TORTOISE ENERGY INFRASTRUCTURE CORP
Form N-CSR
January 31, 2007

As filed with the Securities and Exchange Commission on [date]

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM N-CSR
CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number **811-21462**

Tortoise Energy Infrastructure Corporation
(Exact name of registrant as specified in charter)

10801 Mastin Blvd., Suite 222, Overland Park, KS 66210
(Address of principal executive offices) (Zip code)

David J. Schulte
10801 Mastin Blvd., Suite 222, Overland Park, KS 66210
(Name and address of agent for service)

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

Date of fiscal year end: **November 30**
Date of reporting period: **November 30, 2006**

Item 1. Report to Stockholders.

Company at a Glance

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

Investment Objectives: Yield, Growth and Quality

Our goal is to provide our stockholders with a high level of total return with an emphasis on current distributions.

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

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

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

About Master Limited Partnerships

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

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

A Tortoise Energy Investment Versus a Direct Investment in MLPs

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

Additional features of Tortoise Energy include:

- One Form 1099 per stockholder at the end of the year, thus avoiding multiple K-1s and multiple state filings for individual partnership investments;
- A professional management team, with nearly 100 years combined investment experience, to select and manage the portfolio on your behalf;
- The ability to access investment grade credit markets to enhance the dividend rate; and
- Access to direct placements and other investments not available through the public markets.

Summary Financial Information *(Unaudited)*

Year Ended November 30	**2006**
Market value per share	$ 36.13
Net asset value per share	31.82
Total net assets	532,433,365
Unrealized appreciation of investments (excluding interest rate swap contracts) before deferred taxes	186,051,459
Unrealized appreciation of investments and interest rate swap contracts after deferred taxes	111,580,962
Net investment loss	(5,798,038)
Total realized gain after deferred taxes	5,524,349
Total investment return based on market value[(1)]	34.50%
Net operating expenses before leverage costs and taxes as a percent of average total assets[(2)]	0.98%
Distributable cash flow as a percent of average net assets[(3)]	7.54%

(1) *See footnote 6 to the Financial Highlights on page 22 for further disclosure.*
(2) *Represents expenses, after fee reimbursement.*
(3) *See Key Financial Data which illustrates the calculation of distributable cash flow.*

Allocation of Portfolio Assets

November 30, 2006 *(Unaudited)*

(Percentages based on total investment portfolio)

(Unaudited)

January 22, 2007

Fellow Stockholders,

Tortoise Energy Infrastructure Corp. s (Tortoise Energy) fiscal 2006 results reflect our commitment to **yield, growth** and **quality**.

Our portfolio companies exceeded performance expectations as a result of growing energy demand, internal growth projects and acquisitions. This performance, coupled with a strong equity market, low interest rates and strengthening investor confidence in the sector, led to an outstanding year for Tortoise Energy.

Performance Review and Outlook

Tortoise Energy s total return for fiscal year 2006 was 34.5 percent based on market value, including the reinvestment of quarterly dividends. Our dividends for the year of $2.02 grew 12.8 percent over the $1.79 paid the prior year. Our most recent dividend of $0.53 per common share was our eighth consecutive dividend increase since full investment of the initial public offering proceeds. It represents an annualized dividend rate of $2.12 and is a 16.5 percent increase over the 2005 fourth quarter annualized dividend rate of $1.82.

The average annual percentage increase of distributions of our portfolio companies was 17 percent as compared to their distributions for the prior year. The strength of our portfolio is evidenced by our selection of quality companies, led by excellent management teams who focus on low-risk infrastructure assets and stable recurring revenue streams. We maintain our expectation that our long-term dividend growth will be approximately 4 percent on an annual basis.

(Unaudited)

Investment Review

In order to increase dividends and long-term stockholder value, we issue debt and equity to allow us to make attractive investments, primarily through issuer direct placements.

In June 2006, Tortoise Energy continued its history of innovation in the capital marketplace by putting in place a universal shelf registration statement which allows the company to issue, in multiple offerings, up to $125 million in common stock, preferred stock or debt securities. The flexible nature of the shelf will allow us to efficiently raise funds to invest in opportunities we believe will increase dividends and long-term stockholder value.

