

TORTOISE ENERGY INFRASTRUCTURE CORP

Form N-30B-2

April 20, 2007

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### **Company at a Glance**

Tortoise Energy Infrastructure Corp. is a pioneering closed-end investment company investing primarily in equity securities of Master Limited Partnerships (MLPs) operating energy infrastructure assets.

#### **Investment Goals: Yield, Growth and Quality**

We seek a high level of total return with an emphasis on current dividends paid to stockholders.

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

Tortoise Energy achieves dividend **growth** as revenues of our underlying companies grow with the economy, with the population and through rate increases. This revenue growth leads to increased operating profits, and when combined with internal expansion projects and acquisitions, is expected to provide attractive growth in distributions to Tortoise Energy. We also seek dividend growth through capital market strategies involving timely debt and equity offerings by Tortoise Energy that are primarily invested in MLP issuer direct placements.

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

#### **About Master Limited Partnerships**

MLPs are limited partnerships whose units trade on public exchanges such as the New York Stock Exchange (NYSE), the American Stock Exchange (AMEX) and NASDAQ. Buying MLP units makes an investor a limited partner in the MLP. There are currently more than 50 MLPs in the market, mostly in industries related to energy, natural resources and real estate.

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

#### **A Tortoise Energy Investment Versus a Direct Investment in MLPs**

Tortoise Energy seeks to provide its stockholders with an efficient alternative to investing directly in MLPs and their affiliates. A direct investment in a MLP potentially offers the opportunity to receive an attractive distribution that is approximately 80 percent tax deferred, with a historically low correlation to returns on stocks and bonds. However, the tax characteristics of a direct MLP investment are generally undesirable for tax-exempt investors such as retirement plans. Tortoise Energy is structured as a C Corporation accruing federal and state income taxes, based on taxable earnings and profits. Because of this innovative structure, pioneered by Tortoise Capital Advisors, institutions and retirement accounts are able to join individual stockholders as investors in MLPs.

Additional features of Tortoise Energy include:

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

- A professional management team, with nearly 100 years combined investment experience, to select and manage the portfolio on your behalf;

- The ability to access investment grade credit markets to enhance the dividend rate; and

- Access to direct placements and other investments not available through the public markets.

April 09, 2007

Dear Fellow Stockholders,

Thank you for your investment in Tortoise Energy Infrastructure Corp. (Tortoise Energy).

**Performance Review**

For the quarter ended Feb. 28, 2007, we are pleased to report a total return of 2.25 percent based on market value, including the reinvestment of dividends. On Feb. 12, 2007 we declared a \$0.54 per share dividend, the company's ninth consecutive dividend increase since full investment of the initial public offering proceeds. This represents an annualized dividend rate of \$2.16. It is a 12.5 percent increase over the dividend paid in the same quarter of the prior year and a 1.9 percent increase over the dividend paid in the prior quarter. This dividend yield was 5.9 percent based on the closing price of \$36.38 on Feb. 28, 2007. We expect that a significant portion of this dividend will be treated as return of capital for income tax purposes, although the ultimate determination of its character will not be made until after our year-end.

Dividend growth resulted from increases in distributions paid by our portfolio companies, with their calendar fourth quarter distributions increasing an average of 16 percent as compared to the prior calendar year's fourth quarter.

We maintain our expectation that long-term dividend growth will be approximately 4 percent on an annualized basis.

**Investment Review**

In the first quarter of 2007, Tortoise Energy helped finance growth in the energy infrastructure sector through the completion of two direct placement investments totaling \$62.5 million. In December, we acquired common units of Williams Partners, L.P. which used the proceeds to help fund an acquisition of natural gas gathering and processing assets. In February, we acquired common units of TC Pipelines, L.P. which used the proceeds to help fund an acquisition of natural gas transportation assets.

Subsequent to the end of the quarter, Tortoise Energy completed a \$70 million notes offering, a \$15.5 million common stock offering and a \$60 million money market preferred stock offering. The proceeds of these offerings were used to retire a portion of short-term debt under the company's \$150 million unsecured credit facility put into place to provide temporary funding for direct placements and initial public offering investments.

Investment transactions subsequent to the end of the quarter included direct placements with Crosstex Energy, L.P. in the amount of \$5 million, Enbridge Energy Partners, L.P., in the amount of \$50 million and Magellan Midstream Holdings, L.P. in the amount of \$15 million. The direct placements we have completed are evidence of the continuing opportunities in this sector.

**Master Limited Partnership Outlook**

The MLP market capitalization continued to grow, increasing over the previous year-end by 53 percent to \$101 billion as of Dec. 31, 2006.<sup>(1)</sup> This was caused in part by the MLP sector trading at higher prices, as the average yield decreased to 5.7 percent as of March 20, 2007, compared to 6.1 percent on Dec. 29, 2006.<sup>(2)</sup> Also, accelerating distribution growth, secondary offerings to finance internal growth and acquisitions, and additional initial public offerings in the exploration and production (E&P), shipping and natural gas gathering businesses have contributed to the sector's growth.

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As the world's largest consumer of energy, the United States energy consumption is expected to grow by 1.1 percent through 2030.<sup>(3)</sup> As companies meet this demand, internal growth projects should continue in the MLP sector. We estimate that MLPs will spend an estimated \$20 billion on internal projects between 2006 and 2010. This spending is expected to finance refined product infrastructure projects to support growing population centers, pipeline and storage terminal projects to increase the movement of crude oil from Canada to the United States, and natural gas projects to develop infrastructure that efficiently connects new areas of supply to growing areas of demand. And, as stated in our last letter to you, we expect MLPs will also continue to grow through acquisitions.

**In Closing**

In light of these positive trends, we believe Tortoise Energy is well-positioned to be a key source of capital for many of these expected organic growth projects and acquisitions. We believe the MLP sector will continue to deliver sustainable distribution growth.

Thank you for your confidence in our company. We hope you will continue with us as we work hard to find attractive investments offering yield, growth and quality. We intend to stay the course, guided by our motto, *steady wins*.

Sincerely,

The Managing Directors

Tortoise Capital Advisors, L.L.C.

H. Kevin Birzer

Zachary A. Hamel

Kenneth P. Malvey

Terry Matlack

David J. Schulte

(1) *Lehman Bros. MLP Quarterly Monitor Research Report* Jan. 23, 2007

(2) *Stifel Nicolaus MLP Weekly Monitor* March 30, 2007

(3) *Energy Information Administration Annual Energy Outlook 2007*

*Steady Wins*

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Summary Financial Information (Unaudited)

	<b>Period Ended February 28, 2007</b>
Market value per share	\$ 36.38
Net asset value per share	34.83
Total net assets	635,044,007
Unrealized appreciation of investments (excluding interest rate swap contracts) before deferred taxes	102,183,147
Unrealized appreciation of investments and interest rate swap contracts after deferred taxes	63,238,029
Net investment loss	(2,042,215)
Total realized gain after deferred taxes	1,990,431
Total return (based on market value) <sup>(1)</sup>	2.25%
Net operating expenses before leverage costs and taxes as a percent of average total assets <sup>(2)</sup>	0.97%
Distributable cash flow as a percent of average net assets <sup>(2)(3)</sup>	6.79%

(1) See footnote 6 to the Financial Highlights on page 20 for further disclosure.

(2) Annualized. Represents expenses after fee reimbursement.

(3) Annualized. See Key Financial Data which illustrates the calculation of distributable cash flow.

