

TORTOISE CAPITAL RESOURCES CORP  
Form 10-Q  
October 13, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended August 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NUMBER: 001-33292

**TORTOISE CAPITAL RESOURCES CORPORATION**

(Exact name of registrant as specified in its charter)

MARYLAND  
(State or other jurisdiction of incorporation or organization)

20-3431375  
(I.R.S. Employer Identification No.)

11550 ASH STREET, SUITE 300  
LEAWOOD, KANSAS 66211  
(Address of principal executive office) (Zip Code)

(913) 981-1020  
(Registrant's telephone number, including area code)

Not Applicable  
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares of the issuer's Common Stock, \$0.001 par value, outstanding as of September 30, 2011 was 9,170,697.

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Tortoise Capital Resources Corporation

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED AUGUST 31, 2011

TABLE OF CONTENTS

|          |   |    |
|----------|---|----|
| PART I.  | <u>FINANCIAL INFORMATION</u>  |    |
| Item 1.  | <u>Financial Statements</u>   |    |
|          | <u>Statements of Assets and Liabilities as of August 31, 2011 (unaudited) and November 30, 2010</u>   | 1  |
|          | <u>Schedules of Investments as of August 31, 2011 (unaudited) and November 30, 2010</u>   | 2  |
|          | <u>Statements of Operations for the three months ended August 31, 2011 (unaudited),<br/>the three months ended August 31, 2010 (unaudited), the nine months ended<br/>August 31, 2011 (unaudited) and the nine months ended August 31, 2010 (unaudited)</u> | 4  |
|          | <u>Statements of Changes in Net Assets for the nine months ended August 31, 2011 (unaudited),<br/>the nine months ended August 31, 2010 (unaudited) and the year ended November 30, 2010</u>  | 6  |
|          | <u>Statements of Cash Flows for the nine months ended August 31, 2011 (unaudited)<br/>and the nine months ended August 31, 2010 (unaudited)</u>   | 7  |
|          | <u>Financial Highlights for the nine months ended August 31, 2011 (unaudited),<br/>the nine months ended August 31, 2010 (unaudited) and the year ended November 30, 2010</u>   | 8  |
|          | <u>Notes to Financial Statements (unaudited)</u>  | 9  |
| Item 2.  | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>  | 21 |
| Item 3.  | <u>Quantitative and Qualitative Disclosures About Market Risk</u>   | 27 |
| Item 4.  | <u>Controls and Procedures</u>  | 28 |
| PART II. | <u>OTHER INFORMATION</u>  |    |
| Item 1.  | <u>Legal Proceedings</u>  | 29 |
| Item 1A. | <u>Risk Factors</u>   | 29 |
| Item 2.  | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>  | 33 |
| Item 3.  | <u>Defaults Upon Senior Securities</u>  | 33 |
| Item 4.  | <u>(Removed and Reserved)</u>   | 33 |
| Item 5.  | <u>Other Information</u>  | 33 |
| Item 6.  | <u>Exhibits</u>   | 33 |

SIGNATURES

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Tortoise Capital Resources Corporation  
STATEMENTS OF ASSETS & LIABILITIES

|   | August 31, 2011<br>(Unaudited) | November 30, 2010 |
|---|--------------------------------|-------------------|
| <b>Assets</b>   |                                |                   |
| Investments at fair value, control (cost \$4,615,500 and \$18,122,054, respectively)  | \$ 8,326,078                   | \$ 23,260,566     |
| Investments at fair value, affiliated (cost \$45,754,017 and \$31,329,809, respectively)  | 46,030,656                     | 49,066,009        |
| Investments at fair value, non-affiliated (cost \$30,392,767 and \$21,628,965, respectively)  | 30,970,571                     | 22,875,848        |
| Total investments (cost \$80,762,284 and \$71,080,828, respectively)  | 85,327,305                     | 95,202,423        |
| Leased property, net of accumulated depreciation of \$117,724   | 14,009,125                     | —                 |
| Intangible lease asset, net of accumulated amortization of \$48,657   | 1,046,114                      | —                 |
| Escrow receivable   | 1,677,052                      | —                 |
| Receivable for Adviser expense reimbursement  | 124,173                        | 109,145           |
| Receivable for investments sold   | —                              | 5,198             |
| Interest receivable from control investments  | —                              | 42,778            |
| Dividends and distributions receivable  | 124,278                        | 83                |
| Lease receivable  | 1,185,381                      | —                 |
| Deferred tax asset  | —                              | 656,743           |
| Prepaid expenses and other assets   | 33,671                         | 25,023            |
| Total assets  | 103,527,099                    | 96,041,393        |
| <b>Liabilities</b>  |                                |                   |
| Base management fees payable to Adviser   | 372,518                        | 327,436           |
| Distribution payable to common stockholders   | 916,490                        | —                 |
| Accrued expenses and other liabilities  | 395,508                        | 234,784           |
| Long-term debt  | 3,551,320                      | —                 |
| Deferred tax liability  | 916,285                        | —                 |
| Total liabilities   | 6,152,121                      | 562,220           |
| Net assets applicable to common stockholders  | \$ 97,374,978                  | \$ 95,479,173     |
| <b>Net Assets Applicable to Common Stockholders Consist of:</b>   |                                |                   |
| Warrants, no par value; 945,594 issued and outstanding at August 31, 2011 and November 30, 2010 (5,000,000 authorized)  | \$ 1,370,700                   | \$ 1,370,700      |
| Capital stock, \$0.001 par value; 9,164,865 shares issued and outstanding at August 31, 2011 and 9,146,506 shares issued and outstanding at November 30, 2010 (100,000,000 shares authorized) | 9,165                          | 9,147             |
| Additional paid-in capital  | 95,853,818                     | 98,444,952        |
| Accumulated net investment loss, net of income taxes  | (3,874,494)                    | (3,308,522)       |
| Accumulated realized loss, net of income taxes  | (1,207,160)                    | (18,532,648)      |
| Net unrealized appreciation of investments, net of income taxes   | 5,222,949                      | 17,495,544        |
| Net assets applicable to common stockholders  | \$ 97,374,978                  | \$ 95,479,173     |
| Net Asset Value per common share outstanding (net assets applicable to common stock, divided by common shares outstanding)  | \$ 10.62                       | \$ 10.44          |

See accompanying Notes to Financial Statements.



## Tortoise Capital Resources Corporation

## SCHEDULE OF INVESTMENTS

August 31, 2011

(Unaudited)

| Company                                     | Energy         | Type of Investment                        | Cost          | Fair Value    |
|---|----------------|---|---------------|---------------|
|   | Infrastructure |   |               |               |
|   | Segment        |   |               |               |
| <b>Control Investments(1)</b>               |                |   |               |               |
| Mowood, LLC                                 | Midstream/     | Equity Interest (100%)(2)                 | \$ 815,500    | \$ 4,526,078  |
|   | Downstream     | Subordinated Debt (14.0% Due 12/31/11)(2) | 3,800,000     | 3,800,000     |
| Total Control Investments — 8.5%(3)         |                |   | 4,615,500     | 8,326,078     |
| <b>Affiliated Investments(4)</b>            |                |   |               |               |
| High Sierra Energy, LP                      | Midstream      | Common Units (1,042,685)(2)               | 19,193,796    | 27,683,276    |
| LONESTAR Midstream Partners, LP             | Midstream      | Class A Units (1,327,900)(2)(5)(6)        | 2,149,269     | 93,000        |
| LSMP GP, LP                                 | Midstream      | GP LP Units (180)(2)(5)(6)                | 120,046       | 17,000        |
| Magnetar MLP Investment, LP                 | Midstream      | Equity Interest (8.22%)(2)                | 9,807,274     | 10,038,397    |
| VantaCore Partners LP                       | Aggregates     | Common Units (933,430)(2)                 | 12,036,182    | 5,451,231     |
|   |                | Preferred Units (71,972)(2)               | 1,112,922     | 1,259,518     |
|   |                | Preferred B Units (85,042)(2)             | 1,190,587     | 1,488,234     |
|   |                | Incentive Distribution Rights (988)(2)(5) | 143,941       |               |
| Total Affiliated Investments — 47.3%(3)     |                |   | 45,754,017    | 46,030,656    |
| <b>Non-affiliated Investments</b>           |                |   |               |               |
| Buckeye Partners, L.P.                      | Midstream      | Common Units (59,700)(7)                  | 3,715,300     | 3,759,906     |
| Chesapeake Midstream Partners, L.P.         | Midstream      | Common Units (55,300)(7)                  | 1,442,428     | 1,541,211     |
| El Paso Pipeline Partners, L.P.             | Midstream      | Common Units (95,050)(7)                  | 3,327,782     | 3,496,889     |
| Energy Transfer Partners, L.P.              | Midstream      | Common Units (80,000)(7)                  | 3,809,480     | 3,604,800     |
| Enterprise Products Partners L.P.           | Midstream      | Common Units (60,000)(7)                  | 2,111,885     | 2,529,000     |
| EV Energy Partners, L.P.                    | Upstream       | Common Units (14,000)(7)                  | 387,232       | 964,320       |
| High Sierra Energy GP, LLC                  | Midstream      | Equity Interest (2.37%)(2)                | 1,983,159     | 122,193       |
| Inergy, L.P.                                | Midstream      | Common Units (7,100)(7)                   | 273,848       | 201,356       |
| Kinder Morgan Management, LLC               | Midstream      | Common Units (21,781)(7)(8)               | 1,139,279     | 1,317,739     |
| ONEOK Partners, L.P.                        | Midstream      | Common Units (34,200)(7)                  | 932,641       | 1,486,332     |
| Regency Energy Partners LP                  | Midstream      | Common Units (253,467)(7)                 | 6,010,882     | 6,052,792     |
| Williams Partners L.P.                      | Midstream      | Common Units (37,500)(7)                  | 1,396,568     | 2,031,750     |
| Fidelity Institutional                      | Short-term     | Class I Shares (3,862,283)                | 3,862,283     | 3,862,283     |
| Money Market Portfolio                      | investment     |   |               |               |
| Total Non-affiliated Investments — 31.8%(3) |                |   | 30,392,767    | 30,970,571    |
| Total Investments — 87.6%(3)                |                |   | \$ 80,762,284 | \$ 85,327,305 |

- (1) Control investments are generally defined under the Investment Company Act of 1940 as companies in which at least 25% of the voting securities are owned; see Note 8 to the financial statements for further disclosure.
- (2) Restricted securities have been fair valued in accordance with procedures approved by the Board of Directors and have a total fair value of \$54,478,927, which represents 55.9% of net assets applicable to common stockholders; see Note 7 to the financial statements for further disclosure.
- (3) Calculated as a percentage of net assets applicable to common stockholders.
- (4) Affiliated investments are generally defined under the Investment Company Act of 1940 as companies in which at least 5% of the voting securities are owned. Affiliated investments in which at least 25% of the voting securities are owned are generally defined as control investments as described in footnote 1; see Note 8 to the financial statements for further disclosure.
- (5) Currently non-income producing.
- (6) In July 2008, LONESTAR Midstream Partners, LP sold its assets to Penn Virginia Resource Partners, L.P. (PVR). LONESTAR has no continuing operations, but currently holds certain rights to receive future payments from PVR relative to the sale. LSMP GP, LP indirectly owns the general partner of

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LONESTAR Midstream Partners, LP. See Note 9 to the financial statements for additional information.

(7) Publicly-traded company.

(8) Security distributions are paid-in-kind.

See accompanying Notes to Financial Statements.

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Tortoise Capital Resources Corporation

SCHEDULE OF INVESTMENTS

November 30, 2010

| Company  | Energy<br>Infrastructure<br>Segment | Type of Investment                        | Cost          | Fair Value    |
|--|-------------------------------------|---|---------------|---------------|
| <b>Control Investments(1)</b>                  |                                     |   |               |               |
| Mowood, LLC                                    | Midstream/<br>Downstream            | Equity Interest (100%)(2)                 | \$ 793,000    | \$ 5,492,247  |
|  |                                     | Subordinated Debt (14.0% Due 12/31/11)(2) | 3,800,000     | 3,800,000     |
| VantaCore Partners LP                          | Aggregates                          | Common Units (933,430)(2)                 | 13,385,113    | 13,814,764    |
|  |                                     | Incentive Distribution Rights (988)(2)(5) | 143,941       | 153,555       |
| Total Control Investments — 24.3%(3)           |                                     |   | 18,122,054    | 23,260,566    |
| <b>Affiliated Investments(4)</b>               |                                     |   |               |               |
| High Sierra Energy, LP                         | Midstream                           | Common Units (1,042,685)(2)(5)            | 19,823,161    | 20,666,009    |
| International Resource Partners LP             | Coal                                | Class A Units (500,000)(2)                | 9,237,333     | 28,155,000    |
| LONESTAR Midstream Partners, LP                | Midstream                           | Class A Units (1,327,900)(2)(5)(6)        | 2,149,269     | 208,000       |
| LSMP GP, LP                                    | Midstream                           | GP LP Units (180)(2)(5)(6)                | 120,046       | 37,000        |
| Total Affiliated Investments — 51.4%(3)        |                                     |   | 31,329,809    | 49,066,009    |
| <b>Non-affiliated Investments</b>              |                                     |   |               |               |
| Abraxas Petroleum Corporation                  | Upstream                            | Common Units (1,646,376)(5)(7)            | 2,448,984     | 7,013,562     |
| Energy Transfer Partners, L.P.                 | Midstream                           | Common Units (50,900)(7)                  | 2,431,551     | 2,579,103     |
| Enterprise Products Partners L.P.              | Midstream                           | Common Units (37,600)(7)                  | 1,227,913     | 1,582,208     |
| EV Energy Partners, L.P.                       | Upstream                            | Common Units (78,900)(7)                  | 2,291,374     | 3,011,613     |
| High Sierra Energy GP, LLC                     | Midstream                           | Equity Interest (2.37%)(2)(5)             | 1,999,275     | 602,834       |
| Inergy, L.P.                                   | Midstream                           | Common Units (7,100)(7)                   | 288,864       | 277,042       |
| Kinder Morgan Management, LLC                  | Midstream                           | Common Units (20,678)(7)(8)               | 1,139,279     | 1,323,212     |
| ONEOK Partners, L.P.                           | Midstream                           | Common Units (17,100)(7)                  | 991,807       | 1,354,491     |
| PostRock Energy Corporation                    | Upstream                            | Common Units (260,500)(5)(7)              | 4,949,500     | 950,825       |
| Regency Energy Partners LP                     | Midstream                           | Common Units (46,500)(7)                  | 1,165,596     | 1,195,050     |
| Williams Partners L.P.                         | Midstream                           | Common Units (32,300)(7)                  | 1,228,629     | 1,519,715     |
| Fidelity Institutional Government<br>Portfolio | Short-term<br>investment            | Class I Shares (1,466,193)                | 1,466,193     | 1,466,193     |
| Total Non-affiliated Investments — 24.0%(3)    |                                     |   | 21,628,965    | 22,875,848    |
| Total Investments — 99.7%(3)                   |                                     |   | \$ 71,080,828 | \$ 95,202,423 |

- (1) Control investments are generally defined under the Investment Company Act of 1940 as companies in which at least 25% of the voting securities are owned; see Note 8 to the financial statements for further disclosure.
- (2) Restricted securities have been fair valued in accordance with procedures approved by the Board of Directors and have a total fair value of \$72,929,409, which represents 76.4% of net assets applicable to common stockholders; see Note 7 to the financial statements for further disclosure.
- (3) Calculated as a percentage of net assets applicable to common stockholders.
- (4) Affiliated investments are generally defined under the Investment Company Act of 1940 as companies in which at least 5% of the voting securities are owned. Affiliated investments in which at least 25% of the voting securities are owned are generally defined as control investments as described in footnote 1; see Note 8 to the financial statements for further disclosure.
- (5) Currently non-income producing.
- (6) In July 2008, LONESTAR Midstream Partners, LP sold its assets to Penn Virginia Resource Partners, L.P. (PVR). LONESTAR has no continuing operations, but currently holds certain rights to receive future payments from PVR relative to the sale. LSMP GP, LP indirectly owns the general partner of LONESTAR Midstream Partners, LP. See Note 9 to the financial statements for additional information.
- (7) Publicly-traded company.
- (8) Security distributions are paid-in-kind.

