unit holders, and a proven track record, incentive structure and management team. All of the public energy infrastructure companies in which we invest have a market capitalization greater than \$100 million.

## **Investment Policies**

We seek to achieve our investment objective by investing primarily in securities of MLPs that the Adviser believes offer attractive distribution rates and capital appreciation potential. We also may invest in other securities set forth below if the Adviser expects to achieve our objective with such investments.

Our policy of investing at least 90% of our total assets (including assets obtained through leverage) in securities of energy infrastructure companies is nonfundamental and may be changed by the Board of Directors without stockholder approval, provided that stockholders receive at least 60 days' prior written notice of any change.

We have adopted the following additional nonfundamental policies:

Under normal circumstances, we invest at least 70% and up to 100% of our total assets in equity securities issued by MLPs. Equity securities currently consist of common units, convertible subordinated units, and pay-in-kind units.

We may invest up to 30% of our total assets in restricted securities, primarily through direct placements. Subject to this policy, we may invest without limitation in illiquid securities. The types of restricted securities that we may purchase include securities of private energy infrastructure companies and privately issued securities of publicly traded energy infrastructure companies. Restricted securities, whether issued by public companies or private companies, are generally considered illiquid. Investments in private companies that do not have any publicly traded shares or units are limited to 5% of total assets.

**Table of Contents**

We may invest up to 25% of our total assets in debt securities of energy infrastructure companies, including certain securities rated below investment grade (junk bonds). Below investment grade debt securities will be rated at least B3 by Moody's and at least B- by S&P at the time of purchase, or comparably rated by another statistical rating organization or if unrated, determined to be of comparable quality by the Adviser.

We will not invest more than 10% of our total assets in any single issuer.

We will not engage in short sales.

Unless otherwise stated, all investment restrictions apply at the time of purchase and we will not be required to reduce a position due solely to market value fluctuations.

**Investment Securities**

The types of securities in which we may invest include, but are not limited to, the following:

*Equity Securities of MLPs.* Consistent with our investment objective, we may invest up to 100% of total assets in equity securities issued by energy infrastructure MLPs, including common units, convertible subordinated units, pay-in-kind units (typically, I-Shares) and common units, subordinated units and preferred units of limited liability companies (LLCs) (that are treated as MLPs for federal income tax purposes). The table below summarizes the features of these securities, and a further discussion of these securities follows.

	<b>Common Units (for MLPs taxed as partnerships)<sup>1</sup></b>	<b>Convertible Subordinated Units (for MLPs taxed as partnerships)</b>	<b>I-Shares</b>
<b>Voting Rights</b>	Limited to certain significant decisions; no annual election of directors	Same as common units	No direct MLP voting rights
<b>Dividend Priority</b>	First right to minimum quarterly distribution (MQD) specified in Partnership Agreement; arrearage rights	Second right to MQD; no arrearage rights; may be paid in additional units	Equal in priority to common units but paid in additional I-Shares at current market value of I-Shares
<b>Dividend Rate</b>	Minimum set in partnership agreement; participate pro rata with subordinated units after both MQDs are met	Equal in amount to common units; participate pro rata with common units above the MQD	Equal in amount to common units
<b>Trading</b>	Listed on NYSE, AMEX or NASDAQ National Market	Not publicly traded	Listed on NYSE
<b>Federal Income Tax Treatment</b>	Generally, ordinary income to the extent of taxable income allocated	Same as common units	Full distribution treated as return of capital; since distribution is in shares,

	to holder; distributions are tax-free return of capital to extent of holder's basis; remainder as capital gain		total basis is not reduced
<b>Type Of Investor</b>	Retail; creates unrelated business taxable income for tax-exempt investor; investment by regulated investment companies limited to 25% of total assets	Same as common units	Retail and Institutional; does not create unrelated business taxable income; qualifying income for regulated investment companies

**Table of Contents**

	<b>Common Units (for MLPs taxed as partnerships)<sup>1</sup></b>	<b>Convertible Subordinated Units (for MLPs taxed as partnerships)</b>	<b>I-Shares</b>
<b>Liquidity Priority</b>	Intended to receive return of all capital first	Second right to return of capital; pro rata with common units thereafter	Same as common units (indirect right through I-Share issuer)
<b>Conversion Rights</b>	None	One-to-one ratio into common units	None

(1) Some energy infrastructure companies in which we may invest have been organized as LLCs. Such companies are generally treated in the same manner as MLPs for federal income tax purposes. Common units of LLCs have similar characteristics as those of MLP common units, except that LLC common units typically have voting rights with respect to the LLC and LLC common units held by management are not entitled to increased percentages of cash distributions as increased levels of cash distributions are received by the LLC. The characteristics of LLCs and their common units are more fully discussed below.

*MLP Common Units.* MLP common units represent an equity ownership interest in a partnership, providing limited voting rights and entitling the holder to a share of the company's success through distributions and/or capital appreciation. Unlike stockholders of a corporation, common unit holders do not elect directors annually and generally have the right to vote only on certain significant events, such as mergers, a sale of substantially all of the assets, removal of the general partner or material amendments to the partnership agreement. MLPs are required by their partnership agreements to distribute a large percentage of their current operating earnings. Common unit holders generally have first right to a MQD prior to distributions to the convertible subordinated unit holders or the general partner (including incentive distributions). Common unit holders typically have arrearage rights if the MQD is not met. In the event of liquidation, MLP common unit holders have first rights to the partnership's remaining assets after bondholders, other debt holders, and preferred unit holders have been paid in full. MLP common units trade on a national securities exchange or over-the-counter.

*Limited Liability Company Common Units.* Some energy infrastructure companies in which we may invest have been organized as LLCs. Such LLCs are generally treated in the same manner as MLPs for federal income tax purposes. Consistent with our investment objective and policies, we may invest in common units or other securities of such LLCs including preferred units, subordinated units and debt securities. LLC common units represent an equity ownership interest in an LLC, entitling the holder to a share of the LLC's success through distributions and/or capital appreciation. Similar to MLPs, LLCs typically do not pay federal income tax at the entity level and are required by their operating agreements to distribute a large percentage of their current operating earnings. LLC common unit holders generally have first right to a MQD prior to distributions to subordinated unit holders and typically have arrearage rights if the MQD is not met. In the event of liquidation, LLC common unit holders have a right to the LLC's remaining assets after bond holders, other debt holders and preferred unit holders, if any, have been paid in full. LLC common units may trade on a national securities exchange or over-the-counter.

In contrast to MLPs, LLCs have no general partner and there are no incentives that entitle management or other unit holders to increased percentages of cash distributions as distributions reach higher target levels. In addition, LLC common unit holders typically have voting rights with respect to the LLC, whereas MLP common units have limited voting rights.