Under the shelf registration, we completed a $50 million public offering of common stock in August 2006 and an additional $52 million common stock offering in December 2006. The proceeds of these offerings were used primarily to repay outstanding debt under a revolving credit facility utilized to fund attractive direct placements and open market purchases.

Since its inception in February 2004 through the date of this letter, Tortoise Energy has helped finance growth in the energy infrastructure MLP sector through the completion of 25 direct purchases from MLP issuers or their affiliates totaling nearly $327 million.

Master Limited Partnership Investment Overview and Outlook

In 2006, the MLP market continued to play a vital role in the expansion of U.S. energy infrastructure. Lehman Brothers estimated that approximately $4 billion was spent on internal growth projects in the 2006 calendar year compared to approximately $3 billion in 2005. Expected internal growth project costs for the next few years exceed $17 billion. In addition, acquisition activity through December 31, 2006 remained strong, with more than $11 billion of mainly natural gas assets entering the MLP sector. We anticipate acquisitions in 2007 will also drive distribution growth, since MLPs currently own less than 50 percent of the refined product, crude oil and natural gas midstream assets in the United States.

(Unaudited)

These organic growth projects and acquisitions will require equity and debt financing that could provide direct placement opportunities for Tortoise Energy.

Conclusion

Population and economic growth trends should continue to increase U.S. energy demand. We believe energy infrastructure will directly benefit, providing investors an attractive return with minimal exposure to risks associated with volatile energy commodity prices. We hope that investors seeking expertise in RIT and MLP portfolio management will find Tortoise Energy a compelling option.

Thank you to our stockholders for your continued support. As always, we will strive to deliver a rewarding return and we will remain steadfast to our objective of providing you with an attractive yield, dividend growth and a portfolio of quality companies. We look forward to seeing you at the annual stockholders meeting on April 13, 2007. For those unable to attend, please access our webcast of the meeting at www.tortoiseadvisors.com.

Sincerely,

The Managing Directors

Tortoise Capital Advisors, L.L.C.

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

(Unaudited)

Table of Contents

6 Key Financial Data
8 Management s Discussion
12 Business Description
15 Schedule of Investments
17 Statement of Assets & Liabilities
18 Statement of Operations
19 Statement of Changes in Net Assets
20 Statement of Cash Flows
21 Financial Highlights
23 Notes to Financial Statements
30 Report of Independent Registered Public Accounting Firm
31 Company Officers and Directors
33 Additional Information

Key Financial Data *(Unaudited)*

(dollar amounts in thousands unless otherwise indicated)

	Year Ended November 30, 2005	Year Ended November 30, 2006
Total Distributions Received from Investments		
Distributions received from master limited partnerships	$ 36,172	$ 45,985
Dividends paid in stock	4,403	5,862
Dividends from common stock	95	97
Short-term interest and dividend Income	1,121	746

	Year Ended November 30,	
Total from investments	41,791	52,690
Operating Expenses Before Leverage Costs and Current Taxes		
Advisory fees, net of reimbursement	4,805	6,254
Other operating expenses	1,450	1,309
	6,255	7,563
Distributable cash flow before leverage costs and current taxes	35,536	45,127
Leverage costs(2)	7,779	11,032
Current income tax expense	214	472
Distributable Cash Flow(3)	$ 27,543	$ 33,623
Dividends paid on common stock	$ 26,506	$ 31,969
Dividends paid on common stock per share	1.79	2.02
Payout percentage for period(4)	96.2%	95.1%
Total assets, end of period	695,978	928,431
Average total assets during period(5)	663,318	773,568
Leverage (Tortoise Notes, Preferred Stock and short-term credit facility)(6)	235,000	267,450
Leverage as a percent of total assets	33.8%	28.8%
Unrealized appreciation net of deferred taxes, end of period	84,456	196,037
Net assets, end of period	404,274	532,433
Average net assets during period(7)	414,802	446,210
Net asset value per common share	27.12	31.82
Market value per share	28.72	36.13
Shares outstanding	14,906	16,732
Selected Operating Ratios(8)		
As a Percent of Average Total Assets		
Total distributions received from investments	6.30%	6.81%
Operating expenses before leverage costs and current taxes	0.94%	0.98%
Distributable cash flow before leverage costs and current taxes	5.36%	5.83%
As a Percent of Average Net Assets		
Distributable cash flow	6.64%	7.54%

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

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

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

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

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

(6) The balance on the short-term credit facility was $32,450,000 as of November 30, 2006.