See accompanying Notes to Financial Statements.





Tortoise Capital Resources Corporation  
STATEMENTS OF OPERATIONS (Unaudited)

|  | For the three<br>months ended<br>August 31, 2011 | For the three<br>months ended<br>August 31, 2010 | For the nine<br>months ended<br>August 31, 2011 | For the nine<br>months ended<br>August 31, 2010 |
|--|--|--|---|---|
| <b>Investment Income</b>                 |  |  |   |   |
| Distributions from investments           |  |  |   |   |
| Control investments                      | \$ 69,545  | \$ 485,379                                       | \$ 209,256                                      | \$ 1,519,638                                    |
| Affiliated investments                   | 319,027  | 250,000  | 816,315   | 1,331,891                                       |
| Non-affiliated investments               | 412,161  | 154,516  | 1,095,113                                       | 374,521   |
| Total distributions from investments     | 800,733  | 889,895  | 2,120,684                                       | 3,226,050                                       |
| Less return of capital on distributions  | (1,128,698)                                      | (1,057,882)                                      | (1,909,941)                                     | (2,713,281)                                     |
| Net distributions from investments       | (327,965)  | (167,987)  | 210,743   | 512,769   |
| Interest income from control investments | 135,956  | 182,622  | 407,242   | 563,675   |
| Lease income                             | 425,496  | —  | 425,496   | —   |
| Dividends from money market mutual funds | 3,008  | 230  | 8,196   | 680   |
| Fee income                               | —  | 8,000  | 40,000  | 27,080  |
| Total Investment Income                  | 236,495  | 22,865   | 1,091,677                                       | 1,104,204                                       |
| <b>Operating Expenses</b>                |  |  |   |   |
| Base management fees                     | 372,551  | 286,761  | 1,086,360                                       | 906,387   |
| Asset acquisition expense                | 583,248  | —  | 583,248   | —   |
| Professional fees                        | 165,360  | 290,606  | 329,188   | 529,461   |
| Depreciation expense                     | 117,724  | —  | 117,724   | —   |
| Directors' fees                          | 18,697   | 17,543   | 48,666  | 76,975  |
| Stockholder communication expenses       | 13,199   | 16,053   | 39,311  | 47,930  |
| Administrator fees                       | 9,935  | 13,382   | 28,970  | 42,298  |
| Fund accounting fees                     | 7,565  | 6,442  | 22,412  | 20,453  |
| Registration fees                        | 6,297  | 6,297  | 18,753  | 19,148  |
| Franchise tax expense                    | 5,109  | 2,798  | 15,216  | 10,328  |
| Stock transfer agent fees                | 3,428  | 3,403  | 10,209  | 9,995   |
| Custodian fees and expenses              | 1,165  | 1,457  | 3,447   | 5,787   |
| Other expenses                           | 12,677   | 12,753   | 38,115  | 37,985  |
| Total Operating Expenses                 | 1,316,955  | 657,495  | 2,341,619                                       | 1,706,747                                       |
| Interest expense                         | 14,064   | —  | 14,064  | 45,619  |
| Total Expenses                           | 1,331,019  | 657,495  | 2,355,683                                       | 1,752,366                                       |
| Less expense reimbursement by Adviser    | (124,184)  | (95,587)   | (362,120)                                       | (198,858)                                       |
| Net Expenses                             | 1,206,835  | 561,908  | 1,993,563                                       | 1,553,508                                       |
| Net Investment Loss, before Income Taxes | (970,340)  | (539,043)  | (901,886)                                       | (449,304)                                       |
| Deferred tax benefit                     | 360,320  | 202,195  | 335,914   | 168,534   |
| Net Investment Loss                      | (610,020)  | (336,848)  | (565,972)                                       | (280,770)                                       |

Tortoise Capital Resources Corporation  
 STATEMENTS OF OPERATIONS (Unaudited)  
 (Continued)

|   | For the three<br>months ended<br>August 31, 2011 | For the three<br>months ended<br>August 31, 2010 | For the nine<br>months ended<br>August 31, 2011 | For the nine<br>months ended<br>August 31, 2010 |
|---|--|--|---|---|
| <b>Realized and Unrealized Gain on Investments</b>  |  |  |   |   |
| Net realized gain (loss) on control investments   | \$ (90,000)                                      | \$ —   | \$ (90,000)                                     | \$ 2,163,001                                    |
| Net realized gain (loss) on affiliated investments  | 678,301  | —  | 24,774,537                                      | (9,624,557)                                     |
| Net realized gain (loss) on non-affiliated investments  | 22,750   | (1,340,452)                                      | 2,033,872                                       | (2,552,341)                                     |
| Net realized gain (loss), before income taxes   | 611,051  | (1,340,452)                                      | 26,718,409                                      | (10,013,897)                                    |
| Current tax expense   | —  | —  | (200,000)                                       | —   |
| Deferred tax benefit (expense)  | (642,875)  | 4,102,850  | (9,192,921)                                     | 5,400,587                                       |
| Income tax benefit (expense), net   | (642,875)  | 4,102,850  | (9,392,921)                                     | 5,400,587                                       |
| Net realized gain (loss) on investments   | (31,824)   | 2,762,398  | 17,325,488                                      | (4,613,310)                                     |
| Net unrealized appreciation (depreciation)<br>of control investments  | 262,569  | (729,984)  | (1,427,934)                                     | 39,638  |
| Net unrealized appreciation (depreciation)<br>of affiliated investments   | 553,956  | 12,627,879                                       | (17,459,561)                                    | 23,677,608                                      |
| Net unrealized appreciation (depreciation)<br>of non-affiliated investments   | 615,443  | 1,092,409  | (669,079)                                       | (4,235,050)                                     |
| Net unrealized appreciation (depreciation),<br>before income taxes  | 1,431,968  | 12,990,304                                       | (19,556,574)                                    | 19,482,196                                      |
| Deferred tax benefit (expense)  | (199,485)  | (4,872,663)                                      | 7,283,979                                       | (7,307,772)                                     |
| Net unrealized appreciation (depreciation)<br>of investments  | 1,232,483  | 8,117,641  | (12,272,595)                                    | 12,174,424                                      |
| Net Realized and Unrealized Gain on Investments   | 1,200,659  | 10,880,039                                       | 5,052,893                                       | 7,561,114                                       |
| Net Increase in Net Assets Applicable<br>to Common Stockholders Resulting<br>from Operations                            | \$ 590,639                                       | \$ 10,543,191                                    | \$ 4,486,921                                    | \$ 7,280,344                                    |
| <b>Net Increase in Net Assets Applicable to<br/>Common Stockholders Resulting from<br/>Operations Per Common Share:</b> |  |  |   |   |
| Basic and Diluted   | \$ 0.06  | \$ 1.16  | \$ 0.49   | \$ 0.80   |
| <b>Weighted Average Shares of Common<br/>Stock Outstanding:</b>   |  |  |   |   |
| Basic and Diluted   | 9,164,865  | 9,116,456  | 9,156,171                                       | 9,098,005                                       |

See accompanying Notes to Financial Statements.

Tortoise Capital Resources Corporation  
STATEMENTS OF CHANGES IN NET ASSETS

|   | For the nine<br>months ended<br>August 31, 2011<br>(Unaudited) | For the nine<br>months ended<br>August 31, 2010<br>(Unaudited) | Year ended<br>November 30, 2010 |
|---|--|--|---------------------------------|
| <b>Operations</b>   |  |  |                                 |
| Net investment loss   | \$ (565,972)   | \$ (280,770)   | \$ (4,106)                      |
| Net realized gain (loss) on investments   | 17,325,488   | (4,613,310)  | (4,491,034)                     |
| Net unrealized appreciation (depreciation) of investments   | (12,272,595)   | 12,174,424   | 19,162,014                      |
| Net increase in net assets applicable to common stockholders<br>resulting from operations                               | 4,486,921  | 7,280,344  | 14,666,874                      |
| <b>Distributions to Common Stockholders</b>   |  |  |                                 |
| Return of capital   | (2,746,830)  | (3,001,701)  | (3,915,124)                     |
| Total distributions to common stockholders  | (2,746,830)  | (3,001,701)  | (3,915,124)                     |
| <b>Capital Stock Transactions</b>   |  |  |                                 |
| Issuance of 18,359, 38,366 and 68,416 common shares<br>from reinvestment of distributions to stockholders, respectively | 155,714  | 242,464  | 430,838                         |
| Net increase in net assets, applicable to common stockholders,<br>from capital stock transactions                       | 155,714  | 242,464  | 430,838                         |
| Total increase in net assets applicable<br>to common stockholders   | 1,895,805  | 4,521,107  | 11,182,588                      |
| <b>Net Assets</b>   |  |  |                                 |
| Beginning of period   | 95,479,173   | 84,296,585   | 84,296,585                      |
| End of period   | \$ 97,374,978  | \$ 88,817,692  | \$ 95,479,173                   |
| Accumulated net investment loss, net of income taxes, at the end of period  | \$ (3,874,494)   | \$ (3,585,186)   | \$ (3,308,522)                  |

See accompanying Notes to Financial Statements.

Tortoise Capital Resources Corporation  
STATEMENTS OF CASH FLOWS (Unaudited)

|  | For the nine<br>months ended<br>August 31, 2011 | For the nine<br>months ended<br>August 31, 2010 |
|--|---|---|
| <b>Cash Flows From Operating Activities</b>  |   |   |
| Distributions received from investments  | \$ 1,996,781                                    | \$ 3,226,050                                    |
| Interest and dividend income received  | 457,924   | 564,356   |
| Fee income received  | 40,000  | 32,080  |
| Purchases of long-term investments   | (28,163,465)                                    | (8,436,951)                                     |
| Proceeds from sales of long-term investments   | 44,014,713                                      | 13,083,597                                      |
| Purchases of short-term investments, net   | (2,396,090)                                     | (357,165)                                       |
| Purchase of property and related assets and liabilities  | (12,250,000)                                    | —   |
| Asset acquisition expenses paid  | (537,798)                                       | —   |
| Current taxes paid   | (200,000)                                       | —   |
| Interest expense paid  | —   | (66,703)  |
| Operating expenses paid  | (1,287,435)                                     | (1,597,674)                                     |
| Net cash provided by operating activities  | 1,674,630                                       | 6,447,590                                       |
| <b>Cash Flows From Financing Activities</b>  |   |   |
| Repayments on revolving line of credit   | —   | (4,600,000)                                     |
| Distributions paid to common stockholders  | (1,674,630)                                     | (1,847,590)                                     |
| Net cash used in financing activities  | (1,674,630)                                     | (6,447,590)                                     |
| Net change in cash   | —   | —   |
| Cash — beginning of period   | —   | —   |
| Cash — end of period   | \$ —  | \$ —  |
| <b>Reconciliation of net increase in net assets applicable to common stockholders<br/>resulting from operations to net cash provided by operating activities</b>         |   |   |
| Net increase in net assets applicable to common stockholders resulting from operations   | \$ 4,486,921                                    | \$ 7,280,344                                    |
| <b>Adjustments to reconcile net increase in net assets applicable to common stockholders<br/>resulting from operations to net cash provided by operating activities:</b> |   |   |
| Purchases of long-term investments   | (28,163,465)                                    | (8,436,951)                                     |
| Proceeds from sales of long-term investments   | 44,009,515                                      | 13,083,984                                      |
| Purchases of short-term investments, net   | (2,396,090)                                     | (357,165)                                       |
| Purchase of property and related assets and liabilities  | (12,250,000)                                    | —   |
| Return of capital on distributions received  | 1,909,941                                       | 2,713,281                                       |
| Deferred income taxes, net   | 1,573,028                                       | 1,738,651                                       |
| Depreciation expense   | 117,724   | —   |
| Amortization of intangible lease asset   | 48,656  | —   |
| Amortization of above market debt  | (44,173)  | —   |
| Realized (gain) loss on investments  | (26,718,409)                                    | 10,013,897                                      |
| Net unrealized (appreciation) depreciation of investments  | 19,556,574                                      | (19,482,196)                                    |
| <b>Changes in operating assets and liabilities:</b>  |   |   |
| (Increase) decrease in interest, dividend and distribution receivable  | (81,417)  | 1   |
| Increase in lease receivable   | (474,153)                                       | —   |
| (Increase) decrease in receivable for investments sold   | 5,198   | (387)   |
| Increase in prepaid expenses and other assets  | (8,648)   | (25,645)  |
| Increase (decrease) in base management fees payable to Adviser,  |   |   |

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|  |              |              |
|--|--------------|--------------|
| net of expense reimbursement   | 30,054       | (58,043)     |
| Increase (decrease) in accrued expenses and other liabilities                    | 73,374       | (22,181)     |
| Total adjustments  | (2,812,291)  | (832,754)    |
| Net cash provided by operating activities  | \$ 1,674,630 | \$ 6,447,590 |
| Non-Cash Financing Activities  |              |              |
| Reinvestment of distributions by common stockholders in additional common shares | \$ 155,714   | \$ 242,464   |

See accompanying Notes to Financial Statements.