*MLP Convertible Subordinated Units.* MLP convertible subordinated units are typically issued by MLPs to founders, corporate general partners of MLPs, entities that sell assets to MLPs, and institutional investors. The purpose of the convertible subordinated units is to increase the likelihood that during the subordination period there will be available cash to be distributed to common unit holders. We expect to purchase convertible subordinated units in direct placements from such persons. Convertible subordinated units generally are not entitled to distributions until holders of common units have received specified MQD, plus any arrearages, and may receive less in distributions upon liquidation. Convertible subordinated unit holders generally are entitled to MQD prior to the payment of incentive distributions to the general partner, but are not entitled to arrearage rights. Therefore, they generally entail greater risk than MLP common units. They are generally convertible automatically into the senior common units of the same issuer at a one-to-one ratio upon the passage of time or the satisfaction of certain financial tests. These units generally do not trade on a national exchange or over-the-counter, and there is no active market for

**Table of Contents**

convertible subordinated units. The value of a convertible security is a function of its worth if converted into the underlying common units. Convertible subordinated units generally have similar voting rights to MLP common units. Distributions may be paid in cash or in-kind.

*MLP I-Shares.* I-Shares represent an indirect investment in MLP I-units. I-units are equity securities issued to affiliates of MLPs, typically a limited liability company, that owns an interest in and manages the MLP. The I-Share issuer has management rights but is not entitled to incentive distributions. The I-Share issuer's assets consist exclusively of MLP I-units; however, the MLP does not allocate income or loss to the I-Share issuer. Distributions by MLPs to I-unit holders are made in the form of additional I-units, generally equal in amount to the cash received by common unit holders of MLPs. Distributions to I-Share holders are made in the form of additional I-Shares, generally equal in amount to the I-units received by the I-Share issuer. The issuer of the I-Share is taxed as a corporation for federal income tax purposes. Accordingly, investors receive a Form 1099, are not allocated their proportionate share of income of the MLPs and are not subject to state filing obligations.

*Debt Securities.* We may invest up to 25% of our total assets in debt securities of energy infrastructure companies, including securities rated below investment grade. These debt securities may have fixed or variable principal payments and all types of interest rate and dividend payment and reset terms, including fixed rate, adjustable rate, zero coupon, contingent, deferred, payment-in-kind and auction rate features. To the extent that we invest in below investment grade debt securities, such securities will be rated, at the time of investment, at least B- by S&P or B3 by Moody's or a comparable rating by at least one other rating agency or, if unrated, determined by the Adviser to be of comparable quality. If a security satisfies our minimum rating criteria at the time of purchase and subsequently is downgraded below such rating, we will not be required to dispose of such security. If a downgrade occurs, the Adviser will consider what action, including the sale of such security, is in the best interest of us and our stockholders.

Because the risk of default is higher for below investment grade securities than investment grade securities, the Adviser's research and credit analysis is an especially important part of managing securities of this type. The Adviser attempts to identify those issuers of below investment grade securities whose financial condition the Adviser believes are adequate to meet future obligations or have improved or are expected to improve in the future. The Adviser's analysis focuses on relative values based on such factors as interest or dividend coverage, asset coverage, earnings prospects and the experience and managerial strength of the issuer.

*Restricted Securities.* We may invest up to 30% of our total assets in restricted securities, primarily through direct placements. An issuer may be willing to offer the purchaser more attractive features with respect to securities issued in direct placements because it has avoided the expense and delay involved in a public offering of securities. Adverse conditions in the public securities markets also may preclude a public offering of securities. MLP convertible subordinated units typically are purchased from affiliates of the issuer or other existing holders of convertible units rather than directly from the issuer.

Restricted securities obtained by means of direct placements are less liquid than securities traded in the open market because of statutory and contractual restrictions on resale. Such securities are, therefore, unlike securities that are traded in the open market, which are likely to be sold immediately if the market is adequate. This lack of liquidity creates special risks. However, we could sell such securities in privately negotiated transactions with a limited number of purchasers or in public offerings under the Securities Act of 1933, as amended (the 1933 Act). MLP convertible subordinated units also convert to publicly traded common units upon the passage of time and/or satisfaction of certain financial tests.

*Temporary and Defensive Investments.* Pending investment of offering or leverage proceeds, we may invest such proceeds in securities issued or guaranteed by the U.S. Government or its instrumentalities or agencies, short-term debt securities, certificates of deposit, bankers' acceptances and other bank obligations, commercial paper rated in the

highest category by a rating agency or other fixed income securities deemed by the Adviser to be of similar quality (collectively, short-term securities ), or in cash or cash equivalents, all of which are expected to provide a lower yield than the securities of energy infrastructure companies. We also may invest in short-term securities or cash on a temporary basis to meet working capital needs including, but not limited to, for collateral in connection with certain investment techniques, to hold a reserve pending payment of distributions, and to facilitate the payment of expenses and settlement of trades.

## **Table of Contents**

Under adverse market or economic conditions, we may invest up to 100% of our total assets in short-term securities or cash. The yield on short-term securities or cash may be lower than the returns on MLPs or yields on lower rated fixed income securities. To the extent we invest in short-term securities or cash for defensive purposes, such investments are inconsistent with, and may result in us not achieving, our investment objective.

## **Portfolio Turnover**

Our annual portfolio turnover rate may vary greatly from year to year. Although we cannot accurately predict our annual portfolio turnover rate, it is not expected to exceed 30% under normal circumstances. From the commencement of operations through November 30, 2004, our actual portfolio turnover rate was 1.39%. For the year ended November 30, 2005, our portfolio turnover rate was 4.92%. Portfolio turnover rate is not considered a limiting factor in the execution of investment decisions for us. A higher turnover rate results in correspondingly greater brokerage commissions and other transactional expenses that the Company bears. High portfolio turnover may result in our recognition of gains that will increase our tax liability and thereby lower the amount of our after-tax distributions. In addition, high portfolio turnover may increase our current and accumulated earnings and profits, resulting in a greater portion of our distributions being treated as taxable dividends for federal income tax purposes. See Certain Federal Income Tax Matters.

## **Conflicts of Interest**

Conflicts of interest may arise from the fact that the Adviser and its affiliates carry on substantial investment activities for other clients, in which we have no interest, some of which may have similar investment strategies as us. The Adviser or its affiliates may have financial incentives to favor certain of such accounts over us. Any of their proprietary accounts and other customer accounts may compete with us for specific trades. The Adviser or its affiliates may give advice and recommend securities to, or buy or sell securities for, us which advice or securities may differ from advice given to, or securities recommended or bought or sold for, other accounts and customers, even though their investment objectives may be the same as, or similar to, our objectives. When two or more clients advised by the Adviser or its affiliates seek to purchase or sell the same publicly traded securities, the securities actually purchased or sold will be allocated among the clients on a good faith equitable basis by the Adviser in its discretion and in accordance with the client's various investment objectives and the Adviser's procedures. In some cases, this system may adversely affect the price or size of the position we may obtain or sell. In other cases, our ability to participate in volume transactions may produce better execution for us.