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

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

2005	2006			
Q4(1)	Q1(1)	Q2(1)	Q3(1)	Q4(1)
$ 10,188	$ 10,601	$ 11,074	$ 11,715	$ 12,595
1,197	1,242	1,186	1,689	1,745
26	31	32	34	
218	197	199	194	156
11,629	12,071	12,491	13,632	14,496
1,300	1,248	1,550	1,660	1,796
397	343	310	321	335
1,697	1,591	1,860	1,981	2,131
9,932	10,480	10,631	11,651	12,365
2,488	2,661	2,723	2,864	2,784
214	59	137	138	138
$ 7,230	$ 7,760	$ 7,771	$ 8,649	$ 9,443
$ 6,764	$ 7,155	$ 7,472	$ 8,494	$ 8,848
0.455	0.48	0.50	0.51	0.53
93.6%	92.2%	96.2%	98.2%	93.7%
695,978	718,266	758,684	835,250	928,431
725,506	704,996	735,142	786,791	865,220
235,000	235,000	235,000	235,000	267,450
33.8%	32.7%	31.0%	28.1%	28.8%
84,456	99,072	129,299	148,264	196,037
404,274	410,642	432,077	492,866	532,433
421,244	411,181	419,521	446,196	507,852
27.12	27.55	28.91	29.59	31.82
28.72	29.42	28.75	30.62	36.13
14,906	14,906	14,944	16,655	16,732
6.43%	6.94%	6.74%	6.87%	6.72%
0.94%	0.92%	1.00%	1.00%	0.99%
5.49%	6.02%	5.74%	5.87%	5.73%
6.88%	7.65%	7.35%	7.69%	7.46%

Management s Discussion

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

Overview

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

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

Critical Accounting Policies

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

Determining Dividends Distributed to Stockholders

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

Determining DCF

DCF is simply distributions received from investments less our total expenses. The total distributions received from our investments includes the amount received by us as cash distributions from MLPs, paid-in-kind distributions, and dividend and interest payments. The total expenses include current or anticipated operating expenses, leverage costs and current income taxes on our operating income. Each are summarized for you in the table on pages 6 and 7 and are discussed in more detail below.

(Unaudited)

Management s Discussion

(Continued)

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

Distributions Received from Investments

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

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

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

Total distributions received from our investments relating to DCF for the fiscal year ended 2006 was approximately $52.7 million, representing a 26.1 percent increase as compared to $41.8 million for the fiscal year ended 2005. This increase reflects full-year earnings on $235 million long-term leverage, partial-year earnings from the investment of approximately $48 million of net proceeds from equity issued in August and distribution increases from our MLP investments. The average annual percentage increase of distributions of our MLPs as compared to the distributions of the prior year was 17 percent. In addition, total distributions received from investments represented 6.81 percent of average total assets for the year, an increase from 6.30 percent as compared to fiscal year 2005.

Expenses

We incur two types of expenses: (1) operating expenses, consisting primarily of the advisory fee; and (2) leverage costs. On a percentage basis, operating expenses before leverage costs and current taxes were an annualized 0.98 percent of average total assets for the fiscal year ended 2006, as compared to 0.94 percent for the year ended 2005. Operating expenses before leverage costs and current taxes for fiscal year ended 2006 increased 20.9 percent as compared to the year ended 2005, primarily as a result of increased advisory fees. Advisory fees increased as a result of growth in average total assets and from the impact of the contractual reduction in reimbursed advisory fees from 0.23 percent of managed assets to 0.10 percent which took effect March 1, 2006. The reimbursement will continue until 2009. Other operating expenses decreased 9.7 percent as compared to fiscal year 2005, reflecting lower non-asset based costs and general operating efficiencies realized during the year.