Tortoise Capital Resources Corporation  
FINANCIAL HIGHLIGHTS

|  | For the nine<br>months ended<br>August 31, 2011<br>(Unaudited) | For the nine<br>months ended<br>August 31, 2010<br>(Unaudited) | Year ended<br>November 30,<br>2010 |
|--|--|--|------------------------------------|
| <b>Per Common Share Data(1)</b>  |  |  |                                    |
| Net Asset Value, beginning of period   | \$ 10.44   | \$ 9.29  | \$ 9.29                            |
| <b>Income from Investment Operations:</b>  |  |  |                                    |
| Net investment income (loss)(2)(3)   | (0.06)   | (0.03)   | 0.00                               |
| Net realized and unrealized gain on investments(2)                                       | 0.54   | 0.81   | 1.58                               |
| Total increase from investment operations  | 0.48   | 0.78   | 1.58                               |
| <b>Less Distributions to Common Stockholders:</b>  |  |  |                                    |
| Return of capital  | (0.30)   | (0.33)   | (0.43)                             |
| Total distributions to common stockholders   | (0.30)   | (0.33)   | (0.43)                             |
| Net Asset Value, end of period   | \$ 10.62   | \$ 9.74  | \$ 10.44                           |
| Per common share market value, end of period   | \$ 8.27  | \$ 5.62  | \$ 7.28                            |
| Total Investment Return, based on net asset value(4)                                     | 5.40%  | 10.67%   | 20.26%                             |
| Total Investment Return, based on market value(5)  | 17.70%   | (4.78)%  | 25.04%                             |
| <b>Supplemental Data and Ratios</b>  |  |  |                                    |
| Net assets applicable to common stockholders, end of period (000's)                      | \$ 97,375  | \$ 88,818  | \$ 95,479                          |
| Average net assets (000's)   | \$ 96,873  | \$ 84,191  | \$ 85,950                          |
| <b>Ratio of Expenses to Average Net Assets(6)</b>  |  |  |                                    |
| Advisory fees  | 1.49%  | 1.43%  | 1.44%                              |
| Other expenses   | 1.73   | 1.27   | 1.08                               |
| Expense reimbursement  | (0.50)   | (0.31)   | (0.36)                             |
| Subtotal   | 2.72   | 2.39   | 2.16                               |
| Interest expense   | 0.02   | 0.07   | 0.05                               |
| Income tax expense(7)  | 2.44   | 2.75   | 5.55                               |
| Total expenses   | 5.18%  | 5.21%  | 7.76%                              |
| Ratio of net investment loss to average net assets,<br>before expense reimbursement(6)   | (1.28)%  | (0.75)%  | (0.36)%                            |
| Ratio of net investment loss to average net assets,<br>after expense reimbursement(3)(6) | (0.78)%  | (0.44)%  | (0.00)%                            |
| Portfolio turnover rate(6)   | 44.24%   | 14.14%   | 12.92%                             |

- (1) Information presented relates to a share of common stock outstanding for the entire period.
- (2) The per common share data for the year ended November 30, 2010 does not reflect the change in estimate of investment income and return of capital, as described in Note 2D.
- (3) Less than \$0.01 per share or 0.01% for the year ended November 30, 2010.
- (4) Not annualized for periods less than one full year. Total investment return is calculated assuming a purchase of common stock at the net asset value per share as of the beginning of the period, reinvestment of distributions at actual prices pursuant to the Company's dividend reinvestment plan and a sale at net asset value at the end of the period.
- (5) Not annualized for periods less than one full year. Total investment return is calculated assuming a purchase of common stock at the market value at the beginning of the period, reinvestment of distributions at actual prices pursuant to the Company's dividend reinvestment plan and a sale at the current market price on the last day of the period (excluding brokerage commissions).
- (6) Annualized for periods less than one full year.
- (7) For the nine months ended August 31, 2011, the Company accrued \$200,000 in current income tax expense and \$1,573,028 in net deferred income tax expense. For the nine months ended August 31, 2010, the Company accrued \$1,738,651 in net deferred income tax expense. For the year ended November

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30, 2010, the Company accrued \$4,772,648 in net deferred income tax expense.

See accompanying Notes to Financial Statements.

8

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Tortoise Capital Resources Corporation

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

August 31, 2011

1. Organization

Tortoise Capital Resources Corporation (the “Company”) was organized as a Maryland corporation on September 8, 2005. The Company completed its initial public offering in February 2007 as a non-diversified closed-end management investment company regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). The Company has invested primarily in privately held companies operating in the U.S. energy infrastructure sector. The Company does not report results of operations internally on an operating segment basis. The Company is externally managed by Tortoise Capital Advisors, L.L.C. (the “Adviser”), an investment adviser specializing in listed energy infrastructure investments, such as pipeline and power companies. The Company’s shares are listed on the New York Stock Exchange under the symbol “TTO.”

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 holds investments in illiquid securities including debt and equity securities of privately-held companies. These investments generally are subject to restrictions on resale, have no established trading market and are fair valued on a quarterly basis. Because of the inherent uncertainty of valuation, the fair values of such investments, which are determined in accordance with procedures approved by the Company’s Board of Directors, may differ materially from the values that would have been used had a ready market existed for the investments. The Company’s Board of Directors may consider other methods of valuing investments as appropriate and in conformity with U.S. generally accepted accounting principles.

The Company determines fair value to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company has determined the principal market, or the market in which the Company exits its private portfolio investments with the greatest volume and level of activity, to be the private secondary market. Typically, private companies are bought and sold based on multiples of EBITDA, cash flows, net income, revenues, or in limited cases, book value.

For private company investments, value is often realized through a liquidity event of the entire company. Therefore, the value of the company as a whole (enterprise value) at the reporting date often provides the best evidence of the value of the investment and is the initial step for valuing the Company’s privately issued securities. For any one company, enterprise value may best be expressed as a range of fair values, from which a single estimate of fair value will be derived. In determining the enterprise value of a portfolio company, an analysis is prepared consisting of traditional valuation methodologies including market and income approaches. The Company considers some or all of the traditional valuation methods based on the individual circumstances of the portfolio company in order to derive its estimate of enterprise value.

The fair value of investments in private portfolio companies is determined based on various factors, including enterprise value, observable market transactions, such as recent offers to purchase a company, recent transactions involving the purchase or sale of the equity securities of the company, or other liquidation events. The determined equity values may be discounted when the Company has a minority position, is subject to restrictions on resale, has specific concerns about the receptivity of the capital markets to a specific company at a certain time, or other comparable factors exist.

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

An equity security of a publicly traded company acquired in a private placement transaction without registration is subject to restrictions on resale that can affect the security’s liquidity and fair value. Such securities that are convertible into or otherwise



will become freely tradable will be valued based on the market value of the freely tradable security less an applicable discount. Generally, the discount will initially be equal to the discount at which the Company purchased the securities. To the extent that such securities are convertible or otherwise become freely tradable within a time frame that may be reasonably determined, an amortization schedule may be used to determine the discount.

The Board of Directors undertakes a multi-step valuation process each quarter in connection with determining the fair value of private investments. An independent valuation firm has been engaged by the Board of Directors to provide independent, third-party valuation consulting services based on procedures that the Board of Directors has identified and may ask them to perform from time to time on all or a selection of private investments as determined by the Board of Directors. The multi-step valuation process is specific to the level of assurance that the Board of Directors requests from the independent valuation firm. For positive assurance, the process is as follows:

- The independent valuation firm prepares the preliminary valuations and the supporting analysis. At August 31, 2011, the independent valuation firm performed positive assurance valuation procedures on five portfolio companies comprising approximately 99.8 percent of the total fair value of restricted investments;
- The investment professionals of the Adviser review the preliminary valuations and supporting analyses, and consider and assess, as appropriate, any changes that may be required to the preliminary valuations;
- The Investment Committee of the Adviser reviews the preliminary valuations and supporting analyses, and considers and assesses, as appropriate, any changes that may be required to the preliminary valuations;
- The Board of Directors assesses the valuations and ultimately determines the fair value of each investment in the Company's portfolio in good faith.

C. Interest and Fee Income — Interest income is recorded on the accrual basis to the extent that such amounts are expected to be collected. When investing in instruments with an original issue discount or payment-in-kind interest (in which case the Company chooses payment-in-kind in lieu of cash), the Company will accrue interest income during the life of the investment, even though the Company will not necessarily be receiving cash as the interest is accrued. Fee income will include fees, if any, for due diligence, structuring, commitment and facility fees, transaction services, consulting services and management services rendered to portfolio companies and other third parties. Commitment and facility fees generally are recognized as income over the life of the underlying loan, whereas due diligence, structuring, transaction service, consulting and management service fees generally are recognized as income when services are rendered. For the three and nine months ended August 31, 2011, the Company received \$0 and \$40,000 in fee income, respectively. For the three and nine months ended August 31, 2010, the Company received \$8,000 and \$27,080 in fee income, respectively.

D. 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. Distributions received from the Company's investments in limited partnerships and limited liability companies generally are comprised of ordinary income, capital gains and return of capital. The Company records investment income, capital gains and return of capital based on estimates made at the time such distributions are received. Such estimates are based on information available from each company and/or other industry sources. These estimates may subsequently be revised based on information received from the entities 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, 2009 through November 30, 2010, the Company estimated the allocation of investment income and return of capital for the distributions received from its portfolio companies within the Statement of Operations. For this period, the Company had estimated approximately 42 percent of total distributions as investment income and approximately 58 percent as return of capital.

Subsequent to November 30, 2010, the Company reallocated the amount of investment income and return of capital it recognized for the period from December 1, 2009 through November 30, 2010 based on the 2010 tax reporting information received from the individual portfolio companies. This reclassification amounted to a decrease in pre-tax net investment income of approximately \$422,000 or \$0.046 per share (\$263,000 or \$0.029 per share, net of deferred tax benefit); an increase in unrealized appreciation of investments of approximately \$1,132,000 or \$0.123 per share (\$706,000 or \$0.077 per share, net of deferred tax expense) and a decrease in realized gains of approximately \$710,000 or \$0.077 per share (\$443,000 or \$0.048 per share, net of deferred tax benefit) for the period from December 1, 2010 through August 31, 2011.

Subsequent to the period ended May 31, 2011, the Company reallocated the amount of investment income and return of capital recognized in the current fiscal year based on its revised 2011 estimates, after considering the final allocations for 2010. This reclassification amounted to a decrease in pre-tax net investment income of approximately \$30,000 or \$0.003 per share (\$19,000 or \$0.002 per share, net of deferred tax

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benefit); a decrease in unrealized appreciation of investments of approximately \$612,000 or \$0.067 per share (\$382,000 or \$0.042 per share, net of deferred tax benefit) and an increase in realized gains of approximately \$642,000 or \$0.070 per share (\$401,000 or \$0.044 per share, net of deferred tax expense).

E. Distributions to Stockholders — The amount of any quarterly distributions will be determined by the Board of Directors. Distributions to stockholders are recorded on the ex-dividend date. If the Company has outstanding leverage, it may not declare or pay distributions to its common stockholders if it does not meet asset coverage ratios required under the 1940 Act. The character of distributions made during the year may differ from their ultimate characterization for federal income tax purposes. For the year ended November 30, 2010 and the period ended August 31, 2011, the source of the Company's distributions for book purposes was 100 percent return of capital. For the year ended November 30, 2010, the Company's distributions for tax purposes were comprised of 100 percent return of capital. The tax character of distributions paid to common stockholders in the current year will be determined subsequent to November 30, 2011.

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

The Company invests its assets primarily in limited partnerships or limited liability companies which are treated as partnerships for federal and state income tax purposes. As a limited partner, the Company reports its allocable share of 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.

G. Leases — The Company includes assets subject to lease arrangements within Leased property, net of accumulated depreciation in the Statement of Assets and Liabilities. Lease payments received are reflected in lease income on the Statement of Operations, net of amortization of any off market adjustments.

H. Long-Lived Assets and Intangibles — The Company initially records long-lived assets at their acquisition cost, unless the transaction is accounted for as a business combination. If the transaction is accounted for as a business combination, the Company allocates the purchase price to the acquired tangible and intangible assets and liabilities based on their estimated fair values. The Company determines the fair values of assets and liabilities based on discounted cash flow models using current market assumptions, appraisals, recent transactions involving similar assets or liabilities and/or other objective evidence, and depreciates the asset values over the estimated remaining useful lives.

In connection with these transactions, the Company may acquire long-lived assets that are subject to an existing lease contract with the seller or other lessee party and/or the Company may assume outstanding debt of the seller as part of the consideration paid. If, at the time of acquisition, the existing lease or debt contract is not at current market terms, the Company will record an asset or liability at the time of acquisition representing the amount by which the fair value of the lease or debt contract differs from its contractual value. Such amount is then amortized over the remaining contract term as an adjustment to the related lease revenue or interest expense.

I. Offering Costs — Offering costs related to the issuance of common stock are charged to additional paid-in capital when the stock is issued.

J. 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.

K. Recent Accounting Pronouncement — In May 2011, the FASB issued ASU No. 2011-04 "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements" in GAAP and the International Financial Reporting Standards ("IFRSs"). ASU No. 2011-04 amends FASB ASC Topic 820, Fair Value Measurements and Disclosures, to establish common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with GAAP and IFRSs. ASU No. 2011-04 is effective for fiscal years beginning after December 15, 2011 and for interim periods within those fiscal years. Management is currently evaluating the impact of these amendments and does not believe they will have a material impact on the Company's financial statements.

### 3. Concentration of Risk

The Company has historically invested primarily in securities of privately-held companies in the midstream and downstream segments of the U.S. energy infrastructure sector. The Company is now focused on identifying and acquiring real property assets in the U.S. energy infrastructure sector that have the potential to become real estate investment trust ("REIT") qualified. 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. Under the terms of the Investment Advisory Agreement, the Adviser is paid a fee consisting of a base management fee and an incentive fee. The base management fee is 0.375 percent (1.5 percent annualized) of the Company's average monthly Managed Assets, calculated and paid quarterly in arrears within thirty days of the end of each fiscal quarter. The term "Managed Assets" as used in the calculation of the management fee means total assets (including any assets purchased with or attributable to borrowed funds but excluding any net deferred tax asset) minus accrued liabilities other than (1) net deferred tax liabilities, (2) debt entered into for the purpose of leverage and (3) the aggregate liquidation preference of any outstanding preferred shares. The base management fee for any partial quarter is appropriately prorated.

On February 17, 2010, the Company entered into an Expense Reimbursement Agreement with the Adviser under which the Adviser reimbursed the Company for certain expenses incurred beginning January 1, 2010 and ending December 31, 2010 in an amount equal to an annual rate of 0.25 percent of the Company's average monthly Managed Assets. On August 9, 2010, the Company entered into an Amended Expense Reimbursement Agreement with the Adviser under which the Adviser reimbursed the Company for certain expenses incurred beginning June 1, 2010 and ending December 31, 2010 in an amount equal to an annual rate of 0.50 percent of the Company's average monthly Managed Assets. On November 8, 2010, the Company entered into an Expense Reimbursement Agreement with the Adviser under which the Adviser will reimburse the Company for certain expenses incurred beginning January 1, 2011 and ending December 31, 2011 in an amount equal to an annual rate of 0.50 percent of the Company's average monthly Managed Assets. During the three and nine months ended August 31, 2011, the Adviser reimbursed the Company \$124,184 and \$362,120, respectively. During the three and nine months ended August 31, 2010, the Adviser reimbursed the Company \$95,587 and \$198,858, respectively.

The incentive fee consists of two parts. The first part, the investment income fee, is equal to 15 percent of the excess, if any, of the Company's Net Investment Income for the fiscal quarter over a quarterly hurdle rate equal to 2 percent (8 percent annualized), and multiplied, in either case, by the Company's average monthly Net Assets for the quarter. "Net Assets" means the Managed Assets less deferred taxes, debt entered into for the purposes of leverage and the aggregate liquidation preference of any outstanding preferred shares. "Net Investment Income" means interest income (including accrued interest that we have not yet received in cash), dividend and distribution income from equity investments (but excluding that portion of cash distributions that are treated as a return of capital), and any other income (including any fees such as commitment, origination, syndication, structuring, diligence, monitoring, and consulting fees or other fees that the Company is entitled to receive from portfolio companies) accrued during the fiscal quarter, minus the Company's operating expenses for such quarter (including the base management fee, expense reimbursements payable pursuant to the Investment Advisory Agreement, any interest expense, any accrued income taxes related to net investment income, and distributions paid on issued and outstanding preferred stock, if any, but excluding the incentive fee payable). Net Investment Income also includes, in the case of investments with a deferred interest or income feature (such as original issue discount, debt or equity instruments with a payment-in-kind feature, and zero coupon securities), accrued income that the Company has not yet received in cash. Net Investment Income does not include any realized capital gains, realized capital losses, or unrealized capital appreciation or depreciation. The investment income fee is calculated and payable quarterly in arrears within thirty (30) days of the end of each fiscal quarter. The investment income fee calculation is adjusted appropriately on the basis of the number of calendar days in the first fiscal quarter the fee accrues or the fiscal quarter during which the Agreement is in effect in the event of termination of the Agreement during any fiscal quarter. During the three and nine months ended August 31, 2011 and August 31, 2010, the Company accrued no investment income fees.