The Adviser also serves as investment adviser to Tortoise Energy Capital Corporation ( TYY ) and Tortoise North American Energy Corporation ( TYN ), which are nondiversified, closed-end investment management companies, and managed accounts that invest in MLPs. TYY, which commenced operations on May 31, 2005, invests primarily in equity securities of MLPs and their affiliates in the energy infrastructure sector. TYN, which commenced operations on October 31, 2005, invests primarily in equity securities of companies in the energy sector whose primary operations are in North America. In December 2005, the Adviser began managing the investments of Tortoise Capital Resources Corporation ( TTO ). TTO is a private investment fund created to invest primarily in privately held and micro-cap public companies in the U.S. energy infrastructure sector. To the extent certain MLP securities or other energy infrastructure company securities meet our investment objective and the objectives of other investment companies or accounts managed by the Adviser, we may compete with such companies or accounts for the same investment opportunities.

The Adviser will evaluate a variety of factors in determining whether a particular investment opportunity or strategy is appropriate and feasible for the relevant account at a particular time, including, but not limited to, the following: (1) the nature of the investment opportunity taken in the context of the other investments at the time; (2) the liquidity of the investment relative to the needs of the particular entity or account; (3) the availability of the opportunity (i.e.,

size of obtainable position); (4) the transaction costs involved; and (5) the investment or regulatory limitations applicable to the particular entity or account. Because these considerations may differ when applied to us and relevant accounts under management in the context of any particular investment opportunity, our investment activities, on the one hand, and other managed accounts, on the other hand, may differ considerably from time to

## **Table of Contents**

time. In addition, our fees and expenses will differ from those of the other managed accounts. Accordingly, investors should be aware that our future performance and future performance of other accounts of the Adviser may vary.

Situations may occur when we could be disadvantaged because of the investment activities conducted by the Adviser and its affiliates for its other funds or accounts. Such situations may be based on, among other things, the following: (1) legal or internal restrictions on the combined size of positions that may be taken for us or the other accounts, thereby limiting the size of our position; (2) the difficulty of liquidating an investment for us or the other accounts where the market cannot absorb the sale of the combined position; or (3) limits on co-investing in negotiated transactions under the 1940 Act, as discussed further below.

Under the 1940 Act, we may be precluded from co-investing in negotiated private placements of securities with our affiliates, including other funds managed by the Adviser. We and the Adviser have applied to the SEC for exemptive relief to permit us and our affiliates to make such investments. There is no guarantee that the requested relief will be granted by SEC. Unless and until we obtain an exemptive order, we will not co-invest with our affiliates in negotiated private placement transactions. Until we receive exemptive relief, the Adviser will observe a policy for allocating negotiated private placement opportunities among its clients that takes into account the amount of each client's available cash and its investment objectives.

To the extent that the Adviser sources and structures private investments in MLPs, certain employees of the Adviser may become aware of actions planned by MLPs, such as acquisitions, that may not be announced to the public. It is possible that we could be precluded from investing in or selling securities of an MLP about which the Adviser has material, non-public information; however, it is the Adviser's intention to ensure that any material, non-public information available to certain employees of the Adviser is not shared with the employees responsible for the purchase and sale of publicly traded MLP securities. Our investment opportunities also may be limited by affiliations of the Adviser or its affiliates with energy infrastructure companies.

The Adviser and its principals, officers, employees, and affiliates may buy and sell securities or other investments for their own accounts and may have actual or potential conflicts of interest with respect to investments made on our behalf. As a result of differing trading and investment strategies or constraints, positions may be taken by principals, officers, employees, and affiliates of the Adviser that are the same as, different from, or made at a different time than positions taken for us. Further, the Adviser may at some time in the future, manage other investment funds with the same investment objective as ours.

## **LEVERAGE**

### **Use of Leverage**

We currently engage in leverage and intend to borrow money or issue additional debt securities, and/or issue additional preferred stock, which may be auction rate securities, to provide us with additional funds to invest. The borrowing of money and the issuance of preferred stock and debt securities represent the leveraging of our common stock. Currently, we anticipate using leverage to represent approximately 33% of our total assets, including the proceeds from such leverage. However, we reserve the right at any time, if we believe that market conditions are appropriate, to use financial leverage to the extent permitted by the 1940 Act (50% for preferred stock and 331/3% for debt securities). We generally will not use leverage unless we believe that leverage will serve the best interests of our stockholders. The principal factor used in making this determination is whether the potential return is likely to exceed the cost of leverage. We will not issue additional leverage where the estimated costs of issuing such leverage and the on-going cost of servicing the payment obligations on such leverage exceed the estimated return on the proceeds of such leverage. We note, however, that in making the determination of whether to issue leverage, we must rely on estimates of leverage costs and expected returns. Actual costs of leverage vary over time depending on interest rates

and other factors. Actual returns vary, of course, depending on many factors. Our Board also will consider other factors, including whether the current investment opportunities will help us achieve our investment objective and strategies. We also may borrow up to an additional 5% of our total assets (not including the amount so borrowed) for temporary purposes, including the settlement and clearance of securities transactions, which otherwise might require untimely dispositions of portfolio holdings.

**Table of Contents**

Under the 1940 Act, we are not permitted to issue preferred stock unless immediately after such issuance we have total assets (including the proceeds of such issuance) at least equal to 200% of the liquidation value of the outstanding preferred stock. Stated another way, we may not issue preferred stock that, together with outstanding preferred stock, has an aggregate liquidation value of more than 50% of our total assets (less liabilities and indebtedness), including the amount leveraged. In addition, we are not permitted to declare any cash dividend or other distribution on our common stock unless, at the time of such declaration, the total assets less liabilities and indebtedness (determined after deducting the amount of such dividend or distribution) is at least 200% of such liquidation value. We may, as a result of market conditions or otherwise, be required to purchase or redeem preferred stock, or sell a portion of our investments when it may be disadvantageous to do so, in order to maintain the required asset coverage. Common stockholders would bear the costs of issuing additional preferred stock, which may include offering expenses and the ongoing payment of dividends. Under the 1940 Act, we may only issue one class of preferred stock. So long as MMP Shares are outstanding, any preferred stock offered pursuant to this prospectus and any related prospectus supplement will rank on parity with any outstanding MMP Shares.

Under the 1940 Act, we are not permitted to issue debt securities or incur other indebtedness constituting senior securities unless immediately thereafter we have total assets (including the proceeds of the indebtedness) at least equal to 300% of the amount of the outstanding indebtedness. Stated another way, we may not borrow for investment purposes more than 331/3% of our total assets, including the amount borrowed. We also must maintain this 300% asset coverage for as long as the indebtedness is outstanding. The 1940 Act provides that we may not declare any cash dividend or other distribution on common or preferred stock, or purchase any of our shares of stock (through tender offers or otherwise), unless we would satisfy this 300% asset coverage after deducting the amount of the dividend, other distribution or share purchase price, as the case may be. If the asset coverage for indebtedness declines to less than 300% as a result of market fluctuations or otherwise, we may be required to sell a portion of our investments when it may be disadvantageous to do so. Under the 1940 Act, we may only issue one class of senior securities representing indebtedness. So long as Tortoise Notes are outstanding, any debt securities offered pursuant to this prospectus and any related prospectus supplement will be ranked on parity with any outstanding Tortoise Notes.