**Allocation of Portfolio Assets**

February 28, 2007 (Unaudited)

(Percentages based on total investment portfolio)

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## Key Financial Data (Unaudited)

(dollar amounts in thousands unless otherwise indicated)

	<b>2006</b>
	<b>Q1<sup>(1)</sup></b>
<b>Total Distributions Received from Investments</b>	
Distributions received from master limited partnerships	\$ 10,601
Dividends paid in stock	1,242
Dividends from common stock	31
Short-term interest and dividend income	197
	<hr/>
Total from investments	12,071
<b>Operating Expenses Before Leverage Costs and Current Taxes</b>	
Advisory fees, net of reimbursement	1,248
Other operating expenses	343
	<hr/>
	1,591
	<hr/>
Distributable cash flow before leverage costs and current taxes	10,480
Leverage costs <sup>(2)</sup>	2,661
Current income tax expense	59
	<hr/>
<b>Distributable Cash Flow<sup>(3)</sup></b>	<b>\$ 7,760</b>
	<hr/>
Dividends paid on common stock	\$ 7,155
Dividends paid on common stock per share	0.48
Payout percentage for period <sup>(4)</sup>	92.2%
Total assets, end of period	718,266
Average total assets during period <sup>(5)</sup>	704,996
Leverage (Tortoise Notes, Preferred Stock and short-term credit facility) <sup>(6)</sup>	235,000
Leverage as a percent of total assets	32.7%
Unrealized appreciation net of deferred taxes, end of period	99,072
Net assets, end of period	410,642
Average net assets during period <sup>(7)</sup>	411,181
Net asset value per common share	27.55
Market value per share	29.42
Shares outstanding	14,906
<b>Selected Operating Ratios<sup>(8)</sup></b>	
	<hr/>
<b>As a Percent of Average Total Assets</b>	
Total distributions received from investments	6.94%
Operating expenses before leverage costs and current taxes	0.92%
Distributable cash flow before leverage costs and current taxes	6.02%
<b>As a Percent of Average Net Assets</b>	
Distributable cash flow	7.65%

**As a Percent of Average Total Assets**

Total distributions received from investments	6.94%
Operating expenses before leverage costs and current taxes	0.92%
Distributable cash flow before leverage costs and current taxes	6.02%

**As a Percent of Average Net Assets**

Distributable cash flow	7.65%
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(1) Q1 is the period from December through February. Q2 is the period from March through May. Q3 is the period from June through August. Q4 is the period from September through November.

(2) Leverage costs include interest expense, auction agent fee, interest rate swap expenses and preferred dividends.

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(3) *Net investment income (loss), before income taxes on the Statement of Operations is adjusted as follows to reconcile to Distributable Cash Flow (DCF): increased by the return of capital on MLP distributions and the value of paid-in-kind distributions; and decreased by dividends to preferred stockholders, current taxes, and realized and unrealized gains (losses) on settlements of interest rate swap contracts.*

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2006			2007
Q2 <sup>(1)</sup>	Q3 <sup>(1)</sup>	Q4 <sup>(1)</sup>	Q1 <sup>(1)</sup>
\$ 11,074	\$ 11,715	\$ 12,595	\$ 14,075
1,186	1,689	1,745	1,801
32	34		
199	194	156	129
12,491	13,632	14,496	16,005
1,550	1,660	1,796	2,122
310	321	335	342
1,860	1,981	2,131	2,464
10,631	11,651	12,365	13,541
2,723	2,864	2,784	3,320
137	138	138	145
\$ 7,771	\$ 8,649	\$ 9,443	\$ 10,076
\$ 7,472	\$ 8,494	\$ 8,848	\$ 9,845
0.50	0.51	0.53	0.54
96.2%	98.2%	93.7%	97.7%
758,684	835,250	928,431	1,130,442
735,142	786,791	865,220	1,028,848
235,000	235,000	267,450	316,600
31.0%	28.1%	28.8%	28.0%
129,299	148,264	196,037	259,275
432,077	492,866	532,433	635,044
419,521	446,196	507,852	602,104
28.91	29.59	31.82	34.83
28.75	30.62	36.13	36.38
14,944	16,655	16,732	18,232
6.74%	6.87%	6.72%	6.31%
1.00%	1.00%	0.99%	0.97%
5.74%	5.87%	5.73%	5.34%
7.35%	7.69%	7.46%	6.79%

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

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

(6) *The balance on the short-term credit facility was \$81,600,000 as of February 28, 2007.*

(7) *Computed by averaging daily values for the period.*

(8) *Annualized for period less than one full year.*

## Management's Discussion

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

### Overview

Tortoise Energy's goal is to provide a growing dividend stream to our investors, and when combined with MLP growth prospects, the investment offers the opportunity for an attractive total return. We seek to provide our stockholders with an efficient vehicle to invest in the energy infrastructure sector. While we are a registered investment company under the Investment Company Act of 1940, as amended (the 1940 Act), we are not a regulated investment company for federal tax purposes. Our dividends do not generate unrelated business taxable income (UBTI) and our stock may therefore be suitable for holding by pension funds, IRAs and mutual funds, as well as taxable accounts.

We invest primarily in MLPs through private and public market purchases. MLPs are publicly traded partnerships whose equity interests are traded in the form of units on public exchanges, such as the NYSE. Our private purchases principally involve financing directly to an MLP through equity investments, which we refer to as private placements. MLPs typically use this financing to fund growth, acquisitions, recapitalizations, debt repayments and bridge financings. We generally invest in companies that are publicly reporting, but for which a private financing offers advantages. These direct placement opportunities generally arise from our long-term relationships with energy infrastructure MLPs and our unique expertise in origination, structuring, diligence and investment oversight.

### Critical Accounting Policies

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

### Determining Dividends Distributed To Stockholders

Our portfolio generates cash flow from which we pay dividends to stockholders. We pay dividends out of our distributable cash flow (DCF). Our Board of Directors reviews the dividend rate quarterly, and may adjust the quarterly dividend throughout the year. Our goal is to declare what we believe to be sustainable increases in our regular quarterly dividends. We intend to reinvest the after-tax proceeds of sales of investments in order to maintain and grow our dividend rate. We have targeted to pay at least 95 percent of DCF on an annualized basis.

### Determining DCF

DCF is simply distributions received from investments less our total expenses. The total distributions received from our investments includes the amount received by us as cash distributions from MLPs, paid-in-kind distributions, and dividend and interest payments. The total expenses include current or anticipated operating expenses, leverage costs and current income taxes on our operating income. Each is summarized for you in the table on pages 4 and 5 and are discussed in more detail below.

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## Management's Discussion

*(Continued)*

The key financial data table discloses the calculation of DCF. The difference between distributions received from investments in the DCF calculation and total investment income as reported in the Statement of Operations is reconciled as follows: (1) the Statement of Operations, in conformity with U.S. generally accepted accounting principles (GAAP), recognizes distribution income from MLPs and common stock on their ex-dates, whereas the DCF calculation reflects distribution income on their pay dates; (2) GAAP recognizes that a significant portion of the cash distributions received from MLPs are treated as a return of capital and therefore excluded from investment income, whereas the DCF calculation includes the return of capital; and (3) distributions received from investments in the DCF calculation include the value of dividends paid-in-kind (additional stock), whereas such amounts are not included as income for GAAP purposes. The treatment of expenses in the DCF calculation also differs from what is reported in the Statement of Operations. In addition to the expenses that are included in net investment income (loss) before taxes in the Statement of Operations, the DCF calculation reflects dividends to preferred stockholders and realized and unrealized gains (losses) on interest swap settlements as additional leverage costs, as well as current tax expense.

**Distributions Received from Investments**

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

We concentrate on MLPs we believe can expect an increasing demand for services from economic and population growth. Our disciplined investment process seeks to select well-managed businesses with real, hard assets and stable recurring revenue streams.

Our focus remains primarily on investing in fee-based service providers that operate long-haul, interstate pipelines. We further diversify among issuers, geographies and energy commodities, while seeking to achieve a dividend yield equivalent to a direct investment in energy infrastructure MLPs. In addition, most energy infrastructure companies are regulated and utilize an inflation escalator index that factors in inflation as a cost pass-through. So, over the long-term, we believe MLPs will outpace interest rate increases and produce positive returns.