The second part of the incentive fee payable to the Adviser, the capital gain incentive fee, is equal to: (A) 15 percent of (i) the Company's net realized capital gains (realized capital gains less realized capital losses) on a cumulative basis from inception to the end of each fiscal year, less (ii) any unrealized capital depreciation at the end of such fiscal year, less (B) the aggregate amount of all capital gain fees paid to the Adviser in prior fiscal years. The capital gain incentive fee is calculated and payable annually within thirty (30) days of the end of each fiscal year. In the event the Investment Advisory Agreement is terminated, the capital gain incentive fee calculation shall be undertaken as of, and any resulting capital gain incentive fee shall be paid within thirty (30) days of the date of termination. The Adviser may, from time to time, waive or defer all or any part of the compensation described in the Investment Advisory Agreement.

The calculation of the capital gain incentive fee does not include any capital gains that result from that portion of any scheduled periodic distributions made possible by the normally recurring cash flow from the operations of portfolio companies (“Expected Distributions”) that are characterized by the Company as return of capital for U.S. generally accepted accounting principles purposes. In that regard, any such return of capital will not be treated as a decrease in the cost basis of an investment for purposes of calculating the capital gain incentive fee. This does not apply to any portion of any distribution from a portfolio company that is not an Expected Distribution. Realized capital gains on a security will be calculated as the excess of the net amount realized from the sale or other disposition of such security over the adjusted cost basis for the security. Realized capital losses on a security will be calculated as the amount by which the net amount realized from the sale or other disposition of such security is less than the adjusted cost basis of such security. Unrealized capital depreciation on a security will be calculated as the amount by which the Company’s adjusted cost basis of such security exceeds the fair value of such security at the end of a fiscal year.

The payable for capital gain incentive fees is a result of the increase or decrease in the fair value of investments and realized gains or losses from investments. For the three and nine months ended August 31, 2011 and August 31, 2010, the Company accrued no capital gain incentive fees. Pursuant to the Investment Advisory Agreement, the capital gain incentive fee is paid annually only if there are realization events and only if the calculation defined in the agreement results in an amount due. No capital gain incentive fees have been paid since the commencement of operations.

U.S. Bancorp Fund Services, LLC serves as the Company’s fund accounting services provider. The Company pays the provider a monthly fee computed at an annual rate of \$24,000 on the first \$50,000,000 of the Company’s Net Assets, 0.0125 percent on the next \$200,000,000 of Net Assets, 0.0075 percent on the next \$250,000,000 of Net Assets and 0.0025 percent on the balance of the Company’s Net Assets.

The Adviser serves as the Company’s administrator. The Company paid the administrator a fee equal to an annual rate of 0.07 percent of aggregate average daily Managed Assets up to and including \$150,000,000, 0.06 percent of aggregate average daily Managed Assets on the next \$100,000,000, 0.05 percent of aggregate average daily Managed Assets on the next \$250,000,000, and 0.02 percent on the balance thru November 30, 2010. On December 1, 2010, the Company entered into an Amended Administration Agreement with the administrator that decreased the fee to an amount equal to an annual rate of 0.04 percent of aggregate average daily Managed Assets, with a minimum annual fee of \$30,000. This fee is calculated and accrued daily and paid quarterly in arrears.

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

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

#### 5. Income Taxes

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting and tax purposes. Components of the Company’s deferred tax assets and liabilities as of August 31, 2011 and November 30, 2010 are as follows:

|   | August 31, 2011   | November 30, 2010   |
|---|-------------------|---------------------|
| <b>Deferred tax assets:</b>                     |                   |                     |
| Organization costs                              | \$ (20,626)       | \$ (21,231)         |
| Capital loss carryforwards                      | —                 | (4,268,529)         |
| Net operating loss carryforwards                | (2,463,149)       | (6,343,988)         |
| Cost recovery of leased assets                  | (155,224)         | —                   |
| AMT and State of Kansas credit                  | (205,039)         | (5,039)             |
| Valuation allowance                             | —                 | 558,533             |
|   | (2,844,038)       | (10,080,254)        |
| <b>Deferred tax liabilities:</b>                |                   |                     |
| Basis reduction of investment in partnerships   | 2,042,962         | 783,156             |
| Net unrealized gain on investment securities    | 1,717,361         | 8,640,355           |
|   | 3,760,323         | 9,423,511           |
| <b>Total net deferred tax liability (asset)</b> | <b>\$ 916,285</b> | <b>\$ (656,743)</b> |





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At August 31, 2011, a valuation allowance on deferred tax assets was not deemed necessary because the Company believes it is more likely than not that there is an ability to realize its deferred tax assets through future taxable income of the appropriate character. Any adjustments to such estimates will be made in the period such determination is made. The Company's policy is to record interest and penalties on uncertain tax positions as part of tax expense. As of August 31, 2011, the Company had no uncertain tax positions and no penalties and interest were accrued. Tax years subsequent to the year ending November 30, 2006 remain open to examination by federal and state tax authorities.

Total income tax expense differs from the amount computed by applying the federal statutory income tax rates of 35 percent and 34 percent for the periods ending August 31, 2011 and 2010, respectively, to net investment loss and net realized and unrealized gains (losses) on investments for the periods presented, as follows:

|   | For the three<br>months ended<br>August 31, 2011 | For the three<br>months ended<br>August 31, 2010 | For the nine<br>months ended<br>August 31, 2011 | For the nine<br>months ended<br>August 31, 2010 |
|---|--|--|---|---|
| Application of statutory income tax rate                              | \$ 427,310                                       | \$ (3,777,675)                                   | \$ 2,190,982                                    | \$ (3,066,458)                                  |
| State income taxes, net of federal taxes                              | 69,602   | (389,990)  | 164,011   | (316,567)                                       |
| Change in deferred tax liability due to change<br>in overall tax rate | (14,872)   | —  | (23,432)  | —   |
| Change in deferred tax valuation allowance                            | —  | 3,600,047  | (558,533)                                       | 1,644,374                                       |
| Total income tax expense  | \$ 482,040                                       | \$ 567,618                                       | \$ 1,773,028                                    | \$ 1,738,651                                    |

Total income taxes are computed by applying the federal statutory rate plus a blended state income tax rate. During the period, the Company re-evaluated its overall federal and state income tax rate, increasing it from 35.82 percent to 37.62 percent, due to (1) an anticipated 35 percent federal rate, and (2) anticipated state apportionment of income and gains. The components of income tax include the following for the periods presented:

|                            | For the three<br>months ended<br>August 31,<br>2011 | For the three<br>months ended<br>August 31,<br>2010 | For the nine<br>months ended<br>August 31,<br>2011 | For the nine<br>months ended<br>August 31,<br>2010 |
|----------------------------|---|---|--|--|
| Current tax expense        |   |   |  |  |
| AMT                        | \$ —  | \$ —  | \$ 200,000   | \$ —   |
| Total current tax expense  | —   | —   | 200,000  | —  |
| Deferred tax expense       |   |   |  |  |
| Federal                    | 448,469   | 514,503   | 1,463,476  | 1,575,957  |
| State                      | 33,571  | 53,115  | 109,552  | 162,694  |
| Total deferred tax expense | 482,040   | 567,618   | 1,573,028  | 1,738,651  |
| Total tax expense          | \$ 482,040  | \$ 567,618  | \$ 1,773,028                                       | \$ 1,738,651                                       |

The deferred income tax expense for the three and nine month periods ended August 31, 2011 and August 31, 2010 includes the impact of the change in valuation allowance for such respective periods.

As of November 30, 2010, the Company had a net operating loss for federal income tax purposes of approximately \$17,764,000. The net operating loss may be carried forward for 20 years. If not utilized, this net operating loss will expire as follows: \$3,910,000, \$3,381,000, \$7,120,000 and \$3,353,000 in the years ending November 30, 2027, 2028, 2029, and 2030, respectively. As of November 30, 2010, the Company had a capital loss carryforward of approximately \$12,000,000, which may be carried forward for 5 years. If not utilized, this capital loss will expire in the year ending November 30, 2014. The amount of the deferred tax asset for these items at August 31, 2011 also includes amounts for the period from December 1, 2010 through August 31, 2011. For corporations, capital losses can only be used to offset capital gains and cannot be used to offset ordinary income. As of November 30, 2010, an alternative minimum tax credit of \$3,109 was available, which may be credited in the future against regular income tax. This credit may be carried forward indefinitely.

The aggregate cost of securities for federal income tax purposes and securities with unrealized appreciation and depreciation, were as follows:

August 31, 2011                      November 30, 2010

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|  |    |             |    |             |
|--|----|-------------|----|-------------|
| Aggregate cost for federal income tax purposes | \$ | 75,331,762  | \$ | 68,894,462  |
| Gross unrealized appreciation                  |    | 13,202,768  |    | 32,072,976  |
| Gross unrealized depreciation                  |    | (3,207,225) |    | (5,765,015) |
| Net unrealized appreciation                    | \$ | 9,995,543   | \$ | 26,307,961  |

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### 6. Fair Value of Financial Instruments

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

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

#### Valuation Techniques

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

An equity security of a publicly traded company acquired in a private placement transaction without registration under the Securities Act of 1933, as amended (the "1933 Act"), is subject to restrictions on resale that can affect the security's fair value. If such a security is convertible into publicly-traded common shares, the security generally will be valued at the common share market price adjusted by a percentage discount due to the restrictions. This pricing methodology applies to the Company's Level 2 investments.

For private company investments, value is often realized through a liquidity event of the entire company. Therefore, the value of the company as a whole (enterprise value) at the reporting date often provides the best evidence of the value of the investment and is the initial step for valuing the Company's privately issued securities. For any one company, enterprise value may best be expressed as a range of fair values, from which a single estimate of fair value will be derived. In determining the enterprise value of a portfolio company, the Company prepares an analysis consisting of traditional valuation methodologies including market and income approaches. The Company considers some or all of the traditional valuation methods based on the individual circumstances of the portfolio company in order to derive its estimate of enterprise value. This pricing methodology applies to the Company's Level 3 investments.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following tables provide the fair value measurements of applicable Company assets and liabilities by level within the fair value hierarchy as of August 31, 2011 and November 30, 2010. These assets and liabilities are measured on a recurring basis.

#### August 31, 2011

| Description              | Fair Value at        |                      |                     |                      |
|--------------------------|----------------------|----------------------|---------------------|----------------------|
|                          | August 31, 2011      | Level 1              | Level 2             | Level 3              |
| <b>Assets:</b>           |                      |                      |                     |                      |
| Equity Investments       | \$ 77,665,022        | \$ 26,986,095        | \$ —                | \$ 50,678,927        |
| Debt Investments         | 3,800,000            | —                    | —                   | 3,800,000            |
| Short-Term Investments   | 3,862,283            | 3,862,283            | —                   | —                    |
| Intangible Lease Asset   | 1,046,114            | —                    | 1,046,114           | —                    |
| <b>Total Assets</b>      | <b>\$ 85,327,305</b> | <b>\$ 30,848,378</b> | <b>\$ 1,046,114</b> | <b>\$ 54,478,927</b> |
| <b>Liabilities:</b>      |                      |                      |                     |                      |
| Long-term Debt           | \$ 3,551,320         | \$ —                 | \$ 3,551,320        | \$ —                 |
| <b>Total Liabilities</b> | <b>\$ 3,551,320</b>  | <b>\$ —</b>          | <b>\$ 3,551,320</b> | <b>\$ —</b>          |

#### November 30, 2010

| Description              | Fair Value at        |                      |             |                      |
|--------------------------|----------------------|----------------------|-------------|----------------------|
|                          | November 30, 2010    | Level 1              | Level 2     | Level 3              |
| Equity Investments       | \$ 89,936,230        | \$ 20,806,821        | \$ —        | \$ 69,129,409        |
| Debt Investments         | 3,800,000            | —                    | —           | 3,800,000            |
| Short-Term Investments   | 1,466,193            | 1,466,193            | —           | —                    |
| <b>Total Investments</b> | <b>\$ 95,202,423</b> | <b>\$ 22,273,014</b> | <b>\$ —</b> | <b>\$ 72,929,409</b> |



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The changes for all Level 3 assets measured at fair value on a recurring basis using significant unobservable inputs for the nine months ended August 31, 2011 and August 31, 2010, are as follows:

|  | Nine months ended<br>August 31, 2011 | Nine months ended<br>August 31, 2010 |
|--|--------------------------------------|--------------------------------------|
| Fair value beginning balance   | \$ 72,929,409                        | \$ 77,146,520                        |
| Total realized and unrealized gains included in net increase in net assets applicable to common stockholders   | 3,655,464                            | 5,235,273                            |
| Purchases  | 11,490,789                           | 750,000                              |
| Sales  | (32,734,818)                         | (11,196,822)                         |
| Return of capital adjustments impacting cost basis of securities   | (861,917)                            | (2,739,543)                          |
| Fair value ending balance  | \$ 54,478,927                        | \$ 69,195,428                        |
| The amount of total gains (losses) for the period included in net increase in net assets applicable to common stockholders attributable to the change in unrealized losses relating to assets still held at the reporting date | \$ (434,354)                         | \$ 8,968,547                         |

There were no transfers between levels for the nine months ended August 31, 2011 and August 31, 2010, respectively.

#### 7. 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 following tables show the equity interest, number of units or principal amount, the acquisition date(s), acquisition cost (excluding return of capital adjustments), fair value, fair value per unit of such securities and fair value as percent of net assets applicable to common stockholders as of August 31, 2011 and November 30, 2010.

August 31, 2011

| Investment Security                   |                                  | Equity Interest,<br>Units or<br>Principal<br>Amount | Acquisition<br>Date(s) | Acquisition<br>Cost | Fair<br>Value | Fair<br>Value<br>Per Unit | Fair Value as<br>Percent of<br>Net Assets |
|---------------------------------------|----------------------------------|---|------------------------|---------------------|---------------|---------------------------|---|
| High Sierra Energy, LP                | Common Units                     | 1,042,685   | 11/2/06-<br>11/15/08   | \$ 24,828,836       | \$ 27,683,276 | \$ 26.55                  | 28.5%                                     |
| High Sierra Energy GP, LLC            | Equity Interest                  | 2.37%   | 11/2/06-<br>5/1/07     | 2,015,969           | 122,193       | N/A                       | 0.1                                       |
| LONESTAR Midstream<br>Partners, LP(1) | Class A Units                    | 1,327,900   | 7/27/07-<br>4/2/08     | 2,149,269           | 93,000        | 0.07                      | 0.1                                       |
| LSMP GP, LP(1)                        | GP LP Units                      | 180   | 7/27/07-<br>4/2/08     | 120,046             | 17,000        | 94.44                     | 0.0                                       |
| Magnetar MLP<br>Investment, LP        | Equity Interest                  | 8.22%   | 6/10/11                | 9,900,202           | 10,038,397    | N/A                       | 10.3                                      |
| Mowood, LLC                           | Equity Interest                  | 100%  | 6/5/06-<br>8/4/08      | 1,000,000           | 4,526,078     | N/A                       | 4.6                                       |
|                                       | Subordinated Debt                | \$ 3,800,000  | 7/28/10                | 3,800,000           | 3,800,000     | N/A                       | 3.9                                       |
| VantaCore Partners LP                 | Common Units                     | 933,430   | 5/21/07-<br>8/4/08     | 17,154,876          | 5,451,231     | 5.84                      | 5.6                                       |
|                                       | Preferred Units                  | 71,972  | 2/25/11-<br>8/12/11    | 1,115,573           | 1,259,518     | 17.50                     | 1.3                                       |
|                                       | Preferred B Units                | 85,042  | 8/3/11                 | 1,190,587           | 1,488,234     | 17.50                     | 1.5                                       |
|                                       | Incentive Distribution<br>Rights | 988   | 5/21/07-<br>8/4/08     | 143,936             | —             | —                         | 0.0                                       |
|                                       |                                  |   |                        | \$ 63,419,294       | \$ 54,478,927 |                           | 55.9%                                     |

(1) See Note 9 — Investment Transactions for additional information.