**Hedging Transactions**

In an attempt to reduce the interest rate risk arising from our leveraged capital structure, we currently use, and may in the future use, interest rate transactions such as swaps, caps and floors. The use of interest rate transactions is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. In an interest rate swap, we would agree to pay to the other party to the interest rate swap (which is known as the counterparty) a fixed rate payment in exchange for the counterparty agreeing to pay to us a variable rate payment intended to approximate our variable rate payment obligation on any variable rate borrowings, such as Tortoise Notes. The payment obligations would be based on the notional amount of the swap. In an interest rate cap, we would pay a premium to the counterparty up to the interest rate cap and, to the extent that a specified variable rate index exceeds a predetermined fixed rate of interest, would receive from the counterparty payments equal to the difference based on the notional amount of such cap. In an interest rate floor, we would be entitled to receive, to the extent that a specified index falls below a predetermined interest rate, payments of interest on a notional principal amount from the party selling the interest rate floor. Depending on the state of interest rates in general, our use of interest rate transactions could affect our ability to make required interest payments on the Tortoise Notes or dividend payments on MMP Shares. To the extent there is a decline in interest rates, the value of the interest rate transactions could decline. If the counterparty to an interest rate transaction defaults, we would not be able to use the anticipated net receipts under the interest rate transaction to offset our cost of financial leverage.

We have entered into interest rate swap transactions intended to hedge our interest and dividend payment obligations under the currently outstanding Tortoise Notes and MMP Shares, respectively, against material increases in interest rates. See Risk Factors Company Risks Hedging Strategy Risk.



**Table of Contents****Effects of Leverage**

As of May 31, 2006, we had 2,800 MMP Shares outstanding with an aggregate liquidation preference of \$70,000,000. The dividend rate payable by us on each series of MMP Shares outstanding varies based on auctions normally held every twenty-eight (28) days. As of May 31, 2006, a dividend rate of 4.87% and 4.91% was in effect for Series I and Series II MMP Shares, respectively. However, we have entered into interest rate swap agreements to protect ourselves from increasing dividend expense on MMP Shares resulting from increasing short-term interest rates. Under the terms of outstanding swap agreements as of May 31, 2006, we are obligated to pay a rate of 5.20% and 5.21%, respectively, on a notional amount of \$35 million for Series I MMP Shares and a notional amount of \$35 million for Series II MMP Shares.

As of May 31, 2006, we had three series (Series A, Series B, and Series C) of Tortoise Notes outstanding in an aggregate principal amount of \$165,000,000. The interest rate payable by us on each series of Tortoise Notes outstanding varies based on auctions normally held every twenty-eight (28) days for Series A and B and every seven (7) days for Series C. As of May 31, 2006, the current interest rate payable on the Series A, Series B and Series C Tortoise Notes was 4.80%, 4.85% and 4.77%, respectively. However, we have entered into interest rate swap agreements to protect ourselves from increasing interest expense on Tortoise Notes resulting from increasing short-term interest rates. Under the terms of outstanding swap agreements as of May 31, 2006, we are obligated to pay a rate of 3.54%, 3.56% and 4.54% on a notional amount of \$60 million for Series A Tortoise Notes, \$50 million notional amount for Series B Tortoise Notes and \$55 million notional amount for Series C Tortoise Notes, respectively.

Assuming that our leverage costs remain as described above (an average annual cost of 4.57%, based on the amount of leverage currently outstanding), the annual return that our portfolio must experience (net of expenses) in order to cover leverage costs would be 2.53%.

The following table is designed to illustrate the effect of the foregoing level of leverage on the return to a common stockholder, assuming hypothetical annual returns (net of expenses) of our portfolio of -10% to 10%. As the table shows, the leverage generally increases the return to common stockholders when portfolio return is positive or greater than the cost of leverage and decreases the return when the portfolio return is negative or less than the cost of leverage. The figures appearing in the table are hypothetical, and actual returns may be greater or less than those appearing in the table.

Assumed Portfolio Return (net of expenses)	-10%	-5%	0%	5%	10%
Corresponding Common Share Return	-21.8%	-13.1%	-4.3%	4.4%	13.1%

While we use leverage, the amount of the fees paid to the Adviser for investment advisory and management services are higher than if we did not use leverage because the fees paid are calculated based on our Managed Assets, which include assets purchased with leverage. Therefore, the Adviser has a financial incentive to use leverage, which will create a conflict of interest between the Adviser and our common stockholders. Because payments on any leverage would be paid by us at a specified rate, only our common stockholders would bear management fees and other expenses we incur.

Currently, we anticipate using leverage to represent approximately 33% of our total assets, including the proceeds from such leverage. However, we reserve the right at any time, if we believe that market conditions are appropriate, to use financial leverage to the extent permitted by the 1940 Act (50% for preferred stock and 33 1/3% for debt securities).

We cannot fully achieve the benefits of leverage until we have invested the proceeds resulting from the use of leverage in accordance with our investment objective and policies. For further information about leverage, see Risk Factors Additional Risks to Common Stockholders Leverage Risk.

**Table of Contents**

**RISK FACTORS**

*Investing in any of our securities involves risk, including the risk that you may receive little or no return on your investment or even that you may lose part or all of your investment. Therefore, before investing in any of our securities you should consider carefully the following risks, as well as any risk factors included in the applicable prospectus supplement.*

**Company Risks**

We are a nondiversified, closed-end management investment company designed primarily as a long-term investment vehicle and not as a trading tool. An investment in our securities should not constitute a complete investment program for any investor and involves a high degree of risk. Due to the uncertainty in all investments, there can be no assurance that we will achieve our investment objective.

The following are the general risks of investing in our securities that affect our ability to achieve our investment objective. The risks below could lower the returns and distributions on common stock and reduce the amount of cash and net assets available to make dividend payments on preferred stock and interest payments on debt securities.

*Concentration Risk.* Under normal circumstances, we concentrate our investments in the energy infrastructure sector, with an emphasis on securities issued by MLPs. Risks inherent in the energy infrastructure business of these types of MLPs include the following:

Processing and coal MLPs may be directly affected by energy commodity prices. The volatility of commodity prices can indirectly affect certain other MLPs due to the impact of prices on volume of commodities transported, processed, stored or distributed. Pipeline MLPs are not subject to direct commodity price exposure because they do not own the underlying energy commodity. While propane MLPs do own the underlying energy commodity, the Adviser seeks high quality MLPs that are able to mitigate or manage direct margin exposure to commodity price levels. The MLP sector can be hurt by market perception that MLPs' performance and distributions are directly tied to commodity prices.