Total distributions received from our investments relating to DCF for the 1st quarter 2007 was approximately \$16 million, representing a 32.6 percent increase as compared to 1st quarter 2006 and a 10.4 percent increase as compared to 4th quarter 2006. These increases reflect the earnings from investment of: (1) additional leverage; (2) \$48 million of net proceeds from equity issued in 3rd quarter 2006; (3) \$50 million of net proceeds from equity issued in 1st quarter 2007; and, (4) distribution increases from our MLP investments. The average annual percentage increase of distributions of our MLPs in 1st quarter 2007 as compared to the distributions in 1st quarter 2006 was 16 percent.

**Expenses**

We incur two types of expenses: (1) operating expenses, consisting primarily of the advisory fee; and (2) leverage costs. On a percentage basis, operating expenses before leverage costs and current taxes were an annualized 0.97 percent of average total assets for the 1st quarter 2007 as compared to 0.92 percent for the 1st quarter 2006 and 0.99 percent for the 4th quarter 2006. Advisory fees increased as a result of growth in average total assets and from the impact of the contractual reduction in reimbursed fees from 0.23 percent of managed assets to 0.10 percent which took effect March 1, 2006. The reimbursement will continue until 2009. Other operating expenses remained relatively unchanged as compared to previous quarters.

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## Management's Discussion

*(Continued)*

Leverage costs consist of four major components: (1) the direct interest expense, which will vary from period to period as all of our Tortoise Notes and revolving credit line have variable rates of interest; (2) the auction agent fees, which are the marketing costs for the variable rate leverage; (3) the realized gain or loss on our swap arrangements;

and (4) our preferred dividends, which also carry a variable rate dividend. We have locked-in all of our long-term leverage costs through interest rate swap agreements, converting our variable rate obligations to fixed rate obligations for the term of the swap agreements. With very little short-term interest rate risk in Tortoise Energy, we now have an all-in weighted average cost of long-term leverage of 4.52 percent with a remaining weighted average swap maturity of approximately 51/4 years. Details of our interest rate swap contracts are disclosed in Note 11 of our Notes to Financial Statements.

As indicated in Note 11, Tortoise Energy has agreed to pay U.S. Bank a fixed rate while receiving a floating rate based upon the 1 month or 1 week U.S. Dollar London Interbank Offered Rate ( LIBOR ). LIBOR is the primary global benchmark or reference rate for short-term interest rates and is intended to approximate our variable rate payment obligations. The spread between the fixed rate and floating LIBOR rate is reflected in our Statement of Operations as a realized or unrealized gain when the LIBOR rate exceeds the fixed rate (U.S. Bank pays Tortoise Energy the net difference) or a realized or unrealized loss when the fixed rate exceeds the LIBOR rate (Tortoise Energy pays U.S. Bank the net difference). We realized approximately \$657,000 in gains on interest rate swap settlements during the 1st quarter 2007 as compared to approximately \$14,000 in gains for the 1st quarter 2006 and approximately \$673,000 for the 4th quarter 2006.

Leverage costs increased to approximately \$3.3 million for the 1st quarter 2007 as compared to \$2.7 million for the 1st quarter 2006 and \$2.8 million for the 4th quarter 2006, due to additional interest expense associated with utilization of our short-term line of credit.

#### **Distributable Cash Flow**

For 1st quarter 2007 our DCF was approximately \$10.1 million, an increase of \$2.3 million or 29.8 percent as compared to 1st quarter 2006 and \$633,000 or 6.7 percent as compared to 4th quarter 2006. These increases are the net result of growth in distributions and expenses as outlined above. Current income tax expense reflects estimated Canadian taxes payable by Tortoise Energy on Canadian income allocated to the company. We paid a dividend of \$9.8 million, or 97.7 percent of DCF during the quarter. On a per share basis, the Company declared a \$0.54 dividend on February 12th, 2007, for an annualized run-rate of \$2.16. This is an increase of 12.5 percent as compared to 1st quarter 2006 and 1.9 percent as compared to 4th quarter 2006. With the growth in distributions from the MLPs in which we invest, we expect the dividend to continue to grow at least 4 percent annually.

#### **Taxation of our Distributions**

We invest in partnerships which have larger distributions of cash than the accounting income which they generate. Accordingly, the distributions include a return of capital component for accounting and tax purposes on our books.

Dividends declared and paid by Tortoise Energy in a year generally differ from taxable income for that year, as such dividends may include the distribution of current year taxable income or returns of capital.

The taxability of the dividend you receive depends on whether Tortoise Energy has annual earnings and profits. If so, those earnings and profits are first allocated to the preferred shares, and then to the common shares. Because most of the distributions we have received from MLPs are not income for tax purposes, we currently have very little income to offset against our expenses.

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#### Management's Discussion

*(Continued)*

In the event Tortoise Energy has earnings and profits, our dividend, like any other corporate dividend, would be taxable at the 15 percent qualified dividend rate. Our dividend would include a taxable component for either of two reasons: first, the tax characterization of the distributions we receive from MLPs could change and become less return of capital and more in the form of income. Second, we could sell an MLP investment in which Tortoise Energy has a gain. The unrealized gain we have in the portfolio is reflected in the Statement of Assets and Liabilities. Tortoise Energy's investments at value are \$1.123 billion, with an adjusted cost of \$698.6 million. The \$424.4 million difference reflects gain that would be realized if those investments were sold at those values. A sale could give rise to earnings and profits in that period and make the distributions taxable qualified dividends. Note, however, that the Statement of Assets and Liabilities reflects as a deferred tax liability the possible future tax liability we would pay if



all investments were liquidated at their indicated value. It is for these two reasons that we inform you of the tax treatment after the close of each year because both of these items are unpredictable until the year is over. We currently expect that our estimated annual taxable income for 2007 will be less than 20 percent of our estimated dividend distributions to stockholders in 2007, although the ultimate determination will not be made until January 2008.

### Liquidity And Capital Resources

Tortoise Energy had total assets of \$1.13 billion at quarter end. Our total assets reflect the value of our investments, which are itemized in the Schedule of Investments. It also reflects cash, interest and other receivables and any expenses that may have been prepaid. During 1st quarter 2007, total assets grew from \$928 million to \$1.13 billion, an increase of 22 percent. This change was primarily the result of an increase in unrealized appreciation of investments of approximately \$92 million, increase in leverage outstanding of \$49 million and approximately \$50 million in net equity proceeds from the issuance of 1,500,000 common shares. The Statement of Operations reflects unrealized appreciation before deferred tax expense of \$104 million, which includes \$12 million in MLP distributions treated as return of capital.

The Company has a \$150 million credit facility with U.S. Bank, N.A. maturing March 21, 2008. Outstanding balances generally accrue interest at a variable annual interest rate equal to the one-month LIBOR rate plus 0.75 percent. Proceeds from the credit facility are primarily used to facilitate private placement equity investments. At February 28, 2007, we had approximately \$82 million outstanding under the facility.

Total leverage outstanding of \$317 million is comprised of \$165 million in auction rate senior notes rated Aaa and AAA by Moody's Investors Service Inc. and Fitch Ratings, respectively, \$70 million in money market preferred shares rated Aa2 and AA by Moody's Investors Service Inc. and Fitch Ratings, respectively, and \$82 million outstanding under the credit facility. Total leverage represented 28 percent of total assets at February 28, 2007 as compared to 33 percent at February 28, 2006. Our long-term target for leverage remains approximately 33 percent of total assets. We expect to use our line of credit to make desirable investments as they become available and to reach our targeted leverage amount. As the line of credit increases in size we would issue additional Tortoise Notes or Preferred Stock to repay the line and provide longer-term capital for our Company.