(Unaudited)

Leverage costs consist of four major components: (1) the direct interest expense, which will vary from period to period as all of our Tortoise Notes and revolving credit line have variable rates of interest; (2) the auction agent fees, which are the marketing costs for the variable rate leverage; (3) the realized gain or loss on our swap arrangements; and (4) our preferred dividends, which also carry a variable rate dividend. We have locked-in all of our long-term leverage costs through interest rate swap agreements, converting our variable rate obligations to fixed rate obligations for the term of the swap agreements. With very little short-term interest rate risk in Tortoise Energy, we now have an all-in weighted average cost of leverage of 4.52 percent with a remaining weighted average maturity of approximately

5 1/2 years. Details of our interest rate swap contracts are disclosed in Note 11 of our Notes to Financial Statements. As indicated in Note 11, Tortoise Energy has agreed to pay U.S. Bank a fixed rate while receiving a floating rate based upon the one-month or one-week U.S. Dollar London Interbank Offered Rate (LIBOR). LIBOR is the primary global benchmark or reference rate for short-term interest rates and is intended to approximate our variable rate payment obligations. The spread between the fixed rate and floating LIBOR rate is reflected in our Statement of Operations as a realized or unrealized gain when the LIBOR rate exceeds the fixed rate (U.S. Bank pays Tortoise Energy the net difference) or a realized or unrealized loss when the fixed rate exceeds the LIBOR rate (Tortoise Energy pays U.S. Bank the net difference). We realized approximately $1.5 million in gains on interest rate swap settlements during the year as compared to approximately $855,000 in losses for the fiscal year ended 2005. This reflects the increase in average LIBOR rates to approximately 5.0 percent for fiscal year ended 2006 as compared to approximately 3.2 percent for the year ended 2005.

Leverage costs increased to $11.0 million for the fiscal year ended 2006 as compared to $7.8 million for year ended 2005, due to an increase in average leverage outstanding, the full implementation of the swap agreements and interest expense associated with short-term lines of credit utilized during the current fiscal year.

Distributable Cash Flow

For fiscal year ended 2006 our DCF was $33.6 million, an increase of $6.1 million or 22.1 percent as compared to fiscal year 2005. This increase is the net result of growth in distributions and expenses as outlined above. Current income tax expense reflects estimated Canadian taxes payable by Tortoise Energy on Canadian income allocated to the company. We paid dividends of $32.0 million ($2.02 per share), representing approximately 95.1 percent of DCF during fiscal year 2006. This is an increase of $5.5 million or 20.6 percent as compared to fiscal year 2005. On a per share basis, we paid a $0.53 dividend on November 30, 2006, a 3.9 percent increase over 3rd Quarter 2006. The annualized run rate of $2.12 per share equates to an 8.5 percent yield on our IPO price of $25.00. With the growth in distributions from the MLPs in which we invest, we expect the dividend to continue to grow at least 4 percent annually.

Taxation of our Distributions

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

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

(Unaudited)

In the event Tortoise Energy has earnings and profits, our dividend, like any other corporate dividend, would be taxable at the 15 percent qualified dividend rate. Our dividend would include a taxable component for either of two reasons: first, the tax characterization of the distributions we receive from MLPs could change and become less return of capital and more in the form of income. Second, we could sell an MLP investment in which Tortoise Energy has a gain. The unrealized gain we have in the portfolio is reflected in the Statement of Assets and Liabilities. Tortoise Energy s investments at value are $924.6 million, with an adjusted cost of $602.6 million. The $322 million difference reflects gain that would be realized if those investments were sold at those values. A sale could give rise to earnings and profits in that period and make the distributions taxable qualified dividends. Note, however, that the Statement of Assets and Liabilities reflects as a deferred tax liability the possible future tax liability we would pay if all investments were liquidated at their indicated value. It is for these two reasons that we inform you of the tax treatment after the close of each year because both of these items are unpredictable until the year is over. For book purposes, dividends for fiscal year 2006, were comprised entirely of return of capital. For tax purposes, dividends for fiscal year 2006 were approximately comprised of 11 percent qualified dividend income and 89 percent return of capital. This information will be reported to stockholders on Form 1099-DIV and available on our Web site at www.tortoiseadvisors.com.

Liquidity and Capital Resources

Tortoise Energy had total assets of $928 million at fiscal year end 2006. Our total assets reflect the value of our investments, which are itemized in the Schedule of Investments. It also reflects cash, interest and other receivables and any expenses that may have been prepaid. During the year, total assets grew from $696 million to $928 million, an increase of 33 percent. This change was primarily the result of an increase in unrealized appreciation of investments of $144 million, increase of leverage of $32 million and $48 million in net equity proceeds from the issuance of 1,675,050 common shares. The Statement of Operations reflects unrealized appreciation before deferred tax expense of $183 million, which includes $39 million in MLP distributions treated as return of capital.