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November 30, 2010

|                                    |                               | Equity Interest,<br>Units or<br>Principal<br>Amount | Acquisition<br>Date(s) | Acquisition<br>Cost | Fair<br>Value | Fair<br>Value<br>Per Unit | Fair Value as<br>Percent of<br>Net Assets |
|------------------------------------|-------------------------------|---|------------------------|---------------------|---------------|---------------------------|---|
| Investment Security                |                               |   |                        |                     |               |                           |   |
| High Sierra Energy, LP             | Common Units                  | 1,042,685   | 11/2/06-<br>11/15/08   | \$ 24,828,836       | \$ 20,666,009 | \$ 19.82                  | 21.6%                                     |
| High Sierra Energy GP, LLC         | Equity Interest               | 2.37%   | 11/2/06-<br>5/1/07     | 2,015,969           | 602,834       | N/A                       | 0.6                                       |
| International Resource Partners LP | Class A Units                 | 500,000   | 6/12/07                | 10,000,000          | 28,155,000    | 56.31                     | 29.5                                      |
| LONESTAR Midstream Partners, LP(1) | Class A Units                 | 1,327,900   | 7/27/07-<br>4/2/08     | 2,149,269           | 208,000       | 0.16                      | 0.2                                       |
| LSMP GP, LP(1)                     | GP LP Units                   | 180   | 7/27/07-<br>4/2/08     | 120,046             | 37,000        | 205.56                    | 0.1                                       |
| Mowood, LLC(1)                     | Equity Interest               | 100%  | 6/5/06-<br>8/4/08      | 1,000,000           | 5,492,247     | N/A                       | 5.8                                       |
|                                    | Subordinated Debt             | \$ 3,800,000  | 7/28/10                | 3,800,000           | 3,800,000     | N/A                       | 4.0                                       |
| VantaCore Partners LP              | Common Units                  | 933,430   | 5/21/07-<br>8/4/08     | 18,270,449          | 13,814,764    | 14.80                     | 14.5                                      |
|                                    | Incentive Distribution Rights | 988   | 5/21/07-<br>8/4/08     | 143,936             | 153,555       | 155.42                    | 0.1                                       |
|                                    |                               |   |                        | \$ 62,328,505       | \$ 72,929,409 |                           | 76.4%                                     |

(1) See Note 9 — Investment Transactions for additional information.

8. Investments in Affiliates and Control Entities

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. Investments representing 25 percent or more of the outstanding voting securities of a portfolio company result in that company being considered a control company, as defined in the 1940 Act. The aggregate fair value of all securities of affiliates and controlled entities held by the Company as of August 31, 2011 amounted to \$54,356,734, representing 55.8 percent of net assets applicable to common stockholders. The aggregate fair value of all securities of affiliates and controlled entities held by the Company as of November 30, 2010 amounted to \$72,326,575, representing 75.7 percent of net assets applicable to common stockholders. A summary of affiliated transactions for each company which is or was an affiliate or controlled entity at August 31, 2011 or during the nine months then ended and at November 30, 2010 or during the year then ended is as follows:

August 31, 2011

|                                       | Units/<br>Equity Interest/<br>Principal<br>Balance<br>11/30/10 | Gross<br>Additions | Gross<br>Reductions | Realized Gain<br>(Loss) | Gross<br>Distributions<br>or Interest<br>Received | Units/<br>Equity Interest/<br>Principal<br>Balance<br>8/31/11 | Fair Value<br>8/31/11 |
|---------------------------------------|--|--------------------|---------------------|-------------------------|---|---|-----------------------|
| High Sierra Energy, LP                | 1,042,685  | \$ —               | —                   | \$ —                    | \$ 156,403  | 1,042,685   | \$ 27,683,276         |
| International Resource Partners LP    | 500,000  | —                  | (32,334,818)        | 24,774,537              | 300,000   | —   | —                     |
| LONESTAR Midstream Partners, LP(1)(2) | 1,327,900  | —                  | —                   | —                       | —   | 1,327,900   | 93,000                |
| LSMP GP, LP(1)(2)                     | 180  | —                  | —                   | —                       | —   | 180   | 17,000                |
| Magnetar MLP Investment, LP           | —  | 9,900,202          | —                   | —                       | 123,904   | 8.22%   | 10,038,397            |
| Mowood, LLC Subordinated Debt         | \$ 3,800,000   | 400,000            | (400,000)           | —                       | 407,242   | \$ 3,800,000  | 3,800,000             |
| Mowood, LLC Equity Interest           | 100%   | —                  | —                   | —                       | 209,256   | 100%  | 4,526,078             |
| VantaCore Partners LP<br>Common Units | 933,430  | —                  | (1,115,573)         | —                       | 233,357   | 933,430   | 5,451,231             |

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|  |     |               |                 |               |              |        |               |
|--|-----|---------------|-----------------|---------------|--------------|--------|---------------|
| VantaCore Partners LP Preferred Units                  | —   | 1,115,573     | —               | —             | 2,651        | 71,972 | 1,259,518     |
| VantaCore Partners LP Preferred B Units                | —   | 1,190,587     | —               | —             | —            | 85,042 | 1,488,234     |
| VantaCore Partners LP Incentive Distribution Rights(1) | 988 | —             | —               | —             | —            | 988    | —             |
|  |     | \$ 12,606,362 | \$ (33,850,391) | \$ 24,774,537 | \$ 1,432,813 |        | \$ 54,356,734 |

- (1) Currently non-income producing.  
(2) See Note 9 — Investment Transactions for additional information.



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November 30, 2010

|   | Units/<br>Equity Interest/<br>Principal |            |                 |                | Gross<br>Distributions<br>or Interest<br>Received | Units/<br>Equity Interest/<br>Principal |  | Fair Value<br>11/30/10 |
|---|---|------------|-----------------|----------------|---|---|--|------------------------|
|   | Balance                                 | Gross      | Gross           | Realized Gain  |   | Balance                                 |  |                        |
|   | 11/30/09                                | Additions  | Reductions      | (Loss)         |   | 11/30/10                                |  |                        |
| High Sierra Energy, LP(1)                                 | 1,042,685                               | \$ —       | —\$             | —\$            | —\$ 656,891                                       | 1,042,685                               |  | \$ 20,666,009          |
| International Resource Partners LP                        | 500,000                                 | —          | —               | —              | 950,000   | 500,000                                 |  | 28,155,000             |
| LONESTAR Midstream Partners, LP(1)(2)                     | 1,327,900                               | —          | (890,942)       | 87,585         | —   | 1,327,900                               |  | 208,000                |
| LSMP GP, LP(1)(2)   | 180                                     | —          | (17,254)        | (1,221)        | —   | 180                                     |  | 37,000                 |
| Mowood, LLC Subordinated Debt                             | \$ 8,800,000                            | 750,000    | (5,750,000)     | —              | 720,323   | \$ 3,800,000                            |  | 3,800,000              |
| Mowood, LLC Equity Interest                               | 99.5%                                   | —          | (5,528,403)     | 2,356,404      | 248,426   | 100%                                    |  | 5,492,247              |
| Quest Midstream Partners, L.P.                            | 1,216,881                               | —          | (9,915,452)     | (9,607,112)    | —   | —                                       |  | —                      |
| VantaCore Partners LP Common Units                        | 933,430                                 | —          | —               | —              | 1,773,517   | 933,430                                 |  | 13,814,764             |
| VantaCore Partners LP Incentive<br>Distribution Rights(1) | 988                                     | —          | —               | —              | —   | 988                                     |  | 153,555                |
|   |   | \$ 750,000 | \$ (22,102,051) | \$ (7,164,344) | \$ 4,349,157                                      |   |  | \$ 72,326,575          |

(1) Currently non-income producing.

(2) See Note 9 — Investment Transactions for additional information.

#### 9. Investment Transactions

For the nine months ended August 31, 2011, the Company purchased (at cost) securities in the amount of \$28,163,465 and sold securities (proceeds received) in the amount of \$44,009,515 (excluding short-term debt securities). For the nine months ended August 31, 2010, the Company purchased (at cost) securities in the amount of \$8,436,951 and sold securities (proceeds received) in the amount of \$13,083,984 (excluding short-term debt securities).

On July 17, 2008, LONESTAR Midstream Partners LP (“LONESTAR”) closed a transaction with Penn Virginia Resource Partners, L.P. (NYSE: PVR) for the sale of its gas gathering and transportation assets. There are two potential future contingent payments due from LONESTAR which are based on the achievement of specific revenue targets by or before June 30, 2013. No payments are due if these revenue targets are not achieved. If received, the Company’s expected portion would total approximately \$9,638,829, payable in cash or common units (at PVR’s election). The fair value of the LONESTAR and LSMP GP, LP units, which totals \$110,000 as of August 31, 2011, is based on unobservable inputs related to the potential receipt of these future payments relative to the sales transaction.

#### 10. Acquisition of Eastern Interconnect Project

On June 30, 2011, the Company purchased 100 percent ownership of a 40 percent undivided interest in the Eastern Interconnect Project (“EIP”) for approximately \$15.6 million, including the assumption of \$3.4 million of debt. The acquisition of the EIP was accounted for as a business combination, in accordance with ASC 805. The acquisition consisted of leased asset property of \$14.1 million, lease receivables assumed of \$0.7 million, an intangible lease asset of \$1.1 million, interest payable assumed of \$(0.1) million and a fair value premium on debt assumed of \$(0.2) million. The Company incurred costs of approximately \$0.6 million in connection with the acquisition which were expensed as incurred.

#### Assets:

The EIP transmission assets move electricity across New Mexico between Albuquerque and Clovis. The physical assets include 216 miles of 345 kilovolts transmission lines, towers, easement rights, converters and other grid support components. The assets are depreciated for book purposes over an estimated useful life of 20 years.

#### Lease:

The project is leased on a triple net basis through April 1, 2015 to Public Service Company of New Mexico, an independent electric utility company serving approximately 500,000 customers in New Mexico. Public Service Company of New Mexico is a subsidiary of PNM Resources (NYSE: PNM). At the time of expiration of the lease, the Company may choose to renew the lease with the lessee, the lessee may offer to repurchase the EIP, or the lease can be allowed to expire and the Company will find another lessee. Under the terms of the lease, the Company will receive semi-annual lease payments.

Debt:

The Company assumed a note with an outstanding principal balance of \$3.4 million. The debt is collateralized by the EIP transmission assets. The note matures on October 1, 2012 and accrues interest at an annual rate of 10.25 percent, with principal and interest payments due on a semi-annual basis.

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### 11. Common Stock

The Company has 100,000,000 shares authorized and 9,164,865 shares outstanding at August 31, 2011.

|   |           |
|---|-----------|
| Shares at November 30, 2010                         | 9,146,506 |
| Shares issued through reinvestment of distributions | 18,359    |
| Shares at August 31, 2011                           | 9,164,865 |

### 12. Warrants

At August 31, 2011 and November 30, 2010, the Company had 945,594 warrants issued and outstanding. The warrants were issued to stockholders that invested in the Company's initial private placements and became exercisable on February 7, 2007 (the closing date of the Company's initial public offering of common shares), subject to a lock-up period with respect to the underlying common shares. Each warrant entitled the holder to purchase one common share at the exercise price of \$15.00 per common share. Warrants were issued as separate instruments from the common shares and are permitted to be transferred independently from the common shares. The warrants have no voting rights and the common shares underlying the unexercised warrants have no voting rights until such common shares are received upon exercise of the warrants.

On April 8, 2011, a proposal was approved by the Company's stockholders which allowed the Company to amend the exercise price of its outstanding warrants from \$15.00 per common share to an amount equal to the greater of the market price of the Company's common shares on the New York Stock Exchange or NAV, each as determined at the end of the fiscal quarter immediately following approval of the proposal, plus 7.0 percent, and to extend the expiration date of such warrants by one year. Based on these guidelines, the exercise price of the warrants was changed to \$11.41 per common share as of May 31, 2011. All warrants expire on February 6, 2014.

### 13. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

|   | For the three<br>months ended<br>August 31,<br>2011 | For the three<br>months ended<br>August 31,<br>2010 | For the nine<br>months ended<br>August 31,<br>2011 | For the nine<br>months ended<br>August 31,<br>2010 |
|---|---|---|--|--|
| Net increase in net assets applicable to<br>common stockholders resulting from operations                                       | \$ 590,639  | \$ 10,543,191                                       | \$ 4,486,921                                       | \$ 7,280,344                                       |
| Basic and diluted weighted average shares <sup>(1)</sup>  | 9,164,865   | 9,116,456   | 9,156,171  | 9,098,005  |
| Basic and diluted net increase in net assets<br>applicable to common stockholders resulting<br>from operations per common share | \$ 0.06   | \$ 1.16   | \$ 0.49  | \$ 0.80  |

- (1) Warrants to purchase shares of common stock were outstanding during the periods reflected in the table above, but were not included in the computation of diluted earnings per share because the warrants' exercise price was greater than the average market value of the common shares and, therefore, the effect would be anti-dilutive.

### 14. Subsequent Events

On September 1, 2011, the Company paid a distribution in the amount of \$0.10 per common share, for a total of \$916,487. Of this total, the dividend reinvestment amounted to \$48,231.

On September 21, 2011, the Company filed a Form N-54C with the Securities and Exchange Commission withdrawing its election to be regulated as a BDC. As a result of the withdrawal of our election to be regulated as a BDC, we will no longer qualify as an investment company for purposes of applying U.S. GAAP, which will result in a significant change in our future financial statement preparation. The most notable changes to the format of our financial statements include the removal of the Schedule of Investments and Financial Highlights, and consolidation of our wholly-owned portfolio company, Mowood, LLC. Exclusive of Mowood, we expect our other equity investments, both public and private, to continue to be reported at fair value within our financial statements under provisions of GAAP.

On September 21, 2011, the Company filed a shelf registration statement with the Securities and Exchange Commission for the purposes of raising additional capital.

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

ADDITIONAL INFORMATION (Unaudited)

Director and Officer Compensation

The Company does not compensate any of its directors who are “interested persons” (as defined in Section 2 (a) (19) of the 1940 Act) or any of its officers. For the nine months ended August 31, 2011, the aggregate compensation paid by the Company to the independent directors was \$54,000. The Company did not pay any special compensation to any of its directors or officers.

Forward-Looking Statements

This report contains “forward-looking statements.” By their nature, all forward-looking statements involve risk and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements.

Certifications

The Company’s Chief Executive Officer 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.

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 is 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/tto.cfm](http://www.tortoiseadvisors.com/tto.cfm); and (ii) on the SEC’s Web site at [www.sec.gov](http://www.sec.gov).

Privacy Policy

The Company is committed to maintaining the privacy of its stockholders and safeguarding their non-public personal information. The following information is provided to help you understand what personal information the Company collects, how the Company protects that information and why, in certain cases, the Company may share information with select other parties.