Our Board of Directors has approved a policy permitting temporary increases in the amount of leverage from 33 percent to 38 percent of total assets at the time of incurrence, to allow participation in investment opportunities. The policy requires leverage to be within the limits set forth in the 1940 Act (300 percent and 200 percent asset coverage for debt and preferred shares, respectively) and indicates that leverage will be reduced to our long-term target over time in an orderly fashion from portfolio sales and/or an equity offering.

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### Schedule of Investments (Unaudited)

	<b>February 28, 2007</b>	
	<b>Shares</b>	<b>Value</b>
<b>Master Limited Partnerships and Related Companies</b> 175.9%		
<b>Crude/Refined Products Pipelines</b> 91.3%		
Buckeye Partners, L.P.	567,102	\$ 27,873,063
Enbridge Energy Partners, L.P.	925,300	48,865,093
Holly Energy Partners, L.P. <sup>(2)</sup>	427,070	19,696,468
Kinder Morgan Management, LLC <sup>(3)(4)</sup>	1,617,533	80,892,825
Magellan Midstream Partners, L.P.	2,224,713	93,660,417
Plains All American Pipeline, L.P.	2,270,434	126,009,087
Sunoco Logistics Partners, L.P.	934,625	52,432,463
TEPPCO Partners, L.P.	869,520	37,163,285

	<b>February 28, 2007</b>	
Valero, L.P.	886,689	55,861,407
Valero GP Holdings, LLC	1,408,168	37,091,145
		579,545,253
<b>Natural Gas/Natural Gas Liquid Pipelines 40.2%</b> <sup>(1)</sup>		
Boardwalk Pipeline Partners, L.P.	108,000	3,963,600
Energy Transfer Equity, L.P. <sup>(5)</sup>	729,661	23,604,533
Energy Transfer Partners, L.P.	1,722,250	94,999,310
Enterprise GP Holdings, L.P.	71,400	2,618,952
Enterprise Products Partners, L.P.	2,323,940	70,903,409
ONEOK Partners, L.P.	262,255	16,978,389
TC Pipelines, L.P. <sup>(5)</sup>	1,229,390	42,303,310
		255,371,503
<b>Natural Gas Gathering/Processing 30.8%</b> <sup>(1)</sup>		
Copano Energy, LLC	590,448	39,016,804
Crosstex Energy, L.P.	268,587	10,093,500
Crosstex Energy, L.P. <sup>(4)(5)</sup>	712,760	23,278,742
DCP Midstream Partners, L.P.	23,300	861,634
Duncan Energy Partners, L.P.	451,100	10,826,400
Hiland Holdings GP, L.P.	39,050	1,109,020
Hiland Partners, L.P.	41,048	2,226,444
MarkWest Energy Partners, L.P. <sup>(2)</sup>	1,040,177	67,507,487
Targa Resources Partners, L.P.	118,900	2,865,490
Universal Compression Partners, L.P.	84,700	2,518,131
Williams Partners, L.P.	310,380	13,408,416
Williams Partners, L.P. <sup>(5)</sup>	142,935	5,804,590
Williams Partners, L.P. Class B <sup>(3)</sup>	412,457	16,391,041
		195,907,699

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Schedule of Investments *(Unaudited)*  
*(Continued)*

	<b>February 28, 2007</b>	
	<b>Shares</b>	<b>Value</b>
<b>Shipping 3.9%</b> <sup>(1)</sup>		
<b>United States 3.5%</b> <sup>(1)</sup>		
K-Sea Transportation Partners, L.P. <sup>(2)</sup>	571,300	\$ 22,566,350
<b>Republic of the Marshall Islands 0.4%</b> <sup>(1)</sup>		
Teekay LNG Partners, L.P.	67,200	2,473,632

	<b>February 28, 2007</b>	
		<u>25,039,982</u>
<b>Propane Distribution 9.7%</b> <sup>(1)</sup>		
Inergy, L.P.	1,916,784	59,477,808
Inergy Holdings, L.P.	49,715	2,065,658
		<u>61,543,466</u>
Total Master Limited Partnerships and Related Companies (Cost \$693,249,572)		<u>1,117,407,903</u>
	<b>Principal Amount</b>	
<b>Promissory Note 0.8%</b> <sup>(1)</sup>		
<b>Shipping 0.8%</b> <sup>(1)</sup>		
E.W. Transportation, LLC Unregistered, 9.28%, Due 3/31/2009 (Cost \$4,922,448) <sup>(5)(6)</sup>	\$ 4,958,505	4,922,448
		<u>4,922,448</u>
	<b>Shares</b>	
<b>Short-Term Investments 0.1%</b> <sup>(1)</sup>		
<b>Investment Company 0.1%</b> <sup>(1)</sup>		
First American Government Obligations Fund Class Y, 5.00% <sup>(7)</sup> (Cost \$420,556)	420,556	420,556
		<u>420,556</u>
<b>Total Investments 176.8%</b> <sup>(1)</sup> <b>(Cost \$698,592,576)</b>		<b>1,122,750,907</b>
<b>Auction Rate Senior Notes (26.0%)</b> <sup>(1)</sup>		(165,000,000)
<b>Interest Rate Swap Contracts 0.2%</b> <sup>(1)</sup>		
\$345,000,000 notional Unrealized Appreciation, Net <sup>(8)</sup>		1,431,524
<b>Liabilities in Excess of Cash and Other Assets (40.0%)</b> <sup>(1)</sup>		(254,138,424)
<b>Preferred Shares at Redemption Value (11.0%)</b> <sup>(1)</sup>		(70,000,000)
		<u>635,044,007</u>
<b>Total Net Assets Applicable to Common Stockholders 100.0%</b> <sup>(1)</sup>		<b>\$ 635,044,007</b>

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

(2) Affiliated investment; the Company owns 5% or more of the outstanding voting securities of the issuer. See Note 7 to the financial statements for further disclosure.

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

(4) Non-income producing.

(5) Fair valued securities represent a total market value of \$116,304,664 which represents 18.3% of net assets. These securities are deemed to be restricted; see Note 6 to the financial statements for further disclosure.

(6) Security is a variable rate instrument. Interest rate is as of February 28, 2007.

(7) Rate indicated is the 7-day effective yield as of February 28, 2007.

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

See Accompanying Notes to the Financial Statements.

## Statement of Assets &amp; Liabilities (Unaudited)

	<b>February 28, 2007</b>
<b>Assets</b>	
Investments at value, non-affiliated (cost \$641,812,217)	\$ 1,012,980,602
Investments at value, affiliated (cost \$56,780,359)	109,770,305
Total investments (cost \$698,592,576)	1,122,750,907
Receivable for Adviser reimbursement	168,455
Receivable for investments sold	3,741,842
Interest and dividend receivable	13,161
Distribution receivable from master limited partnerships	515
Unrealized appreciation of interest rate swap contracts, net	1,431,524
Prepaid expenses and other assets	2,336,050
Total assets	1,130,442,454
<b>Liabilities</b>	
Payable to Adviser	1,600,315
Dividend payable on common shares	9,845,315
Dividend payable on preferred shares	165,504
Short-term borrowings	81,600,000
Accrued expenses and other liabilities	616,648
Current tax liability	58,954
Deferred tax liability	166,511,711
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	425,398,447
<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	\$ 635,044,007
<b>Net Assets Applicable to Common Stockholders Consist of</b>	
Capital stock, \$0.001 par value; 18,232,065 shares issued and outstanding (100,000,000 shares authorized)	\$ 18,232
Additional paid-in capital	375,108,366
Accumulated net investment loss, net of deferred tax benefit	(10,748,115)
Undistributed realized gain, net of deferred tax expense	11,390,766
Net unrealized gain on investments and interest rate swap contracts, net of deferred tax expense	259,274,758