The profitability of MLPs, particularly processing and pipeline MLPs, may be materially impacted by the volume of natural gas or other energy commodities available for transporting, processing, storing or distributing. A significant decrease in the production of natural gas, oil, coal or other energy commodities, due to a decline in production from existing facilities, import supply disruption, depressed commodity prices or otherwise, would reduce revenue and operating income of MLPs and, therefore, the ability of MLPs to make distributions to partners.

A sustained decline in demand for crude oil, natural gas and refined petroleum products could adversely affect MLP revenues and cash flows. Factors that could lead to a decrease in market demand include a recession or other adverse economic conditions, an increase in the market price of the underlying commodity, higher taxes or other regulatory actions that increase costs, or a shift in consumer demand for such products.

A portion of any one MLP's assets may be dedicated to natural gas reserves and other commodities that naturally deplete over time, which could have a materially adverse impact on an MLP's ability to make distributions. Often the MLPs depend upon exploration and development activities by third parties. MLPs employ a variety of means of increasing cash flow, including increasing utilization of existing facilities, expanding operations through new construction, expanding operations through acquisitions, or securing additional long-term

contracts. Thus, some MLPs may be subject to construction risk, acquisition risk or other risk factors arising from their specific business strategies. A significant slowdown in large energy companies' disposition of energy infrastructure assets and other merger and acquisition activity in the energy MLP industry could reduce the growth rate of cash flows we receive from MLPs that grow through acquisitions.

The profitability of MLPs could be adversely affected by changes in the regulatory environment. Most MLPs assets are heavily regulated by federal and state governments in diverse matters, such as the way in which certain MLP assets are constructed, maintained and operated and the prices MLPs may charge for

## Table of Contents

their services. Such regulation can change over time in scope and intensity. For example, a particular byproduct of an MLP process may be declared hazardous by a regulatory agency and unexpectedly increase production costs. Moreover, many state and federal environmental laws provide for civil as well as regulatory remediation, thus adding to the potential exposure an MLP may face.

Extreme weather patterns, such as hurricane Ivan in 2004 and hurricane Katrina in 2005, could result in significant volatility in the supply of energy and power and could adversely impact the value of the securities in which we invest. This volatility may create fluctuations in commodity prices and earnings of companies in the energy infrastructure industry.

A rising interest rate environment could adversely impact the performance of MLPs. Rising interest rates could limit the capital appreciation of equity units of MLPs as a result of the increased availability of alternative investments at competitive yields with MLPs. Rising interest rates also may increase an MLP's cost of capital. A higher cost of capital could limit growth from acquisition/expansion projects and limit MLP distribution growth rates.

Since the September 11, 2001 attacks, the U.S. Government has issued public warnings indicating that energy assets, specifically those related to pipeline infrastructure, production facilities and transmission and distribution facilities, might be specific targets of terrorist activity. The continued threat of terrorism and related military activity likely will increase volatility for prices in natural gas and oil and could affect the market for products of MLPs.

Holders of MLP units are subject to certain risks inherent in the partnership structure of MLPs including (1) tax risks (described below), (2) limited ability to elect or remove management, (3) limited voting rights, except with respect to extraordinary transactions, and (4) conflicts of interest of the general partner, including those arising from incentive distribution payments.

*Industry Specific Risk.* Energy infrastructure companies also are subject to risks specific to the industry they serve.

Pipeline MLPs are subject to demand for crude oil or refined products in the markets served by the pipeline, sharp decreases in crude oil or natural gas prices that cause producers to curtail production or reduce capital spending for exploration activities, and environmental regulation. Demand for gasoline, which accounts for a substantial portion of refined product transportation, depends on price, prevailing economic conditions in the markets served, and demographic and seasonal factors. Pipeline MLP unit prices are primarily driven by distribution growth rates and prospects for distribution growth. Pipeline MLPs are subject to regulation by FERC with respect to tariff rates these companies may charge for pipeline transportation services. An adverse determination by FERC with respect to the tariff rates of a pipeline MLP could have a material adverse effect on the business, financial condition, results of operations and cash flows of that pipeline MLP and its ability to make cash distributions to its equity owners.

Processing MLPs are subject to declines in production of natural gas fields, which utilize the processing facilities as a way to market the gas, prolonged depression in the price of natural gas or crude oil refining, which curtails production due to lack of drilling activity and declines in the prices of natural gas liquids products and natural gas prices, resulting in lower processing margins.

Propane MLPs are subject to earnings variability based upon weather patterns in the locations where the company operates and the wholesale cost of propane sold to end customers. Propane MLP unit prices are based on safety in distribution coverage ratios, interest rate environment and, to a lesser extent, distribution growth.

Coal MLPs are subject to demand variability based on favorable weather conditions, strong or weak domestic economy, the level of coal stockpiles in the customer base, and the general level of prices of competing sources of fuel for electric generation. They also are subject to supply variability based on the geological conditions that reduce productivity of mining operations, regulatory permits for mining activities and the availability of coal that meets Clean Air Act standards.

**Table of Contents**

Marine shipping MLPs are subject to the demand for, and the level of consumption of, refined petroleum products, crude oil or natural gas in the markets served by the marine shipping MLPs, which in turn could affect the demand for tank vessel capacity and charter rates. These MLPs' vessels and their cargoes are also subject to the risks of being damaged or lost due to marine disasters, bad weather, mechanical failures, grounding, fire, explosions and collisions, human error, piracy, and war and terrorism.

*MLP Risk.* We invest primarily in equity securities of MLPs. As a result, we are subject to the risks associated with an investment in MLPs, including cash flow risk, tax risk and deferred tax risk, as described in more detail below.

*Cash Flow Risk.* We derive substantially all of our cash flow from investments in equity securities of MLPs. The amount of cash that we have available to pay or distribute to holders of our securities depends entirely on the ability of MLPs held by us to make distributions to their partners and the tax character of those distributions. We have no control over the actions of underlying MLPs. The amount of cash that each individual MLP can distribute to its partners will depend on the amount of cash it generates from operations, which will vary from quarter to quarter depending on factors affecting the energy infrastructure market generally and on factors affecting the particular business lines of the MLP. Available cash will also depend on the MLPs' level of operating costs (including incentive distributions to the general partner), level of capital expenditures, debt service requirements, acquisition costs (if any), fluctuations in working capital needs and other factors.

*Tax Risk of MLPs.* Our ability to meet our investment objective will depend on the level of taxable income, dividends and distributions we receive from the MLPs and other securities of energy infrastructure companies in which we invest, a factor over which we have no control. The benefit we derive from our investment in MLPs depends largely on the MLPs being treated as partnerships for federal income tax purposes. As a partnership, an MLP has no federal income tax liability at the entity level. If, as a result of a change in current law or a change in an MLP's business, an MLP were treated as a corporation for federal income tax purposes, the MLP would be obligated to pay federal income tax on its income at the corporate tax rate. If an MLP were classified as a corporation for federal income tax purposes, the amount of cash available for distribution would be reduced and the distributions we receive might be taxed entirely as dividend income. Therefore, treatment of one or more MLPs as a corporation for federal income tax purposes could affect our ability to meet our investment objective and would reduce the amount of cash available to pay or distribute to holders of our securities.