Generally, the Company does not receive any non-public personal information relating to its stockholders, although certain non-public personal information of its stockholders may become available to the Company. The Company does not disclose any non-public personal information about its stockholders or a former stockholder to anyone, except as required by law or as is necessary in order to service stockholder accounts (for example, to a transfer agent).

The Company restricts access to non-public personal information about its stockholders to employees of its Adviser with a legitimate business need for the information. The Company maintains physical, electronic and procedural safeguards designed to protect the non-public personal information of its stockholders.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Statements contained herein, other than historical facts, may constitute "forward-looking statements." These statements may relate to, among other things, future events or our future performance or financial condition. In some cases, you can identify forward-looking statements by terminology such as "may," "might," "believe," "will," "provided," "anticipate," "future," "could," "growth," "plan," "intend," "expect," "should," "would," "potential," "likely" or the negative of such terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any anticipated results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. For a discussion of factors that could cause our actual results to differ from forward-looking statements contained herein, please see the discussion under the heading "Risk Factors" in Part I, Item 1A. of our most recent Annual Report filed on Form 10-K, as well as the discussion in Part II, Item 1A, below under the heading "Risk Factors."

We may experience fluctuations in our operating results due to a number of factors, including the return on our equity investments, the interest rates payable on our debt investments, the default rates on such investments, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

Regulatory Structure and Investment Outlook

Tortoise Capital Resources Corporation was organized as a Maryland corporation in September 2005. We completed our initial public offering in February 2007 as a non-diversified closed-end management investment company regulated as a business development company ("BDC") under the Investment Company Act of 1940. Our shares are listed on the New York Stock Exchange under the symbol "TTO."

Our objective is to provide stockholders with an attractive risk-adjusted total return, with an emphasis on distributions and distribution growth. We invest primarily in the U.S. energy infrastructure sector. Historically, as a BDC, we invested in securities of privately-held and micro-cap public companies operating in the U.S. energy infrastructure sector. We believe the U.S. energy infrastructure sector offers significant opportunities for investment, but investment constraints placed upon BDCs have limited the types of assets and investments that can best access these opportunities. Additionally, we believe there are attractive opportunities to provide lease-based financing to energy infrastructure companies, with an expanded investment pool that includes real property assets, as opposed to investment securities.

On September 21, 2011, we withdrew our election to be treated as a BDC and are no longer regulated as a BDC or subject to the regulatory provisions of the 1940 Act. Withdrawal of our election to be regulated as a BDC does not affect our registration under Section 12(b) of the Securities Exchange Act of 1934 and we will continue to file periodic reports on Form 10-K, Form 10-Q and Form 8-K, and file proxy statements and other reports required under the Exchange Act. As a result of the withdrawal of our election to be regulated as a BDC, we will no longer qualify as an investment company for purposes of applying U.S. GAAP, which will result in a significant change in our future financial statement presentation. The most notable changes to the format of our financial statements include the removal of the Schedule of Investments and Financial Highlights, and consolidation of our wholly-owned portfolio company, Mowood, LLC. Exclusive of Mowood, we expect our other equity investments, both public and private, to continue to be reported at fair value within our financial statements under provisions of GAAP. We intend to, where appropriate, provide supplemental non-GAAP information in order to enhance our investors' overall understanding of our financial statements. Our shares of common stock are expected to continue to trade on the New York Stock Exchange.

We are currently focused on identifying and acquiring real property assets in the U.S. energy infrastructure sector that have the potential to become real estate investment trust ("REIT") qualified. Energy infrastructure companies operate physical assets that could qualify for inclusion in a REIT. We do not plan to make additional investments in securities (other than short term, highly liquid investments to be held pending investment in real property assets) and expect to liquidate our securities portfolio in an orderly manner. The publicly traded securities can be liquidated more readily than the securities we own of private companies. If we find sufficient suitable REIT-qualifying investments during 2011 and satisfy the REIT requirements throughout 2012, we may make an election to be treated as a REIT throughout 2012 by filing a Form 1120-REIT on or before March 15, 2013, or such later date to which we have properly extended filing such return. Regardless of our tax status, our investors will continue to receive a Form 1099 tax form.

We seek to acquire real property assets from energy infrastructure companies that simultaneously lease the properties back from us under long-term triple net leases. We expect our leases to include provisions that enable us to participate in the revenue and/ or value of the underlying infrastructure real property asset. These sale-leaseback transactions provide the lessee company with a source of financing that is an alternative to other financing sources such as corporate borrowing, mortgaging real property, or through equity offerings. Our sale-leaseback transactions may occur in conjunction with acquisitions, recapitalizations, growth



projects or other corporate transactions involving the lessee company. We may act as one of several sources of financing for these transactions by purchasing real property from the seller and net leasing it back to the seller or its successor in interest (the lessee).

Tortoise Capital Advisors, L.L.C., a registered investment adviser, serves as our investment adviser. Our Adviser is a pioneer in capital markets for master limited partnership (“MLP”) investment companies and a leader in closed-end funds and separately managed accounts focused on MLPs in the energy sector. As of September 30, 2011, our Adviser managed assets of approximately \$6.4 billion in the energy sector, including our assets and the assets of five publicly traded closed-end management investment companies, an open-end management investment company and separately managed accounts. Our Adviser’s aggregate managed capital is among the largest of investment advisers managing closed-end management investment companies focused on energy infrastructure MLPs.

Our Adviser entered into a consulting agreement with Corridor Energy LLC (“Corridor Energy”), an asset management company focused on direct acquisition opportunities in energy infrastructure real property assets. Corridor Energy helps our Adviser identify energy infrastructure asset investments that can be leased to businesses that make goods, provide services or own assets other than securities, which business we refer to herein as “operating companies”. Pursuant to the terms of the consulting agreement, Corridor Energy assists our Adviser with (i) identifying potential acquisition opportunities, (ii) the analysis of acquisition opportunities, and (iii) arranging financing in order to fund acquisition opportunities. Our Adviser, on our behalf, will have the right of first refusal to decide whether we will pursue any investment opportunity identified by Corridor Energy. If our Adviser decides not to pursue such opportunity on our behalf, Corridor Energy will be able to present such opportunity to other investors.

On or before the end of our current fiscal year, we anticipate terminating the Investment Advisory Agreement with our Adviser and entering into a Management Agreement directly with Corridor Energy pursuant to which it will provide to us full management services in connection with our real asset investments. The Management Agreement with Corridor Energy is expected to contain economic terms no less favorable to us than the terms of the Investment Advisory Agreement entered into with our Adviser. Upon execution of the Management Agreement with Corridor Energy and termination of the Investment Advisory Agreement with our Adviser, Corridor will be our primary manager. We anticipate that concurrently with the execution of the Management Agreement with Corridor Energy we will enter into an Advisory Agreement with our Adviser and Corridor Energy pursuant to which our Adviser will provide to us certain securities focused investment services necessary to assist in the liquidation of our securities portfolio and certain day-to-day operational (i.e. non-investment) services. At that point, Corridor Energy will compensate our Adviser for the services our Adviser provides to us.

#### Quarterly Performance Review and Investment Outlook

Our net asset value was \$10.62 as of August 31, 2011, compared to \$10.66 at May 31, 2011. Total investment return, based on net asset value and assuming reinvestment of distributions, was approximately 0.8 percent for the three months ended August 31, 2011. In the future, we will not be required to include net asset value per share on the face of our financial statements; however, we do plan to provide net asset value (book value) per share as supplemental non-GAAP information in order to enhance our investors’ overall understanding of our financial statements. Our stock price also decreased about 3.3 percent this quarter, closing at \$8.27 on August 31, 2011 compared to \$8.55 on May 31, 2011. Total investment return based on market value and assuming reinvestment of distributions, was approximately -2.1 percent for the three months ended August 31, 2011. The fair value of our investment securities, excluding short-term investments, at August 31, 2011, was approximately \$81.5 million, with approximately \$54.5 million in private securities and approximately \$27.0 million in publicly-traded securities. These amounts exclude our real asset investment as described below.

On June 10, 2011, we invested \$9.9 million in Magnetar MLP Investment, LP (“Magnetar MLP”). The Magnetar MLP investment represents an indirect investment into Lightfoot Capital Partners, LP (“Lightfoot”), which owns a refined products storage business, Arc Terminals LP. Arc Terminals LP is an independent operator of above ground storage and delivery services for petroleum products and chemicals including refined products, renewable fuels and crude oil. At the time of investment, Lightfoot also held approximately \$60 million in cash available for new investments.

On June 30, 2011, the Company purchased 100 percent ownership of a 40 percent undivided interest in the Eastern Interconnect Project (“EIP”) for approximately \$15.6 million, including the assumption of \$3.4 million of debt. The acquisition of the EIP was accounted for as a business combination, in accordance with ASC 805. The acquisition consisted of leased asset property of \$14.1 million, lease receivables assumed of \$0.7 million, an intangible lease asset of \$1.1 million, interest payable assumed of \$(0.1) million and a fair value premium on debt assumed of \$(0.2) million. The Company incurred costs of approximately \$0.6 million in connection with the acquisition which were expensed as incurred. These transmission assets move electricity across New Mexico between Albuquerque and Clovis. The physical assets include 216 miles of 345 kilovolts transmission lines, towers, easement rights, converters and other grid support components. The project is leased on a triple net basis through April 1, 2015 to Public Service Company of New Mexico, an independent electric utility company serving approximately 500,000 customers





in New Mexico. Public Service Company of New Mexico is a subsidiary of PNM Resources (NYSE: PNM). At the time of expiration of the lease, we may choose to renew the lease with the lessee, the lessee may choose to repurchase the EIP, or the lease can be allowed to expire and we will find another lessee.

On August 3, 2011, we invested approximately \$1.2 million into newly issued Preferred B units of VantaCore Partners LP (“VantaCore”), the proceeds of which were used to fund a portion of VantaCore’s acquisition of the Cherry Grove Quarry located in Todd County, Kentucky.

On September 1, 2011, we paid a distribution in the amount of \$0.10 per common share. We expect our earned distributable cash flow to support an annualized distribution of not less than \$0.40 per share, with upside potential depending on the performance of our other private equity companies.

We do not plan to make additional investments in securities (other than short-term, highly liquid investments to be held pending acquisition of real property assets) and will liquidate our securities portfolio in an orderly manner in order to make additional real asset acquisitions. The publicly traded securities can be liquidated more readily than the securities we own of private companies.

#### Private Company Update

##### Mowood, LLC (“Mowood”)

Mowood is the holding company of Omega Pipeline, LLC (“Omega”). Omega is a natural gas local distribution company located on the Fort Leonard Wood military installation in south-central Missouri. Omega serves the natural gas needs of Fort Leonard Wood and other customers in the surrounding area. We hold 100 percent of the equity interests in Mowood and hold a seat on its board of directors. The fair value of Mowood increased approximately \$0.3 million this quarter. We provide a revolving line of credit to Mowood with a maximum principal balance of \$5.3 million. At August 31, 2011, the principal balance outstanding was \$3.8 million. Mowood had a very strong third quarter, largely due to its performance in the month of July in which revenues and EBITDA were well above budget.

##### VantaCore Partners LP (“VantaCore”)

VantaCore was formed to acquire companies in the aggregate industry and currently owns a quarry and asphalt plant in Clarksville, Tennessee and sand and gravel operations located near Baton Rouge, Louisiana. We hold a seat on VantaCore’s board of directors. VantaCore completed an acquisition of Cherry Grove Quarry in Todd County, Kentucky and a milling machine in August 2011. We invested an additional \$1.2 million in VantaCore in August 2011 in exchange for newly issued Preferred B units to provide a portion of the funding needed for the acquisition. The fair value of our VantaCore securities decreased approximately \$3.3 million in total this quarter, exclusive of the recently purchased Preferred B units. VantaCore was unable to meet its minimum quarterly distribution (“MQD”) of \$0.475 per unit for its quarter ended June 30, 2011. Common and preferred unitholders elected to receive their distributions as a combination of \$0.04 in cash and the remainder in newly issued preferred units. We received 27,167 preferred units in addition to the \$0.04 in cash per common and preferred unit. VantaCore reported year-to-date EBITDA through June 30, 2011 below budget. The Southern Aggregates property in Louisiana continues to fall short of budget but VantaCore is optimistic that the continued ramp up of cost cutting measures and expected benefits resulting from the Cherry Grove acquisition will provide margin increases through the remainder of 2011 and into 2012.

##### High Sierra Energy, LP and High Sierra Energy, GP (“High Sierra”)

High Sierra Energy, L.P is a holding company that identifies, acquires, and operates businesses and revenue-generating assets in the natural resources industry, primarily in connection with the transportation, processing, storage and marketing of hydrocarbons. We hold board of directors’ observation rights for High Sierra.

The fair value of High Sierra increased approximately \$2.7 million during the quarter. For the second quarter of 2011, High Sierra made a quarterly cash distribution of \$0.15 per unit. As of June 30, 2011, High Sierra closed a new credit facility and completed the sale of Monroe Gas Storage for \$148 million. In addition, High Sierra closed on the acquisition of Marcum Midstream 1995-2 Business Trust and Marcum Midstream 1995-EC Holdings, LLC (collectively “Marcum”) in early June. The combination of the new credit facility and the sale of Monroe Gas Storage, along with improved performance, is expected to allow for High Sierra to increase cash distributions next quarter.

##### Magnetar MLP Investment, LP (“Magnetar MLP”)

We purchased an 8.2 percent ownership interest in Magnetar MLP in June 2011 for net consideration of \$9.9 million. The Magnetar MLP investment represents an indirect investment into Lightfoot Capital Partners, LP (“Lightfoot”), which owns 83.5 percent of the outstanding limited partner units of Arc Terminals LP (“Arc”) and 100 percent of Arc Terminals GP, which also includes a 2.0 percent limited partnership interest. At the time of investment, Lightfoot also held approximately \$60 million in cash available for new investments. Arc provides storage and delivery services for petroleum, petrochemical and chemical products to customers under long-term storage and throughput contracts. As of August 2011, Arc had nine terminals located in the United States with a combined working capacity of 3.6 million barrels.



## Results of Operations

### Comparison of the Three and Nine Months Ended August 31, 2011 and August 31, 2010

**Investment Income:** Investment income totaled \$236,495 and \$1,091,677 for the three and nine months ended August 31, 2011, respectively. This represents an increase of \$213,630 compared to the three months ended August 31, 2011 and a decrease of \$12,527 as compared to the nine months ended August 31, 2010. The increase in investment income for the three months ended August 31, 2011 is primarily due to an increase in lease income, offset by decreased distributions from our securities portfolio and an increase in the amount of those distributions that were characterized as return of capital.

**Net Expenses:** Net expenses totaled \$1,206,835 and \$1,993,563 for the three and nine months ended August 31, 2011, respectively. This represents an increase of \$644,927 and \$440,055, respectively, as compared to the three and nine months ended August 31, 2010. The increase is primarily related to costs pertaining to our asset acquisition in June 2011 and related depreciation expense that was recognized during the three months ended August 31, 2011.

**Distributable Cash Flow:** Our portfolio generates cash flow to us from which we pay distributions to stockholders. When our Board of Directors determines the amount of any distribution we expect to pay our stockholders, it reviews distributable cash flow ("DCF"). DCF is distributions received from investments less our total expenses. The total distributions received from our investments include the amount received by us as cash distributions from equity investments, paid-in-kind distributions, and dividend and interest payments. Total expenses include current or anticipated operating expenses, leverage costs and current income taxes on our operating income. Total expenses do not include deferred income taxes or accrued capital gain incentive fees. We do not include in DCF the value of distributions received from portfolio companies which are paid in stock as a result of credit constraints, market dislocation or other similar issues.