	<b>February 28, 2007</b>
	<hr/> <hr/>
Net assets applicable to common stockholders	\$ 635,044,007
Net Asset Value per common share outstanding (net assets applicable to common shares, divided by common shares outstanding)	\$ 34.83

*See Accompanying Notes to the Financial Statements.*

12 Tortoise Energy Infrastructure Corp.

Statement of Operations *(Unaudited)*

	<b>Period from December 1, 2006 through February 28, 2007</b>
	<hr/> <hr/>
<b>Investment Income</b>	
Distributions received from master limited partnerships (including \$1,705,507 from affiliates)	\$ 14,074,696
Less return of capital on distributions (including \$1,468,423 from affiliates)	(11,942,328)
	<hr/>
Distribution income from master limited partnerships	2,132,368
Dividends from money market mutual funds	3,410
Interest	126,120
	<hr/>
<b>Total Investment Income</b>	2,261,898
	<hr/>
<b>Expenses</b>	
Advisory fees	2,371,943
Administrator fees	153,677
Professional fees	58,530
Directors' fees	30,822
Custodian fees and expenses	28,614
Reports to stockholders	19,726
Fund accounting fees	19,363
Registration fees	12,229
Stock transfer agent fees	3,551
Other expenses	15,105
	<hr/>
<b>Total Expenses before Interest Expense and Auction Agent Fees</b>	2,713,560
	<hr/>
Interest expense	2,836,605
Auction agent fees	163,935
	<hr/>
<b>Total Interest Expense and Auction Agent Fees</b>	3,000,540

	<b>Period from December 1, 2006 through February 28, 2007</b>
<b>Total Expenses</b>	5,714,100
Less expense reimbursement by Adviser	(249,678)
<b>Net Expenses</b>	5,464,422
<b>Net Investment Loss, before Income Taxes</b>	(3,202,524)
Current tax expense	(145,369)
Deferred tax benefit	1,305,678
Income tax benefit, net	1,160,309
<b>Net Investment Loss</b>	(2,042,215)

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Statement of Operations *(Unaudited)*  
*(Continued)*

	<b>Period from December 1, 2006 through February 28, 2007</b>
<b>Realized and Unrealized Gain on Investments and Interest Rate Swaps</b>	
Net realized gain on investments	\$ 2,605,509
Net realized gain on interest rate swap settlements	657,492
Net realized gain, before deferred tax expense	3,263,001
Deferred tax expense	(1,272,570)
Net realized gain on investments and interest rate swap settlements	1,990,431
Net unrealized appreciation of investments	102,183,147
Net unrealized appreciation of interest rate swap contracts	1,634,475
Net unrealized appreciation, before deferred tax expense	103,817,622
Deferred tax expense	(40,579,593)
Net unrealized appreciation of investments and interest rate swap contracts	63,238,029

	<b>Period from December 1, 2006 through February 28, 2007</b>
<b>Net Realized and Unrealized Gain on Investments and Interest Rate Swaps</b>	65,228,460
<b>Dividends to Preferred Stockholders</b>	(936,714)
<b>Net Increase in Net Assets Applicable to Common Stockholders Resulting from Operations</b>	\$ 62,249,531

See Accompanying Notes to the Financial Statements.

14 Tortoise Energy Infrastructure Corp.

Statement of Changes in Net Assets

	<b>Period from December 1, 2006 through February 28, 2007</b>	<b>Year Ended November 30, 2006</b>
	<i>(Unaudited)</i>	
<b>Operations</b>		
Net investment loss	\$ (2,042,215)	\$ (5,798,038)
Net realized gain on investments and interest rate swap settlements	1,990,431	5,524,349
Net unrealized appreciation of investments and interest rate swap contracts	63,238,029	111,580,962
Dividends to preferred stockholders	(936,714)	(3,529,740)
	<u>62,249,531</u>	<u>107,777,533</u>
Net increase in net assets applicable to common stockholders resulting from operations		
<b>Dividends and Distributions to Common Stockholders</b>		
Net investment income		
Return of capital	(9,845,315)	(31,969,335)
	<u>(9,845,315)</u>	<u>(31,969,335)</u>
Total dividends and distributions to common stockholders		
<b>Capital Share Transactions</b>		
Proceeds from shelf offering of 1,500,000 and 1,675,050 common shares, respectively	52,200,000	50,000,243
Underwriting discounts and offering expenses associated		

	<b>Period from December 1, 2006 through February 28, 2007</b>	<b>Year Ended November 30, 2006</b>
with the issuance of common shares	(1,993,574)	(2,202,315)
Issuance of 151,500 common shares from reinvestment of dividend distributions to stockholders		4,553,739
Net increase in net assets, applicable to common stockholders, from capital share transactions	50,206,426	52,351,667
Total increase in net assets applicable to common stockholders	102,610,642	128,159,865
<b>Net Assets</b>		
Beginning of period	532,433,365	404,273,500
End of period	\$ 635,044,007	\$ 532,433,365
Accumulated net investment loss, net of deferred tax benefit, at the end of period	\$ (10,748,115)	\$ (8,705,900)

*See Accompanying Notes to the Financial Statements.*

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Statement of Cash Flows *(Unaudited)*

	<b>Period from December 1, 2006 through February 28, 2007</b>
<b>Cash Flows From Operating Activities</b>	
Distributions received from master limited partnerships	\$ 14,977,508
Interest and dividend income received	128,122
Purchases of long-term investments	(112,242,455)
Proceeds from sales of long-term investments	2,905,699
Proceeds from sales of short-term investments, net	253,289
Proceeds from interest rate swap contracts, net	657,492
Interest expense paid	(2,890,316)
Income taxes paid	(357,207)
Operating expenses paid	(2,155,156)
Net cash used in operating activities	(98,723,024)
<b>Cash Flows From Financing Activities</b>	
Advances from revolving line of credit	112,700,000



	<b>Period from December 1, 2006 through February 28, 2007</b>
Repayments on revolving line of credit	(63,550,000)
Issuance of common stock	52,200,000
Stock issuance costs	(1,993,574)
Dividends paid to preferred stockholders	(1,019,466)
	<hr/>
Net cash provided by financing activities	98,336,960
	<hr/>
Net decrease in cash	(386,064)
	<hr/>
Cash beginning of period	386,064
	<hr/>
Cash end of period	\$
	<hr/>

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Statement of Cash Flows *(Unaudited)*  
*(Continued)*

	<b>Period from December 1, 2006 through February 28, 2007</b>
	<hr/>
<b>Reconciliation of net increase in net assets applicable to common stockholders resulting from operations to net cash used in operating activities</b>	
Net increase in net assets applicable to common stockholders resulting from operations	\$ 62,249,531
Adjustments to reconcile net increase in net assets applicable to common stockholders resulting from operations to net cash used in operating activities:	
Purchases of long-term investments	(112,242,455)
Return of capital on distributions received	11,942,328
Proceeds from sales of long-term investments	6,647,541
Proceeds from sales of short-term investments, net	253,289
Deferred income tax expense	40,546,485
Net unrealized appreciation of investments and interest rate swap contracts	(103,817,622)
Realized gain on investments	(2,605,509)
Accretion of discount on investments	(4,048)
Amortization of debt issuance costs	14,198
Dividends to preferred stockholders	936,714

	<b>Period from December 1, 2006 through February 28, 2007</b>
Changes in operating assets and liabilities:	
Decrease in interest, dividend and distribution receivable	905,452
Decrease in prepaid expenses and other assets	72,147
Increase in receivable for investments sold	(3,741,842)
Decrease in current tax liability	(211,838)
Increase in payable to Adviser, net of expense reimbursement	203,757
Increase in accrued expenses and other liabilities	128,848
	<hr/>
Total adjustments	(160,972,555)
	<hr/>
Net cash used in operating activities	\$ (98,723,024)
	<hr/>