*Deferred Tax Risks of MLPs.* As a limited partner in the MLPs in which we invest, we will receive a pro rata share of income, gains, losses and deductions from those MLPs. Historically, a significant portion of income from such MLPs has been offset by tax deductions. We will incur a current tax liability on that portion of an MLP's income and gains that is not offset by tax deductions and losses. The percentage of an MLP's income and gains which is offset by tax deductions and losses will fluctuate over time for various reasons. A significant slowdown in acquisition activity by MLPs held in our portfolio could result in a reduction of accelerated depreciation generated by new acquisitions, which may result in increased current income tax liability to us.

We will accrue deferred income taxes for any future tax liability associated with that portion of MLP distributions considered to be a tax-deferred return of capital as well as capital appreciation of our investments. Upon the sale of an MLP security, we may be liable for previously deferred taxes. We will rely to some extent on information provided by the MLPs, which is not necessarily timely, to estimate deferred tax liability for purposes of financial statement reporting and determining our NAV. From time to time we will modify our estimates or assumptions regarding our deferred tax liability as new information becomes available.

*Equity Securities Risk.* MLP common units and other equity securities can be affected by macro economic and other factors affecting the stock market in general, expectations of interest rates, investor sentiment towards MLPs or the

energy sector, changes in a particular issuer's financial condition, or unfavorable or unanticipated poor performance of a particular issuer (in the case of MLPs, generally measured in terms of distributable cash flow). Prices of common units of individual MLPs and other equity securities also can be affected by fundamentals unique to the partnership or company, including earnings power and coverage ratios.

## **Table of Contents**

Investing in securities of smaller companies may involve greater risk than is associated with investing in more established companies. Companies with smaller capitalization may have limited product lines, markets or financial resources; may lack management depth or experience; and may be more vulnerable to adverse general market or economic developments than larger more established companies.

Because MLP convertible subordinated units generally convert to common units on a one-to-one ratio, the price that we can be expected to pay upon purchase or to realize upon resale is generally tied to the common unit price less a discount. The size of the discount varies depending on a variety of factors including the likelihood of conversion, and the length of time remaining to conversion, and the size of the block purchased.

The price of I-Shares and their volatility tend to be correlated to the price of common units, although the price correlation is not precise.

*Hedging Strategy Risk.* We currently use, and may in the future use, interest rate transactions for hedging purposes only, in an attempt to reduce the interest rate risk arising from our leveraged capital structure. Interest rate transactions that we may use for hedging purposes will expose us to certain risks that differ from the risks associated with our portfolio holdings. There are economic costs of hedging reflected in the price of interest rate swaps, floors, caps and similar techniques, the costs of which can be significant, particularly when long-term interest rates are substantially above short-term rates. In addition, our success in using hedging instruments is subject to the Adviser's ability to predict correctly changes in the relationships of such hedging instruments to our leverage risk, and there can be no assurance that the Adviser's judgment in this respect will be accurate. Consequently, the use of hedging transactions might result in a poorer overall performance, whether or not adjusted for risk, than if we had not engaged in such transactions.

Depending on the state of interest rates in general, our use of interest rate transactions could enhance or decrease the cash available to us for payment of distributions, dividends or interest, as the case may be. To the extent there is a decline in interest rates, the value of interest rate swaps or caps could decline, and result in a decline in our net assets. In addition, if the counterparty to an interest rate transaction defaults, we would not be able to use the anticipated net receipts under the interest rate swap or cap to offset our cost of financial leverage.

*Competition Risk.* At the time we completed our initial public offering in February 2004, we were the only publicly traded investment company offering access to a portfolio of energy infrastructure MLPs. Since that time a number of alternatives to us as vehicles for investment in a portfolio of energy infrastructure MLPs, including other publicly traded investment companies and private funds, have emerged. In addition, recent tax law changes have increased the ability of regulated investment companies or other institutions to invest in MLPs. These competitive conditions may adversely impact our ability to meet our investment objective, which in turn could adversely impact our ability to make interest or dividend payments.

*Restricted Security Risk.* We may invest up to 30% of total assets in restricted securities, primarily through direct placements. Restricted securities are less liquid than securities traded in the open market because of statutory and contractual restrictions on resale. Such securities are, therefore, unlike securities that are traded in the open market, which can be expected to be sold immediately if the market is adequate. As discussed further below, this lack of liquidity creates special risks for us. However, we could sell such securities in privately negotiated transactions with a limited number of purchasers or in public offerings under the 1933 Act. MLP convertible subordinated units also convert to publicly-traded common units upon the passage of time and/or satisfaction of certain financial tests.

Restricted securities are subject to statutory and contractual restrictions on their public resale, which may make it more difficult to value them, may limit our ability to dispose of them and may lower the amount we could realize upon their sale. To enable us to sell our holdings of a restricted security not registered under the 1933 Act, we may

have to cause those securities to be registered. The expenses of registering restricted securities may be negotiated by us with the issuer at the time we buy the securities. When we must arrange registration because we wish to sell the security, a considerable period may elapse between the time the decision is made to sell the security and the time the security is registered so that we could sell it. We would bear the risks of any downward price fluctuation during that period.

## **Table of Contents**

*Liquidity Risk.* Although common units of MLPs trade on the NYSE, AMEX, and the NASDAQ National Market, certain MLP securities may trade less frequently than those of larger companies due to their smaller capitalizations. In the event certain MLP securities experience limited trading volumes, the prices of such MLPs may display abrupt or erratic movements at times. Additionally, it may be more difficult for us to buy and sell significant amounts of such securities without an unfavorable impact on prevailing market prices. As a result, these securities may be difficult to dispose of at a fair price at the times when we believe it is desirable to do so. Investment of our capital in securities that are less actively traded or over time experience decreased trading volume may restrict our ability to take advantage of other market opportunities or to dispose of securities. This also may affect adversely our ability to make required interest payments on the debt securities and dividend distributions on the preferred stock, to redeem such securities, or to meet asset coverage requirements.

*Valuation Risk.* Market prices generally will not be available for MLP convertible subordinated units, or securities of private companies, and the value of such investments ordinarily will be determined based on fair valuations determined by the Adviser pursuant to procedures adopted by the Board of Directors. Similarly, common units acquired through direct placements will be valued based on fair value determinations because of their restricted nature; however, the Adviser expects that such values will be based on a discount from publicly available market prices. Restrictions on resale or the absence of a liquid secondary market may adversely affect our ability to determine our NAV. The sale price of securities that are not readily marketable may be lower or higher than our most recent determination of their fair value. Additionally, the value of these securities typically requires more reliance on the judgment of the Adviser than that required for securities for which there is an active trading market. Due to the difficulty in valuing these securities and the absence of an active trading market for these investments, we may not be able to realize these securities' true value, or may have to delay their sale in order to do so. This may affect adversely our ability to make required interest payments on the debt securities and dividend distributions on the preferred stock, to redeem such securities, or to meet asset coverage requirements.