We currently disclose DCF in order to provide supplemental information regarding our results of operations and to enhance our investors' overall understanding of our core financial performance and our prospects for the future. We believe that our investors benefit from seeing the results of DCF in addition to generally accepted accounting principles (GAAP) information. This non-GAAP information facilitates management's comparison of current results with historical results of our operations and with those of our peers. This information is not in accordance with, or an alternative to, GAAP and may not be comparable to similarly titled measures reported by other companies.

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The following table represents DCF for the three and nine months ended August 31, 2011 as compared to the three and nine months ended August 31, 2010:

|  | For the three<br>months ended<br>August 31, 2011 | For the three<br>months ended<br>August 31, 2010 | For the nine<br>months ended<br>August 31, 2011 | For the nine<br>months ended<br>August 31, 2010 |
|--|--|--|---|---|
| <b>Total from Investments</b>  |  |  |   |   |
| Distributions from investments   | \$ 800,733                                       | \$ 889,895                                       | \$ 2,120,684                                    | \$ 3,226,050                                    |
| Distributions paid in stock  | 24,608   | 21,746   | 72,368  | 42,718  |
| Lease income(1)  | 415,915  | —  | 415,915   | —   |
| Interest income from investments   | 135,956  | 182,622  | 407,242   | 563,675   |
| Dividends from money market mutual funds   | 3,008  | 230  | 8,196   | 680   |
| Other income   | —  | 8,000  | 40,000  | 27,080  |
| <b>Total from Investments</b>  | <b>1,380,220</b>                                 | <b>1,102,493</b>                                 | <b>3,064,405</b>                                | <b>3,860,203</b>                                |
| <b>Operating Expenses Before Leverage Costs</b>                                  |  |  |   |   |
| Advisory fees (net of expense reimbursement by Adviser)                          | 248,367  | 191,174  | 724,240   | 707,529   |
| Other operating expenses   | 243,431  | 168,115  | 554,286   | 558,860   |
| <b>Total Operating Expenses, before Leverage Costs</b>                           | <b>491,798</b>                                   | <b>359,289</b>                                   | <b>1,278,526</b>                                | <b>1,266,389</b>                                |
| Distributable cash flow before leverage costs                                    | 888,422  | 743,204  | 1,785,879                                       | 2,593,814                                       |
| Leverage costs   | —  | —  | —   | 45,619  |
| <b>Distributable Cash Flow</b>   | <b>\$ 888,422</b>                                | <b>\$ 743,204</b>                                | <b>\$ 1,785,879</b>                             | <b>\$ 2,548,195</b>                             |
| Capital gain proceeds  | —  | 292,500  | 520,589   | 585,000   |
| <b>Cash Available for Distribution</b>   | <b>\$ 888,422</b>                                | <b>\$ 1,035,704</b>                              | <b>\$ 2,306,468</b>                             | <b>\$ 3,133,195</b>                             |
| Distributions paid on common stock   | \$ 916,486                                       | \$ 911,646                                       | \$ 2,746,830                                    | \$ 3,001,701                                    |
| Payout percentage for period(2)  | 103%   | 88%  | 119%  | 96%   |
| <b>DCF/GAAP Reconciliation</b>   |  |  |   |   |
| Distributable Cash Flow  | \$ 888,422                                       | \$ 743,204                                       | \$ 1,785,879                                    | \$ 2,548,195                                    |
| <b>Adjustments to reconcile to Net Investment Loss,<br/>before Income Taxes:</b> |  |  |   |   |
| Distributions paid in stock(3)   | (24,608)   | (21,746)   | (72,368)  | (42,718)  |
| Return of capital on distributions received from<br>equity investments           | (1,128,698)                                      | (1,057,882)                                      | (1,909,941)                                     | (2,713,281)                                     |
| Non-cash depreciation and amortization   | (122,208)  | —  | (122,208)                                       | —   |
| Non-recurring asset acquisition expenses   | (583,248)  | —  | (583,248)                                       | —   |
| Non-recurring professional fees  | —  | (202,619)  | —   | (241,500)                                       |
| <b>Net Investment Loss, before Income Taxes</b>                                  | <b>\$ (970,340)</b>                              | <b>\$ (539,043)</b>                              | <b>\$ (901,886)</b>                             | <b>\$ (449,304)</b>                             |

(1) Reflects lease income to be received, less borrowing costs on debt related to the leased assets.

(2) Distributions paid as a percentage of Cash Available for Distribution.

(3) Distributions paid in stock for the three and nine months ended August 31, 2011 and August 31, 2010 were paid as part of normal operations and are included in DCF.

Distributions: The following table sets forth distributions for the three and nine months ended August 31, 2011 as compared to the three and nine months ended August 31, 2010.

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| Record Date       | Payment Date      | Amount |
|-------------------|-------------------|--------|
| August 24, 2011   | September 1, 2011 | \$0.10 |
| May 24, 2011      | June 1, 2011      | \$0.10 |
| February 18, 2011 | March 1, 2011     | \$0.10 |
| August 23, 2010   | September 1, 2010 | \$0.10 |
| May 21, 2010      | June 1, 2010      | \$0.10 |
| February 19, 2010 | March 1, 2010     | \$0.13 |

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Net Investment Loss: Net investment loss after deferred taxes for the three and nine months ended August 31, 2011 was \$610,020 and \$565,972, respectively, as compared to \$336,848 and \$280,770 for the three and nine months ended August 31, 2010, respectively. The variance in net investment loss is primarily related to the changes in investment income which were offset by increases in net expenses as described above.

Net Realized and Unrealized Gain (Loss): We had net unrealized gains (losses) before income taxes of \$1,431,968 and \$(19,556,574) for the three and nine months ended August 31, 2011, respectively, as compared to net unrealized gains before income taxes of \$12,990,304 and \$19,482,196 for the three and nine months ended August 31, 2010, respectively. We had net realized gains before deferred taxes of \$611,051 and \$26,718,409 for the three and nine months ended August 31, 2011, respectively, as compared to net realized losses before deferred taxes of \$(1,340,452) and \$(10,013,897) for the three and nine months ended August 31, 2010, respectively. The changes in net unrealized and realized gain/loss for the three and nine months ended August 31, 2011 were primarily attributed to realized gains on the sale of International Resource Partners LP, EV Energy Partners, L.P. and Abraxas Petroleum Corporation shares, partially offset by a realized loss on the sale of PostRock Energy Corporation shares.

### Liquidity and Capital Resources

On September 21, 2011, we filed an initial shelf registration statement on Form S-3 with the Securities and Exchange Commission. When effective, the shelf registration will allow us to prudently raise additional capital.

We expect to have greater flexibility in raising both equity and debt capital, following the withdrawal of our BDC election. While we have had the ability to utilize various forms of leverage — including a credit facility, senior notes and other borrowings, as well as preferred stock — historically, we have only been able to access leverage at attractive costs through a credit facility. During the credit crisis of late 2008 and 2009, access to credit through the bank market became more restrictive and expensive. During that time, we were not able to renew our credit facility and we liquidated a portion of our portfolio holdings in order to repay the credit facility in full. We believe lenders are more reluctant to lend against equity investments in private companies than to entities that invest in real assets. Consistent with our initial investment strategy, we intend to utilize leverage to enhance the total returns of our portfolio and we believe we will have greater flexibility to access such leverage due to the withdrawal of our election to be regulated as a BDC. We are currently seeking to obtain a secured facility to support future working capital needs and potential investments.

We expect to have greater flexibility in issuing securities with common equity participation features (such as warrants and convertible notes) and/or additional classes of stock (such as convertible preferred) in order to facilitate capital formation now that we are no longer subject to the restrictions of the 1940 Act.

### Contractual Obligations

The following table summarizes our significant contractual payment obligations as of August 31, 2011.

|                                 | Payments due by period |                  |           |           |                   |
|---------------------------------|------------------------|------------------|-----------|-----------|-------------------|
|                                 | Total                  | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| Debt related to leased asset(1) | \$3,409,000            | \$2,504,000      | \$905,000 | \$—       | \$—               |
|                                 | \$3,409,000            | \$2,504,000      | \$905,000 | \$—       | \$—               |

(1) At August 31, 2011, the principal balance outstanding on the debt assumed in the Eastern Interconnect Project was \$3,409,000. Principal payments will be made on a semi-annual basis through the maturity date of October 1, 2012.

### Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

### Critical Accounting Policies

The financial statements included in this report 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. While our critical accounting policies are discussed below, Note 2 in the Notes to Financial Statements included in this report provides more detailed disclosure of all of our significant accounting policies.

### Valuation of Portfolio Investments

The financial statements included in this report are prepared in conformity with GAAP under the provisions of the Investment Company Audit

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Guide (the "Guide"). Under the Guide, equity and debt securities are reported at fair value. These investments generally are subject to restrictions on resale, and have no established trading market. Because of the inherent uncertainty of valuation, the fair values of such investments, which are determined in accordance with procedures approved by our Board of Directors, may differ materially from the values that would have been used had a ready market existed.



Asset acquisition investments will be reflected in the financial statements based on historical cost, net of accumulated depreciation.

As a result of the withdrawal of our election to be regulated as a BDC, we will no longer qualify as an investment company for purposes of applying U.S. GAAP, which will result in a significant change in our future financial statement preparation. The most notable changes to the format of our financial statements include the removal of the Schedule of Investments and Financial Highlights, and consolidation of our wholly-owned portfolio company, Mowood, LLC. In our future reports, we intend to, where appropriate, provide supplemental non-GAAP information in order to enhance our investors' overall understanding of our financial statements. These items may include, but are not limited to, supplemental information regarding net asset value, distributable cash flow, and the fair value of Mowood, LLC.

#### Securities Transactions and Investment Income Recognition

Securities 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. Distributions received from our equity investments generally are comprised of ordinary income, capital gains and return of capital from the portfolio company. We record investment income and returns of capital based on estimates made at the time such distributions are received. Such estimates are based on information available from each portfolio company and/or other industry sources. These estimates may subsequently be revised based on information received from the portfolio companies after their tax reporting periods are concluded, as the actual character of these distributions are not known until after our fiscal year end.

#### Federal and State Income Taxation

Currently, as a corporation, we are obligated to pay federal and state income tax on our taxable income. Our 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. Based on current information, we believe we have sufficient net operating losses or other tax attributes to offset any potential tax expense in 2011.

If we elect REIT status in the future, we will be taxed as a REIT rather than a C corporation and generally will not pay federal income tax on taxable income that is distributed to our stockholders. Before withdrawal of the BDC election, our distributions from earnings and profits were treated as qualified dividend income (QDI) and return of capital. Following the withdrawal, and assuming we subsequently elect REIT status, our distributions from earnings and profits will be treated as ordinary income and generally will not qualify as QDI. If we do not elect or do not qualify as a REIT, with respect to years prior to 2013, our distributions would continue to be treated as QDI and return of capital. Thereafter, under existing law, our distributions would be treated as ordinary income and return of capital.

#### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our business activities contain elements of market risk. We consider fluctuations in the value of our equity securities to be our principal market risk. There were no material changes to our market risk exposure at August 31, 2011 as compared to August 31, 2010.

Our equity and debt securities are reported at fair value in the current period, as determined by our Board of Directors. The fair value of securities is determined using readily available market quotations from the principal market if available. The fair value of securities that are not publicly traded or whose market price is not readily available is determined in good faith by our Board of Directors. Because there are no readily available market quotations for many of the securities in our portfolio, we value a large portion of our securities at fair value as determined in good faith by our Board of Directors under a valuation policy and a consistently applied valuation process. Due to the inherent uncertainty of determining the fair value of securities that do not have readily available market quotations, the fair value of our securities may differ significantly from the fair values that would have been used had a ready market quotation existed for such securities, and these differences could be material.

As of August 31, 2011, the fair value of our securities portfolio (excluding short-term investments) totaled \$81,465,022. We estimate that the impact of a 10 percent increase or decrease in the fair value of these securities, net of related deferred taxes, would increase or decrease net assets applicable to common stockholders by approximately \$5,081,788, or approximately \$0.55 per share.

Debt securities in our portfolio may be based on floating or fixed rates. As of August 31, 2011, we had no floating rate debt outstanding.

We consider the management of risk essential to conducting our businesses. Accordingly, our risk management systems and procedures are designed to identify and analyze our risks, to set appropriate policies and limits and to continually monitor these risks and limits by means of reliable administrative and information systems and other policies and programs.



ITEM 4. CONTROLS AND PROCEDURES

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934) as of the end of the period covered by this report as required by paragraph (b) of Rule 13a-15 or 15d-15 of the Securities Exchange Act of 1934. Based upon such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There have been no changes in our internal control over financial reporting (identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 of the Securities Exchange Act of 1934) during the fiscal quarter ended August 31, 2011, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not currently subject to any material legal proceeding, nor, to our knowledge, is any material legal proceeding threatened against us.

ITEM 1A. RISK FACTORS

We are no longer subject to regulation by the 1940 Act.

On September 21, 2011 we withdrew our election to be regulated as a BDC under the 1940 Act. Thus, we are no longer regulated as a BDC and are no longer subject to the regulatory provisions of the 1940 Act. The 1940 Act is designed to protect the interests of investors in investment companies, with requirements relating to insurance, custody, capital structure, composition of the Board of Directors, affiliated transactions, leverage limitations and compensation arrangements. For example, one 1940 Act requirement relating to the capital structure of a BDC is that all of its stock must have equal voting rights. The Division of Investment Management at the SEC, which interprets and enforces the 1940 Act, recently articulated its view that this requirement meant that a BDC organized under Maryland law must opt out of the Maryland Control Share Acquisition Act. As we are no longer a BDC, we are no longer required to opt out of the statutory provision. Accordingly, our Board of Directors may in the future amend our Bylaws so that the Maryland Control Share Acquisition applies to acquisitions of our common stock.

We may in the future elect to be taxed as a REIT and would be subject to a corporate level tax on certain built in gains if certain assets were sold during the 10 year period following such election.

If we find sufficient suitable REIT-qualifying investments during 2011 and satisfy the REIT requirements throughout 2012, we may make an election to be treated as a REIT throughout 2012 by filing a Form 1120-REIT on or before March 15, 2013, or such later date to which we have properly extended filing such return.

A REIT generally operates without incurring any corporate level federal income tax, which is accomplished by the REIT annually distributing at least ninety percent of its REIT taxable income. If it satisfies the minimum distribution requirement, the REIT generally is entitled to a deduction for dividends paid. The REIT stockholders are then required to report the REIT dividend as ordinary income. A REIT stockholder's receipt of dividends generally will not qualify as qualified dividend income or for the dividends received deduction discussed above.

In order to qualify as a REIT, we would be required to satisfy gross income and asset tests. Generally, such tests require that a substantial percentage of the REIT's income be derived from, and assets consist of, real estate assets, and, in certain cases, other investment property.

If we make a REIT election, we will be subject to a corporate level tax on certain built-in gains if such assets are sold during the 10 year period following conversion. Built-in gain assets are assets whose fair market value exceeds the REIT's adjusted tax basis at the time of conversion. In addition, a REIT may not have any earnings and profits accumulated in a non-REIT year. Thus, upon conversion to a REIT, the putative REIT is generally required to distribute to its stockholders all accumulated earnings and profits, if any. Such distribution would be taxable to the stockholders as dividend income, and, as discussed above, may qualify as qualified dividend income for non-corporate stockholders and for the dividends received deduction for corporate stockholders.