*See Accompanying Notes to the Financial Statements.*

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#### Financial Highlights

	<b>Period from December 1, 2006 through February 28, 2007</b>
	<hr/>
	<i>(Unaudited)</i>
<b>Per Common Share Data<sup>(2)</sup></b>	
Net Asset Value, beginning of period	\$ 31.82
Public offering price	
Underwriting discounts and offering costs on initial public offering	
Underwriting discounts and offering costs on issuance of preferred shares	
Premiums less underwriting discounts and offering costs on secondary offering <sup>(3)</sup>	
Underwriting discounts and offering costs on shelf offering of common stock <sup>(4)</sup>	
Premiums less underwriting discounts and offering costs on shelf offering of common stocks <sup>(5)</sup>	0.08
Income (loss) from Investment Operations:	
Net investment loss <sup>(6)</sup>	(0.07)
Net realized and unrealized gain on investments <sup>(6)</sup>	3.59
	<hr/>
Total increase from investment operations	3.52
	<hr/>
Less Dividends to Preferred Stockholders:	
Net investment income	

	<b>Period from December 1, 2006 through February 28, 2007</b>
Return of capital	(0.05)
Total dividends to preferred stockholders	(0.05)
Less Dividends to Common Stockholders:	
Net investment income	
Return of capital	(0.54)
Total dividends to common stockholders	(0.54)
Net Asset Value, end of period	\$ 34.83
Per common share market value, end of period	\$ 36.38
Total Investment Return Based on Market Value <sup>(7)</sup>	2.25%
<b>Supplemental Data and Ratios</b>	
Net assets applicable to common stockholders, end of period (000 s)	\$ 635,044
Ratio of expenses (including current and deferred income tax expense) to average net assets before waiver: <sup>(8)(9)(10)</sup>	31.26%
Ratio of expenses (including current and deferred income tax expense) to average net assets after waiver: <sup>(8)(9)(10)</sup>	31.09%
Ratio of expenses (excluding current and deferred income tax expense) to average net assets before waiver: <sup>(8)(9)(10)(11)</sup>	3.85%
Ratio of expenses (excluding current and deferred income tax expense) to average net assets after waiver: <sup>(8)(9)(10)(11)</sup>	3.68%
Ratio of expenses (excluding current and deferred income tax expense), without regard to non-recurring organizational expenses, to average net assets before waiver: <sup>(8)(9)(10)(11)</sup>	3.85%

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<b>Year Ended November 30, 2006</b>	<b>Year Ended November 30, 2005</b>	<b>Period from February 27, 2004<sup>(1)</sup> through November 30, 2004</b>
\$ 27.12	\$ 26.53	\$ 25.00
		(1.17)
	(0.02)	(0.06)
(0.14)		

<b>Year Ended November 30, 2006</b>	<b>Year Ended November 30, 2005</b>	<b>Period from February 27, 2004<sup>(1)</sup> through November 30, 2004</b>
(0.32)	(0.16)	(0.03)
7.41	2.67	3.77
7.09	2.51	3.74
(0.23)	(0.11)	(0.01)
(0.23)	(0.11)	(0.01)
(2.02)	(1.79)	(0.97)
(2.02)	(1.79)	(0.97)
\$ 31.82	\$ 27.12	\$ 26.53
\$ 36.13	\$ 28.72	\$ 27.06
34.50%	13.06%	12.51%
\$ 532,433	\$ 404,274	\$ 336,553
20.03%	9.10%	15.20%
19.81%	8.73%	14.92%
3.97%	3.15%	2.01%
3.75%	2.78%	1.73%
3.97%	3.15%	1.90%

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**Financial Highlights**  
*(Continued)*

**Period from  
December 1,  
2006 through  
February 28,  
2007**

*(Unaudited)*

Ratio of expenses (excluding current and deferred income tax expense), without regard to non-recurring organizational expenses, to average net assets after waiver:<sup>(8)(9)(10)(11)</sup>

Ratio of net investment loss to average net assets before waiver:<sup>(8)(9)(11)</sup>

3.68%  
(2.33)%

	<b>Period from December 1, 2006 through February 28, 2007</b>
Ratio of net investment loss to average net assets after waiver: <sup>(8)(9)(11)</sup>	(2.16)%
Ratio of net investment loss to average net assets after current and deferred income tax expense, before waiver: <sup>(8)(9)(10)</sup>	(29.74)%
Ratio of net investment loss to average net assets after current and deferred income tax expense, after waiver: <sup>(8)(9)(10)</sup>	(29.57)%
Portfolio turnover rate	0.65%
Tortoise Auction Rate Senior Notes, end of period (000 s)	\$ 165,000
Tortoise Preferred Shares, end of period (000 s)	\$ 70,000
Per common share amount of auction rate senior notes outstanding at end of period	\$ 9.05
Per common share amount of net assets, excluding auction rate senior notes, at end of period	\$ 43.88
Asset coverage, per \$1,000 of principal amount of auction rate senior notes and short-term borrowings <sup>(12)</sup>	\$ 3,859
Asset coverage ratio of auction rate senior notes and short-term borrowings <sup>(12)</sup>	386%
Asset coverage, per \$25,000 liquidation value per share of preferred shares <sup>(13)</sup>	\$ 251,801
Asset coverage, per \$25,000 liquidation value per share of preferred shares <sup>(14)</sup>	\$ 75,146
Asset coverage ratio of preferred shares <sup>(14)</sup>	301%

(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) *Represents the dilution per common share from underwriting and other offering costs.*

(5) *Represents the premium on the shelf offering of \$0.19 per share, less the underwriting and offering costs of \$0.11 per share.*

(6) *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. See Note 2C to the financial statements for further disclosure.*

(7) *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 (excluding brokerage commissions). The calculation also assumes reinvestment of dividends at actual prices pursuant to the Company's dividend reinvestment plan.*

(8) *Annualized for periods less than one full year.*

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<b>Year Ended November 30, 2006</b>	<b>Year Ended November 30, 2005</b>	<b>Period from February 27, 2004<sup>(1)</sup> through November 30,</b>
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## 2004

	3.75%	2.78%	1.62%
	(2.24)%	(1.42)%	(0.45)%
	(2.02)%	(1.05)%	(0.17)%
	(18.31)%	(7.37)%	(13.37)%
	(18.09)%	(7.00)%	(13.65)%
	2.18%	4.92%	1.83%
\$	165,000	\$ 165,000	\$ 110,000
\$	70,000	\$ 70,000	\$ 35,000
\$	9.86	\$ 11.07	\$ 8.67
\$	41.68	\$ 38.19	\$ 35.21
\$	4,051	\$ 3,874	\$ 4,378
	405%	387%	438%
\$	215,155	\$ 169,383	\$ 265,395
\$	74,769	\$ 68,008	\$ 83,026
	299%	272%	332%

(9) *The expense ratios and net investment loss ratios do not reflect the effect of dividend payments to preferred stockholders.*

(10) *The Company accrued \$40,691,854, \$71,661,802, \$24,659,420 and \$30,330,018 for the quarter ended February 28, 2007, the years ended November 30, 2006 and 2005 and for the period from February 27, 2004 through November 30, 2004, respectively, for current and deferred income tax expense.*

(11) *The ratio excludes the impact of current and deferred income taxes.*

(12) *Represents value of total assets less all liabilities and indebtedness not represented by auction rate senior notes, short-term borrowings and preferred shares at the end of the period divided by auction rate senior notes and short-term borrowings outstanding at the end of the period.*

(13) *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, assuming the retirement of all auction rate senior notes and short-term borrowings.*

(14) *Represents value of total assets less all liabilities and indebtedness not represented by auction rate senior notes, short-term borrowings and preferred shares at the end of the period divided by auction rate senior notes, short-term borrowings and preferred shares outstanding at the end of the period.*

*See Accompanying Notes to the Financial Statements.*

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## Notes to Financial Statements (*Unaudited*)

February 28, 2007

### 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 stockholders. The Company seeks to provide its stockholders with an efficient vehicle to invest in the energy infrastructure sector. The Company commenced operations on February 27, 2004. The Company's 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.