*Nondiversification Risk.* We are a nondiversified, closed-end management investment company under the 1940 Act and are not treated as a regulated investment company under the Internal Revenue Code. Accordingly, there are no regulatory limits under the 1940 Act or the Internal Revenue Code on the number or size of securities that we hold and we may invest more assets in fewer issuers as compared to a diversified fund. There currently are approximately 47 companies presently organized as MLPs and only a limited number of those companies operate energy infrastructure assets. We select MLP investments from this small pool of issuers. We may invest in non-MLP securities issued by energy infrastructure companies to a lesser degree, consistent with our investment objective and policies.

*Interest Rate Risk.* Generally, when market interest rates rise, the values of debt securities decline, and vice versa. Our investment in such securities means that the NAV and market price of our common stock will tend to decline if market interest rates rise. During periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled, forcing us to reinvest in lower yielding securities. This is known as call or prepayment risk. Lower grade securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem a lower grade obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer.

*Below Investment Grade Securities Risk.* Investing in lower grade debt instruments involves additional risks than investment grade securities. Adverse changes in economic conditions are more likely to lead to a weakened capacity of a below investment grade issuer to make principal payments and interest payments than an investment grade issuer. An economic downturn could adversely affect the ability of highly leveraged issuers to service their obligations or to repay their obligations upon maturity. Similarly, downturns in profitability in the energy infrastructure industry could adversely affect the ability of below investment grade issuers in that industry to meet their obligations. The market values of lower quality securities tend to reflect individual developments of the issuer to a greater extent than do

higher quality securities, which react primarily to fluctuations in the general level of interest rates.

The secondary market for below investment grade securities may not be as liquid as the secondary market for more highly rated securities. There are fewer dealers in the market for below investment grade securities than

**Table of Contents**

investment grade obligations. The prices quoted by different dealers may vary significantly, and the spread between the bid and asked price is generally much larger than for higher quality instruments. Under adverse market or economic conditions, the secondary market for below investment grade securities could contract further, independent of any specific adverse change in the condition of a particular issuer, and these instruments may become illiquid. As a result, it may be more difficult to sell these securities or we may be able to sell the securities only at prices lower than if such securities were widely traded. This may affect adversely our ability to make required dividend or interest payments on our outstanding senior securities. Prices realized upon the sale of such lower-rated or unrated securities, under these circumstances, may be less than the prices used in calculating our NAV.

Because investors generally perceive that there are greater risks associated with lower quality securities of the type in which we may invest a portion of our assets, the yields and prices of such securities may tend to fluctuate more than those for higher rated securities. In the lower quality segments of the debt securities market, changes in perceptions of issuers' creditworthiness tend to occur more frequently and in a more pronounced manner than do changes in higher quality segments of the debt securities market, resulting in greater yield and price volatility.

Factors having an adverse impact on the market value of below investment grade securities may have an adverse effect on our NAV and the market value of our common stock. In addition, we may incur additional expenses to the extent we are required to seek recovery upon a default in payment of principal or interest on our portfolio holdings. In certain circumstances, we may be required to foreclose on an issuer's assets and take possession of its property or operations. In such circumstances, we would incur additional costs in disposing of such assets and potential liabilities from operating any business acquired.

*Counterparty Risk.* We may be subject to credit risk with respect to the counterparties to certain derivative agreements entered into by us. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, we may experience significant delays in obtaining any recovery under the derivative contract in a bankruptcy or other reorganization proceeding. We may obtain only a limited recovery or may obtain no recovery in such circumstances.

*Effects of Terrorism.* The U.S. securities markets are subject to disruption as a result of terrorist activities, such as the terrorist attacks on the World Trade Center on September 11, 2001; the war in Iraq and its aftermath; other hostilities; and other geopolitical events. Such events have led, and in the future may lead, to short-term market volatility and may have long-term effects on the U.S. economy and markets.

*Anti-Takeover Provisions.* Our Charter and Bylaws include provisions that could delay, defer or prevent other entities or persons from acquiring control of us, causing us to engage in certain transactions or modifying our structure. These provisions may be regarded as anti-takeover provisions. Such provisions could limit the ability of common stockholders to sell their shares at a premium over the then-current market prices by discouraging a third party from seeking to obtain control of us. See Certain Provisions in the Company's Charter and Bylaws.

*Management Risk.* The Adviser was formed in October 2002 to provide portfolio management to institutional and high-net worth investors seeking professional management of their MLP investments. The Adviser has been managing investments in portfolios of MLP investments since that time, including since February 2004, management of our investments, and management of the investments of TYY since May 2005 and of TYN since October 2005. TYY is a non-diversified, closed-end management investment company that commenced operations in May 2005 and invests primarily in MLPs and their affiliates in the energy infrastructure sector. TYN is a non-diversified, closed-end management investment company, that commenced operations on October 31, 2005 and invests primarily in Canadian royalty trusts and income trusts and publicly traded United States MLPs. The Adviser also manages the investments of TTO. TTO is a private corporation which invests primarily in privately held and micro-cap public companies in the U.S. energy infrastructure sector. Our investments and those of TYY, TYN and TTO are managed by the Adviser's

investment committee. We share the same officers as TYY, TYN and TTO. As of May 31, 2006, the Adviser had client assets under management of approximately \$1.7 billion, including our assets and those of TYY, TYN and TTO. The Adviser has 17 full time employees, but also relies on the officers, employees, and resources of Fountain Capital and its affiliates for certain functions. To the extent that the Adviser's assets under management continue to grow, the Adviser may have to hire additional personnel and to the extent it is unable to hire qualified individuals its operations may be adversely affected. Three (of the five) members of the investment committee are affiliates of, but not employees of, the Adviser, and each have other significant

## **Table of Contents**

responsibilities with such affiliated entities. Fountain Capital and its affiliates conduct businesses and activities of their own in which the Adviser has no economic interest. If these separate activities become significantly greater than the Adviser's activities, there could be material competition for the efforts of key personnel.

### **Additional Risks to Common Stockholders**

*Leverage Risk.* Our use of leverage through the issuance of MMP Shares and Tortoise Notes along with the issuance of any additional preferred stock or debt securities, and any additional borrowings or other transactions involving indebtedness (other than for temporary or emergency purposes) are or would be considered senior securities for purposes of the 1940 Act and create risks. Leverage is a speculative technique that may adversely affect common stockholders. If the return on securities acquired with borrowed funds or other leverage proceeds does not exceed the cost of the leverage, the use of leverage could cause us to lose money. Successful use of leverage depends on the Adviser's ability to predict or hedge correctly interest rates and market movements, and there is no assurance that the use of a leveraging strategy will be successful during any period in which it is used. Because the fee paid to the Adviser will be calculated on the basis of Managed Assets, the fees will increase when leverage is utilized, giving the Adviser an incentive to utilize leverage.