The foregoing is a general and abbreviated summary of the provisions of the Internal Revenue Code and the Treasury Regulations in effect as they directly govern the taxation of us and our security holders. These provisions are subject to change by legislative and administrative action, and any such change may be retroactive. Security holders (and prospective holders) are urged to consult their tax advisers regarding specific questions as to U.S. federal, foreign, state, local income or other taxes.

If we elect to be taxed as a REIT, loss of our status as a REIT would have significant adverse consequences.

If we fail to qualify as a REIT in any taxable year, then we would be subject to federal income tax (including any applicable minimum tax) on our taxable income computed in the usual manner for corporate taxpayers without any deduction for distributions to our stockholders. Unless entitled to relief under specific statutory provisions, we would be disqualified from treatment as a REIT for the four taxable years following the year of losing our REIT status, assuming we had previously been treated as a REIT. To renew our REIT qualification at the end of such a four-year period, we would be required to distribute all of our current and accumulated earnings and profits before the end of the period and the funds available for satisfying our obligations and for distribution to our stockholders could be significantly reduced.

If we elect to be taxed as a REIT, re-characterization of sale-leaseback transactions may cause us to lose our REIT status.

We intend to purchase properties and simultaneously lease the same property back to the seller of such properties. While we will use our best efforts to structure any such sale-leaseback transaction so that the lease will be characterized as a "true lease," thereby allowing us to be treated as the owner of the property for U.S. federal income tax purposes, the IRS could challenge such characterization. In the event that any

sale-leaseback transaction is recharacterized as a financing transaction or loan for U.S.

federal income tax purposes, deductions for depreciation and cost recovery relating to such property would be disallowed. If a sale-leaseback transaction were so recharacterized, we might fail to satisfy the REIT qualification “asset tests” or the “income tests” and, consequently, lose our REIT status effective with the year of re-characterization. Alternatively, the amount of our REIT taxable income could be recalculated which might also cause us to fail to meet the distribution requirement for a taxable year.

We may be unable to identify and complete acquisitions of real property assets.

Our ability to identify and complete acquisitions of real property assets on favorable terms and conditions are subject to the following risks:

- we may be unable to acquire a desired asset because of competition from other investors with significant capital, including publicly traded REITs and institutional investment funds;
- competition from other investors may significantly increase the purchase price of a desired real property asset or result in less favorable terms;
- we may not complete the acquisition of a desired real property asset even if we have signed an agreement to acquire such real property asset because such agreements are subject to customary conditions to closing, including completion of due diligence investigations to our satisfaction;
- we may be unable to finance acquisitions of real property assets on favorable terms or at all.

Net leases may not result in fair market lease rates over time.

We expect a large portion of our future income to come from net leases. Net leases typically have longer lease terms and, thus, there is an increased risk that if market rental rates increase in future years, the rates under our net leases will be less than fair market rental rates during those years. As a result, our income and distributions could be lower than they would otherwise be if we did not engage in net leases. We generally will seek to include a clause in each lease that provides increases in rent over the term of the lease, but there can be no assurance we will be successful in obtaining such a clause.

Some losses may not be covered by insurance.

Our leases will generally require the tenant company to carry comprehensive liability and casualty insurance on our properties comparable in amounts and against risks customarily insured against by other companies engaged in similar businesses in the same geographic region as our tenant company. We believe the required coverage will be of the type, and amount, customarily obtained by an owner of similar properties. However, there are some types of losses, such as catastrophic acts of nature, acts of war or riots, for which we or our tenants cannot obtain insurance at an acceptable cost. If there is an uninsured loss or a loss in excess of insurance limits, we could lose both the revenues generated by the affected property and the capital we have invested in the property if our tenant company fails to pay us the casualty value in excess of such insurance limit, if any, or to indemnify us for such loss. We would, however, remain obligated to repay any secured indebtedness or other obligations related to the property. Since September 11, 2001, the cost of insurance protection against terrorist acts has risen dramatically. The cost of coverage for acts of terrorism is currently mitigated by the Terrorism Risk Insurance Act (“TRIA”). If TRIA is not extended beyond its current expiration date of December 31, 2014, our tenants may incur higher insurance costs and greater difficulty in obtaining insurance that covers terrorist-related damages. There can be no assurance our tenant companies will be able to obtain terrorism insurance coverage, or that any coverage they do obtain will adequately protect our properties against loss from terrorist attack.

If a sale-leaseback transaction is re-characterized in a lessee company’s bankruptcy proceeding, our financial condition could be adversely affected.

We intend to enter into sale-leaseback transactions, whereby we purchase a property and then simultaneously lease the same property back to the seller. In the event of the bankruptcy of a lessee company, a transaction structured as a sale-leaseback may be re-characterized as either a financing or a joint venture, either of which outcomes could adversely affect our business. If the sale-leaseback were re-characterized as a financing, we might not be considered the owner of the property, and as a result would have the status of a creditor in relation to the lessee company. In that event, we would no longer have the right to sell or encumber our ownership interest in the property. Instead, we would have a claim against the lessee company for the amounts owed under the lease, with the claim arguably secured by the property. The lessee company/debtor might have the ability to restructure the terms, interest rate and amortization schedule of its outstanding balance. If confirmed by the bankruptcy court, we could be bound by the new terms, and prevented from foreclosing our lien on the property. If the sale-leaseback were re-characterized as a joint venture, we and the lessee company could be treated as co-venturers with regard to the property. As a result, we could be held liable, under some circumstances, for debts incurred by the lessee company relating to the property. Either of these outcomes could adversely affect our cash flow and the amount available for distribution.

We may not be able to sell our real property asset investments quickly.

Investments in real property assets are relatively illiquid compared to other investments. Accordingly, we may not be able to sell real property

asset investments when we desire or at prices acceptable to us in response to changes in economic or other conditions. This could substantially reduce the funds available for satisfying our obligations and for distribution to our stockholders.

Costs of complying with governmental laws and regulations, including those relating to environmental matters, may adversely affect our income and the cash available for distribution.

We have invested, and expect to continue to invest, in real property assets, which are subject to laws and regulations relating to the protection of the environment and human health and safety. These laws and regulations generally govern wastewater discharges, air emissions, the operation and removal of underground and aboveground storage tanks, the use, storage, treatment, transportation and disposal of solid and hazardous materials, and the remediation of contamination associated with disposals. Environmental laws and regulations may impose joint and several liability on tenants, owners or operators for the costs to investigate or remediate contaminated properties, regardless of fault or whether the acts causing the contamination were legal. This liability could be substantial. In addition, the presence of hazardous substances, or the failure to properly remediate these substances, may adversely affect our ability to sell, rent or pledge such property as collateral for future borrowings.

Some of these laws and regulations have been amended so as to require compliance with new or more stringent standards as of future dates. Compliance with new or more stringent laws or regulations or stricter interpretation of existing laws may require material expenditures by us. Future laws, ordinances or regulations may impose material environmental liability. Additionally, our tenant companies' operations, the existing condition of land when we buy it, operations in the vicinity of our properties, such as the presence of underground storage tanks, or activities of unrelated third parties may affect our properties. In addition, there are various local, state and federal fire, health, life-safety and similar regulations with which we may be required to comply, and that may subject us to liability in the form of fines or damages for noncompliance. Any material expenditures, fines, or damages we must pay will reduce our ability to make distributions.

State and federal laws in this area are constantly evolving, and we intend to monitor these laws and take commercially reasonable steps to protect ourselves from the impact of these laws, including where deemed necessary, obtaining environmental assessments of properties that we acquire; however, we will not obtain an independent third-party environmental assessment for every property we acquire. In addition, any such assessment that we do obtain may not reveal all environmental liabilities or whether a prior owner of a property created a material environmental condition not known to us. The cost of defending against claims of liability, of compliance with environmental regulatory requirements, of remediating any contaminated property, or of paying personal injury claims would materially adversely affect our business, assets or results of operations and, consequently, amounts available for distribution.

If we elect to be treated as a REIT, we will be required to make distributions, other than capital gain distributions, to our stockholders each year in the amount of at least 90 percent of our REIT taxable income. As a result, we will continue to need additional capital to make new investments. If additional funds are unavailable or not available on favorable terms, our ability to make new investments will be impaired.

If we elect to be treated as a REIT, we will be required to distribute at least 90 percent of our REIT taxable income, and as such we may require additional capital to make new investments or carry existing investments. We may acquire additional capital from the issuance of securities senior to our common shares, including additional borrowings or other indebtedness or the issuance of additional securities. We may also acquire additional capital through the issuance of additional equity. However, we may not be able to raise additional capital in the future on favorable terms or at all. Unfavorable economic conditions could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. We may issue debt securities, other instruments of indebtedness or preferred stock, and we borrow money from banks or other financial institutions, which we refer to collectively as "senior securities." As a result of issuing senior securities, we will also be exposed to typical risks associated with leverage, including increased risk of loss. If we issue preferred securities which will rank "senior" to our common shares in our capital structure, the holders of such preferred securities may have separate voting rights and other rights, preferences or privileges more favorable than those of our common shares, and the issuance of such preferred securities could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for security holders or otherwise be in our best interest.

To the extent our ability to issue debt or other senior securities is constrained, we will depend on issuances of additional common shares to finance new investments. If we raise additional funds by issuing more of our common shares or senior securities convertible into, or exchangeable for, our common shares, the percentage ownership of our stockholders at that time would decrease, and you may experience dilution.

We operate in a highly competitive market for investment opportunities.

We compete with public and private funds, commercial and investment banks and commercial financing companies to make the types of asset acquisitions that we plan to make in the U.S. energy infrastructure sector. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than us. For example, some competitors may have a lower cost of funds and access to funding sources that are not currently available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, allowing them to consider a wider variety of investments and establish more relationships than us.



Our Adviser serves as investment adviser to other entities, which may create conflicts of interest not in the best interest of us or our stockholders. Our Adviser's services under the Investment Advisory Agreement are not exclusive, and it is free to furnish the same or similar services to other entities, including businesses that may directly or indirectly compete with us so long as its services to us are not impaired by the provision of such services to others. Our Adviser and the members of its investment committee may have obligations to other investors, the fulfillment of which might not be in the best interests of us or our stockholders.

We are dependent upon our Adviser's key personnel to effectuate an orderly liquidation of our remaining securities portfolio.

We depend on the diligence, expertise and business relationships of the management of our Adviser. Our Adviser's investment professionals and management will evaluate, monitor and liquidate our remaining securities portfolio. The departure of one or more investment professionals of our Adviser could have a material adverse effect on our ability to achieve an orderly liquidation of our remaining securities portfolio. We will rely on certain employees of our Adviser who will be devoting significant amounts of their time to non-Company related activities of our Adviser. To the extent our Adviser's investment professionals and management are unable to, or do not, devote sufficient amounts of their time and energy to our affairs, our performance may suffer.

Corridor Energy may serve as a manager to other entities, which may create conflicts of interest not in the best interest of us or our stockholders. Corridor Energy's services under the Management Agreement will not be exclusive, and it is free to furnish the same or similar services to other entities, including businesses that may directly or indirectly compete with us so long as its services to us are not impaired by the provision of such services to others. Corridor Energy and its members may have obligations to other entities, the fulfillment of which might not be in the best interests of us or our stockholders.

We will be dependent upon key personnel of Corridor Energy LLC for our future success.

We anticipate entering into an agreement with Corridor Energy to provide full management services to us for real property asset investments. We will be dependent on the diligence, expertise and business relationships of the management of Corridor Energy to implement our strategy of acquiring real property assets. The departure of one or more investment professionals of Corridor Energy could have a material adverse effect on our ability to implement this strategy and on the value of our common shares. There can be no assurance that we will be successful in implementing our strategy.

Our remaining securities investments in privately-held companies present certain challenges, including the lack of available information about these companies and a greater inability to liquidate our investments in an advantageous manner.

We currently have securities investments remaining in privately-held companies. Generally, little public information exists about these companies, and we are required to rely on the ability of our Adviser to obtain adequate information to evaluate the potential risks and returns involved with these companies. If our Adviser is unable to obtain all material information about these companies, including with respect to operational, regulatory, environmental, litigation and managerial risks, our Adviser may not make a fully-informed investment decision, and we may lose some or all of the money invested in these companies. Substantially all of these securities are subject to legal and other restrictions on resale or are otherwise less liquid than publicly traded securities. The illiquidity of these investments may make it difficult for us to sell such investments at advantageous times and prices or in a timely manner. In addition, if we are required to liquidate all or a portion of our remaining securities portfolio quickly, we may realize significantly less than the value at which we previously have recorded our investments. We also may face other restrictions on our ability to liquidate an investment in the securities of a portfolio company to the extent that we or one of our affiliates have material non-public information regarding such portfolio company.

Most of our remaining securities investments are, and will continue to be, recorded at fair value as determined in good faith by our Board of Directors. Because such valuations are inherently uncertain, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed.

We continue to hold investments that are in the form of securities or loans that are not publicly traded. The fair value of these investments may not be readily determinable. For securities investments that are reported at fair value, we will value these investments quarterly at fair value as determined in good faith by our Board of Directors. We have retained Lincoln Partners Advisors, LLC (an independent valuation firm) to provide third party valuation consulting services which consist of certain procedures that the Board of Directors has identified and requested they perform. For the quarter ended August 31, 2011, the Board of Directors requested Lincoln Partners Advisors, LLC to perform positive assurance valuation procedures on investments in five portfolio companies comprising approximately 99.8 percent of our restricted investments at fair value as of August 31, 2011. The Board of Directors is ultimately responsible for determining the fair value of the investments in good faith. The types of factors that may be considered in fair value pricing of an investment include the nature and realizable value of any collateral, the portfolio company's earnings and ability to make payments, the markets in which the portfolio company does business, comparison to publicly traded companies, discounted cash flow and other relevant factors. Because such valuations are inherently uncertain, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. As a result, we may not be able to dispose of our holdings at a price equal to or greater than the determined fair value, which could have a negative impact on our net asset value.



The lack of liquidity in our securities investments may make it difficult to liquidate our securities portfolio at favorable prices. As a result, we may suffer losses.

We have historically invested in the equity of companies whose securities are not publicly traded, and whose securities may be subject to legal and other restrictions on resale or otherwise be less liquid than publicly-traded securities. We also have invested in debt securities and may hold such investments until maturity. The illiquidity of these investments may make it difficult for us to sell these investments when desired. In addition, we may realize significantly less than the value at which we had previously recorded these investments when we liquidate our securities portfolio. The illiquidity of most of our securities investments may make it difficult for us to dispose of them at favorable prices, and, as a result, we may suffer losses.

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended November 30, 2010, which could materially affect our business, financial condition or operating results. The risks described above and in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

#### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We did not sell any securities during the three months ended August 31, 2011 that were not registered under the Securities Act of 1933.

We did not repurchase any of our common shares during the three months ended August 31, 2011.

#### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

#### ITEM 4. (REMOVED AND RESERVED)

#### ITEM 5. OTHER INFORMATION

None

#### ITEM 6. EXHIBITS

| Exhibit | Description   |
|---------|---|
| 31.1    | Certification by Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, is filed herewith.                            |
| 31.2    | Certification by Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, is filed herewith.                            |
| 32.1    | Certification by Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, is furnished herewith. |

All other exhibits for which provision is made in the applicable regulations of the Securities and Exchange Commission are not required under the related instruction or are inapplicable and therefore have been omitted.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TORTOISE CAPITAL RESOURCES CORPORATION

By: /s/ Terry Matlack  
Terry Matlack  
Authorized Officer and Chief Financial Officer  
(Principal Financial Officer)

Date: October 13, 2011