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Notes to Financial Statements (*Unaudited*)

(*Continued*)

### **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 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 is 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 an increase in pre-tax net investment income of approximately \$190,000 or \$0.01 per share (\$116,000 or \$0.007 per share, net of deferred tax expense); an increase of approximately \$139,000 or \$0.01 per share (\$85,000 or \$0.005 per share, net of deferred tax expense) in unrealized appreciation of investments; and a decrease in realized gains of approximately \$329,000 or \$0.02 per share (\$201,000 or \$0.01 per share, net of deferred tax benefit) for the period from December 1, 2005 through November 30, 2006.

### **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, 2006 and for the period ended February 28, 2007, the Company's dividends, for book purposes, were comprised of 100 percent return of capital. For the year ended November 30, 2006, the Company's dividends, for tax purposes, were comprised of approximately 11 percent qualified dividend income and 89 percent return of capital. The tax character of dividends paid for the year ended November 30, 2007 will be determined subsequent to year-end.

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, 2006, for tax purposes, the Company determined the dividends to preferred stockholders were comprised entirely of qualified dividend income. The tax character of dividends paid for the year ended November 30, 2007 will be determined subsequent to year-end.

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## Notes to Financial Statements (*Unaudited*)

(*Continued*)

### **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 is included in the Statement of Operations based on the component of income or gains (losses) to which such expense or benefit relates. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred income tax asset will not be realized.

### **F. 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 is charged to additional paid-in capital when the shares are issued. Offering costs (excluding underwriter commissions) of \$298,574 were charged to additional paid-in capital for the common shares issued in December 2006. Debt issuance costs related to the auction rate senior notes are capitalized and amortized over the period the notes are outstanding.

### **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 derivative instruments included as unrealized gains or losses in the accompanying Statement of Operations. Monthly cash settlements under the terms of the derivative instruments 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.

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

In July 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation No. 48 Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are more-likely-than-not of being sustained by the applicable tax authority. Adoption of FIN 48 is required for fiscal years beginning after December 15, 2006 and is to be applied to all open tax years as of the effective date. Adoption of FIN 48 is required for fiscal years beginning after December 15, 2006, but not before the Company's last NAV calculation in the first required financial statement reporting period for its fiscal year beginning after December 15, 2006. At this time, the Company is evaluating the implications of FIN 48 and whether it will have any impact on the Company's financial statements.

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

(*Continued*)

In September 2006, FASB issued Statement on Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. SFAS No. 157 applies to fair value measurements already required or permitted by existing standards. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. SFAS No. 157 is effective for the Company beginning December 1, 2007. The changes to current U.S. generally accepted accounting principles from the application of this statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. The Company has recently begun to evaluate the application of the statement, and is not in a position at this time to evaluate the significance of its impact, if any, on the Company's financial statements.

### **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, LLC (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 periods 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.

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 \$300,000,000 of the

Company's Managed Assets, 0.06 percent on the next \$500,000,000 of Managed Assets and 0.04 percent on the balance of the Company's Managed Assets.

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

Computershare Trust Company, N.A. 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 \$100,000,000 of the Company's portfolio assets and 0.01 percent on the balance of the Company's portfolio assets.

**5. Income Taxes**

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting and tax purposes. Components of the Company's deferred tax assets and liabilities as of February 28, 2007, are as follows:

Deferred tax assets:

Net operating loss carryforwards	\$ 18,297,343
Organization costs	38,845
	<u>18,336,188</u>

Deferred tax liabilities:

Net unrealized gains on investment securities and interest rate swap contracts	166,086,857
Basis reduction of investment in MLPs	18,761,042
	<u>184,847,899</u>

Total net deferred tax liability	<u>\$ 166,511,711</u>
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For the period from December 1, 2006 to February 28, 2007, the components of income tax expense include current foreign taxes of \$145,369 and deferred federal and state income taxes (net of federal tax benefit) of \$36,391,361 and \$4,155,124, respectively. As of November 30, 2006, the Company had a net operating loss for federal income tax purposes of approximately \$40,788,000. If not utilized, this net operating loss will expire as follows: \$2,883,000, \$15,979,000 and \$21,926,000 in the years ending November 30, 2024, 2025 and 2026, respectively.

Total income tax expense differs from the amount computed by applying the federal statutory income tax rate of 35 percent to net investment loss and realized and unrealized gains (losses) on investments and interest rate swap contracts before taxes for the period from December 1, 2006 to February 28, 2007, as follows:

Application of statutory income tax rate	\$ 36,357,335
State income taxes, net of federal tax benefit	4,155,124
Other, net	179,395
	<u>\$ 40,691,854</u>

At February 28, 2007 a valuation allowance was not recorded because the Company believes it is more likely than not that there is an ability to realize its deferred tax asset.

As of February 28, 2007, the aggregate cost of securities for Federal income tax purposes was \$650,487,340. At February 28, 2007, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$472,374,212 and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$110,645.

Notes to Financial Statements (*Unaudited*)  
(*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 date, acquisition cost, value per unit of such securities and percent of net assets which the securities comprise.

Investment Security		Number of Units or Principal Amount	Acquisition Date	Acquisition Cost	Value Per Unit	Value as Percent of Net Assets
Crosstex Energy, L.P.	Subordinated Units	712,760	6/29/06	\$ 20,000,046	\$32.66	3.7%
Energy Transfer Equity, L.P.	Common Units	729,661	11/27/06	20,000,008	32.35	3.7
E.W. Transportation, LLC	Promissory Note	\$4,958,505	5/03/04	4,884,128	N/A	0.8
TC Pipelines, L.P.	Common Units	1,229,390	2/21/07	42,500,012	34.41	6.6
Williams Partners, L.P.	Common Units	142,935	12/13/06	5,229,992	40.61	0.9
Williams Partners, L.P.	Class B Common Units	412,457	12/13/06	14,770,085	39.74	2.6
				\$107,384,271		18.3%

### 7. Investments in Affiliates

Investments representing 5 percent or more of the outstanding voting securities of a portfolio company result in that company being considered an affiliated company, as defined in the 1940 Act. The aggregate market value of all securities of affiliates held by the Company as of February 28, 2007 amounted to \$109,770,305, representing 17.3 percent of net assets applicable to common stockholders. A summary of affiliated transactions for each company which is or was an affiliate at February 28, 2007 or during the period from December 1, 2006 to February 28, 2007, is as follows:

	Share Balance 11/30/06	Gross Addition	Realized Gross Deduction (Loss)	Gross Gain Distributions Received	February 28, 2007	
					Share Balance	Value
Holly Energy Partners, L.P.	427,070	\$	\$	\$ 288,272	427,070	\$ 19,696,468
K-Sea Transportation Partners, L.P.	571,300			377,058	571,300	22,566,350
MarkWest Energy Partners, L.P.	1,016,877	1,384,765		1,040,177	1,040,177	67,507,487
				\$1,384,765	\$	\$ 1,705,507
						\$109,770,305

### 8. Investment Transactions

For the period from December 1, 2006 to February 28, 2007, the Company purchased (at cost) and sold securities (proceeds) in the amount of \$112,242,455 and \$6,647,541 (excluding short-term debt securities and interest rate swaps), respectively.

Notes to Financial Statements (*Unaudited*)

(*Continued*)

### **9. 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 February 28, 2007, were 5.50 percent, 5.50 percent, and 5.45 percent, respectively. The weighted average interest rates for Series A, Series B, and Series C for the period from December 1, 2006 to February 28, 2007, were 5.53 percent, 5.50 percent, and 5.47 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 which is included in auction agent fees in the accompanying Statement of Operations. 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.