Our issuance of senior securities involves offering expenses and other costs, including interest payments, which are borne indirectly by our common stockholders. Fluctuations in interest rates could increase interest or dividend payments on our senior securities, and could reduce cash available for dividends on common stock. Increased operating costs, including the financing cost associated with any leverage, may reduce our total return to common stockholders.

The 1940 Act and/or the rating agency guidelines applicable to senior securities impose asset coverage requirements, dividend limitations, voting right requirements (in the case of the senior equity securities), and restrictions on our portfolio composition and our use of certain investment techniques and strategies. The terms of any senior securities or other borrowings may impose additional requirements, restrictions and limitations that are more stringent than those currently required by the 1940 Act, and the guidelines of the rating agencies that rate outstanding senior securities. These requirements may have an adverse effect on us and may affect our ability to pay distributions on common stock and preferred stock. To the extent necessary, we intend to redeem our senior securities to maintain the required asset coverage. Doing so may require that we liquidate portfolio securities at a time when it would not otherwise be desirable to do so. Nevertheless, it is not anticipated that the 1940 Act requirements, the terms of any senior securities or the rating agency guidelines will impede the Adviser in managing our portfolio in accordance with our investment objective and policies. See *Leverage Use of Leverage*.

*Market Impact Risk.* The sale of our common stock (or the perception that such sales may occur) may have an adverse effect on prices in the secondary market for our common stock. An increase in the number of common shares available may put downward pressure on the market price for our common stock. Our ability to sell shares of common stock below NAV may increase this pressure. These sales also might make it more difficult for us to sell additional equity securities in the future at a time and price we deem appropriate.

*Dilution Risk.* The voting power of current stockholders will be diluted to the extent that current stockholders do not purchase shares in any future common stock offerings or do not purchase sufficient shares to maintain their percentage interest. In addition, if we sell shares of common stock below NAV, our NAV will fall immediately after such issuance. See *Description of Securities Common Stock Issuance of Additional Shares* which includes a table reflecting the dilutive effect of selling our common stock below NAV.

If we are unable to invest the proceeds of such offering as intended, our per share distribution may decrease and we may not participate in market advances to the same extent as if such proceeds were fully invested as planned.

*Market Discount Risk.* Our common stock has a limited trading history and has traded both at a premium and at a discount in relation to NAV. We cannot predict whether our shares will trade in the future at a premium or discount to NAV. Shares of closed-end investment companies frequently trade at a discount from NAV, but in some cases have traded above NAV. Continued development of alternatives as a vehicle for investment in MLP securities may contribute to reducing or eliminating any premium or may result in our shares trading at a discount. The risk of the shares of common stock trading at a discount is a risk separate from the risk of a decline in our NAV as a result of

## **Table of Contents**

investment activities. Our NAV will be reduced immediately following an offering of our common or preferred stock, due to the offering costs for such stock, which are borne entirely by us. Although we also bear the offering costs of debt securities, such costs are amortized over time and therefore do not impact our NAV immediately following an offering.

Whether stockholders will realize a gain or loss upon the sale of our common stock depends upon whether the market value of the common shares at the time of sale is above or below the price the stockholder paid, taking into account transaction costs for the common shares, and is not directly dependent upon our NAV. Because the market value of our common stock will be determined by factors such as the relative demand for and supply of the shares in the market, general market conditions and other factors beyond our control, we cannot predict whether our common stock will trade at, below or above NAV, or at, below or above the public offering price for common stock.

### **Additional Risks to Senior Security Holders**

Generally, an investment in preferred stock or debt securities (collectively, senior securities ) is subject to the following risks:

*Interest Rate Risk.* Auction rate senior securities pay dividends or interest based on short-term interest rates. If short-term interest rates rise, dividends or interest on the auction rate senior securities may rise so that the amount of dividends or interest due to holders of auction rate senior securities would exceed the cash flow generated by our portfolio securities. This might require us to sell portfolio securities at a time when we would otherwise not do so, which may affect adversely our future ability to generate cash flow. In addition, rising market interest rates could impact negatively the value of our investment portfolio, reducing the amount of assets serving as asset coverage for the senior securities.

*Senior Leverage Risk.* Preferred stock will be junior in liquidation and with respect to distribution rights to debt securities and any other borrowings. Senior securities representing indebtedness may constitute a substantial lien and burden on preferred stock by reason of their prior claim against our income and against our net assets in liquidation. We may not be permitted to declare dividends or other distributions with respect to any series of preferred stock unless at such time we meet applicable asset coverage requirements and the payment of principal or interest is not in default with respect to the Tortoise Notes or any other borrowings.

*Ratings and Asset Coverage Risk.* To the extent that senior securities are rated, a rating does not eliminate or necessarily mitigate the risks of investing in our senior securities, and a rating may not fully or accurately reflect all of the credit and market risks associated with a security. A rating agency could downgrade the rating of our shares of preferred stock or debt securities, which may make such securities less liquid at an auction or in the secondary market, though probably with higher resulting interest rates. If a rating agency downgrades the rating assigned to a senior security, we may alter our portfolio or redeem the senior security. We may voluntarily redeem a senior security under certain circumstances.

*Inflation Risk.* Inflation is the reduction in the purchasing power of money resulting from an increase in the price of goods and services. Inflation risk is the risk that the inflation adjusted or real value of an investment in preferred stock or debt securities or the income from that investment will be worth less in the future. As inflation occurs, the real value of the preferred stock or debt securities and the dividend payable to holders of preferred stock or interest payable to holders of debt securities declines. In an inflationary period, however, it is expected that, through the auction process, dividend or interest rates would increase, tending to offset this risk.

*Auction Risk.* To the extent that senior securities trade through an auction, there are certain risks associated with participating in an auction and certain risks if you try to sell senior securities outside of an auction in the secondary

market. These risks will be described in more detail in an applicable prospectus supplement if we issue senior securities pursuant to this registration statement.

*Decline in Net Asset Value Risk.* A material decline in our NAV may impair our ability to maintain required levels of asset coverage for our preferred stock or debt securities.

**Table of Contents**

**MANAGEMENT OF THE COMPANY**

**Directors and Officers**

Our business and affairs are managed under the direction of our Board of Directors. Accordingly, our Board of Directors provides broad supervision over our affairs, including supervision of the duties performed by the Adviser. Our officers are responsible for our day-to-day operations. The names and business addresses of our directors and officers, together with their principal occupations and other affiliations during the past five years, are set forth in the statement of additional information. The Board of Directors consists of a majority of directors who are not interested persons (as defined in the 1940 Act) of the Adviser or its affiliates.

**Investment Adviser**

Pursuant to an advisory agreement, the Adviser provides us with investment research and advice and furnishes us with an investment program consistent with our investment objective and policies, subject to the supervision of the Board. The Adviser determines which portfolio securities will be purchased or sold, arranges for the placing of orders for the purchase or sale of portfolio securities, selects brokers or dealers to place those orders, maintains books and records with respect to our securities transactions and reports to the Board on our investments and performance.