### **10. 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 unpaid dividends, whether or not declared. Fair value of the MMP Shares approximates carrying amount because the interest rate fluctuates with changes in interest rates available in the current market.

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 February 28, 2007, were 5.57 percent. The weighted average dividend rates for MMP and MMP II Shares for the period from December 1, 2006 to February 28, 2007, were 5.59 percent and 5.61 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 which is included in the auction agent fees in the accompanying Statement of Operations. 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.

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Notes to Financial Statements (*Unaudited*)

(*Continued*)

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.

### 11. 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 and 200 percent asset coverage of the liquidation value of the outstanding auction rate senior notes and MMP shares, respectively, or if the Company loses its credit rating on its auction rate senior notes or MMP Shares, then the Company could be required to make a termination payment, in addition to redeeming all or some of the auction rate senior notes and MMP Shares. Details of the interest rate swap contracts outstanding as of February 28, 2007, were as follows:

Counterparty	Maturity Date	Notional Amount	Fixed Rate Paid by the Company	Floating Rate Received by the Company	Unrealized Appreciation (Depreciation)
U.S. Bank, N.A.	7/10/2007	\$ 60,000,000	3.54%	1 month U.S. Dollar LIBOR	\$ 405,760
U.S. Bank, N.A.*	7/05/2011	60,000,000	4.63%	1 month U.S. Dollar LIBOR	359,232
U.S. Bank, N.A.	7/17/2007	50,000,000	3.56%	1 month U.S. Dollar LIBOR	334,113
U.S. Bank, N.A.*	7/12/2011	50,000,000	4.64%	1 month U.S. Dollar LIBOR	287,525
U.S. Bank, N.A.	5/01/2014	55,000,000	4.54%	1 week U.S. Dollar LIBOR	1,231,117
U.S. Bank, N.A.	11/12/2020	35,000,000	5.20%	1 month U.S. Dollar LIBOR	(580,354)
U.S. Bank, N.A.	11/18/2020	35,000,000	5.21%	1 month U.S. Dollar LIBOR	(605,869)
		<u>\$ 345,000,000</u>			<u>\$ 1,431,524</u>

\* 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.

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

## 12. Common Stock

The Company has 100,000,000 shares of capital stock authorized and 18,232,065 shares outstanding at February 28, 2007. Transactions in common shares for the year ended November 30, 2006 and the period ended February 28, 2007, were as follows:

Shares at November 30, 2005	14,905,515
Shares sold through shelf offering	1,675,050
Shares issued through reinvestment of dividends	151,500
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Shares at November 30, 2006	16,732,065
Shares sold through shelf offering	1,500,000
	<hr/>
Shares at February 28, 2007	18,232,065
	<hr/>

## 13. Credit Facility

On June 13, 2006, the Company entered into a \$20,000,000 unsecured committed credit facility maturing June 13, 2007, with U.S. Bank, N.A. The principal amount of the credit facility was subsequently increased to \$120,000,000. The credit facility has a variable annual interest rate equal to the one-month LIBOR rate plus 0.75 percent. Proceeds from the credit facility are used to execute the Company's investment objective. The average principal balance and interest rate for the period during which the credit facility was utilized was approximately \$39,400,000 and 6.08 percent, respectively. At February 28, 2007, the principal balance outstanding was \$81,600,000.

## 14. Subsequent Events

On March 1, 2007, the Company paid a dividend in the amount of \$0.54 per common share, for a total of \$9,845,315. Of this total, the dividend reinvestment amounted to \$1,417,910.

On March 14, 2007, the Company's shelf registration statement was declared effective by the Securities and Exchange Commission.

On March 22, 2007, the Company entered into an agreement establishing a new \$150,000,000 unsecured credit facility. The new credit facility replaces the previous credit facility. Under the terms of the new credit facility, U.S. Bank, N.A. serves as a lender and the lending syndicate agent on behalf of other lenders participating in the credit facility. Outstanding balances generally will accrue interest at a variable annual rate equal to the one-month LIBOR rate plus 0.75 percent. The credit facility will mature on March 21, 2008.

On March 27, 2007, the Company issued \$70,000,000 aggregate principal amount of auction rate senior notes. The net proceeds of approximately \$69,100,000 from this offering were used to retire a portion of the Company's short-term debt under the unsecured credit facility.

On March 30, 2007, the Company issued 427,915 shares of common stock. The net proceeds of approximately \$15,500,000 from this offering were used to retire a portion of the Company's short-term debt under the unsecured credit facility.

On April 5, 2007, the Company issued \$60,000,000 Money Market Preferred Shares (2,400 shares). The net proceeds of approximately \$59,200,000 from this offering were used to retire a portion of the company's short-term debt under the unsecured credit facility.

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Additional Information (*Unaudited*)

## Forward-Looking Statements

This report contains forward-looking statements within the meaning of the Securities Act of 1933. 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 Tortoise Energy

Infrastructure Corporation's (the Company) actual results are the performance of the portfolio of investments held by it, the conditions in the U.S. and international financial, petroleum and other markets, the price at which shares of the Company will trade in the public markets and other factors discussed in filings with the SEC.

### **Proxy Voting Policies**

A description of the policies and procedures that the Company uses to determine how to vote proxies relating to portfolio securities owned by the Company and information regarding how the Company voted proxies relating to the portfolio of securities during the period ended June 30, 2006 are available to stockholders (i) without charge, upon request by calling the Company at (913) 981-1020 or toll-free at (866) 362-9331 and on the Company's Web site at [www.tortoiseadvisors.com](http://www.tortoiseadvisors.com); and (ii) on the SEC's Web site at [www.sec.gov](http://www.sec.gov).

### **Form N-Q**

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

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

### **Statement of Additional Information**

The Statement of Additional Information (SAI) includes additional information about the fund directors and is available upon request without charge by calling the Company at (866) 362-9331.

### **Annual Certification**

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

The Company has filed with the SEC the certification of its Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act.

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Additional Information *(Unaudited)*

*(Continued)*

### **Privacy Policy**

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

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

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

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**Office of the Company  
and of the Investment Adviser**  
Tortoise Capital Advisors, L.L.C.

**ADMINISTRATOR**  
U.S. Bancorp Fund Services, L.L.C.  
615 East Michigan St.

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**Managing Directors of  
 Tortoise Capital Advisors, L.L.C.**

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

**Board of Directors of  
 Tortoise Energy Infrastructure Corp.**

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

**Conrad S. Ciccotello**  
 Independent

**John R. Graham**  
 Independent

**Charles E. Heath**  
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**STOCK SYMBOL**

Listed NYSE Symbol: TYG

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

**Tortoise Capital Advisor s Family of Funds**

Name	Ticker/ Inception Date	Targeted Investments	Investor Suitability	Investment Restrictions	Total Assets as of 2/28/07 (\$ in millions)
Tortoise Energy	TYG Feb. 2004	U.S. Energy Infrastructure	Retirement Accounts Pension Plans Taxable Accounts	30% Restricted Securities 10% Issuer-Limited	\$1,130
Tortoise Capital	May 2005 May 2005	U.S. Energy Infrastructure	Retirement Accounts Pension Plans Taxable Accounts	50% Restricted Securities 15% Issuer-Limited	\$854
Tortoise North America	TYN Oct. 2005	Canadian and U.S. Energy Infrastructure	Taxable Accounts	50% Restricted Securities Diversified to Meet RIC Requirements	\$175
Tortoise Capital Resources (Feb. 2007 - IPO)	TTO Dec. 2005	U.S. Energy Infrastructure Private and Micro Cap Public Companies	Retirement Accounts Pension Plans Taxable Accounts	30% Non-Qualified Securities	\$124

...Steady Wins "



**Tortoise Capital Advisors, L.L.C.**  
**Investment Adviser to**  
**Tortoise Energy Infrastructure Corp.**

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