The Company has a $60 million credit facility with U.S. Bank, N.A. maturing June 13, 2007. The credit facility has a variable annual interest rate equal to the one-month LIBOR rate plus 0.75 percent. Proceeds from the credit facility are primarily used to facilitate direct placement equity investments. At November 30, 2006, we had approximately $32 million outstanding under the facility.

Total leverage outstanding of $267 million is comprised of $165 million in auction rate senior notes rated Aaa and AAA by Moody s Investors Service Inc. and Fitch Ratings, respectively, $70 million in money market preferred shares rated Aa2 and AA by Moody s Investors Service Inc. and Fitch Ratings, respectively, and $32 million outstanding under the credit facility. Total leverage represented 28.8 percent of total assets at November 30, 2006 as compared to 33.8 percent at November 30, 2005. Our long-term target for leverage remains approximately 33 percent of total assets. We expect to use our line of credit to make desirable investments as they become available and to reach our targeted leverage amount. As the line of credit increases in size we would issue additional Tortoise Notes or Preferred Stock to repay the line and provide longer-term capital for our Company.

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

(Unaudited)

Business Description

November 30, 2006

Tortoise Energy

Tortoise Energy Infrastructure Corp. (Tortoise Energy) commenced operations in February 2004. Tortoise Energy s investment objective is to seek a high level of total return with an emphasis on current distributions paid to stockholders and dividend growth. For purposes of Tortoise Energy s investment objective, total return includes capital appreciation of, and all distributions received from, securities in which Tortoise Energy will invest regardless of the tax character of the distributions.

Tortoise Energy seeks to provide its stockholders with an efficient vehicle to invest in a portfolio of publicly traded master limited partnerships (MLPs) in the energy infrastructure sector. Similar to the tax characterization of distributions made by MLPs to its unitholders, Tortoise Energy believes a significant portion of its distributions to stockholders will be treated as a return of capital.

Tortoise Energy is regulated as a non-diversified investment management company, for which Tortoise Capital Advisors, L.L.C. (the Adviser) serves as the Company s investment adviser.

Energy Infrastructure Industry

Energy infrastructure companies engage in the business of transporting, processing, storing, distributing or marketing natural gas, natural gas liquids (primarily propane), coal, crude oil or refined petroleum products, or exploring, developing, managing or producing such commodities. Tortoise Energy typically invests in energy infrastructure companies operating in the United States. Energy infrastructure companies (other than most pipeline MLPs) do not operate as public utilities or local distribution companies, and are therefore not subject to rate regulation by state or federal utility commissions. However, energy infrastructure companies may be subject to greater competitive factors than utility companies, including competitive pricing in the absence of regulated tariff rates, which could cause a reduction in revenue and which could adversely affect profitability. Most pipeline MLPs are subject to government regulation concerning the construction, pricing and operation of pipelines.

Regulated pipeline MLPs are able to set prices (rates or tariffs) to cover operating costs, depreciation and taxes, and provide a return on investment. These rates are monitored by the Federal Energy Regulatory Commission (FERC) which seeks to ensure that consumers receive adequate and reliable supplies of energy at the lowest possible price while providing energy suppliers and transporters a just and reasonable return on capital investment and the opportunity to adjust to changing market conditions.

Master Limited Partnerships

Under normal circumstances, Tortoise Energy invests at least 70 percent of its total assets in equity securities of MLPs that derive at least 90 percent of their income from energy infrastructure operations and are organized as partnerships, thereby eliminating income tax at the entity level.

A MLP has two classes of partners, the general partner and the limited partners. The general partner is usually a major energy company, investment fund or the direct management of the MLP. The general partner normally controls the MLP through a two percent equity interest plus units that are subordinated to the common (publicly traded) units for at least the first five years of the partnership s existence and then only converting to common if certain financial tests are met.

As a motivation for the general partner to successfully manage the MLP and increase cash flows, the terms of most MLPs typically provide that the general partner receives a larger portion of the net income as distributions reach higher target levels. As cash flow grows, the general partner receives a greater interest in the incremental income compared to the interest of limited partners. The general partner s incentive compensation typically increases up to 50 percent of incremental income.

Nevertheless, the aggregate amount distributed to limited partners will increase as MLP distributions reach higher target levels. Given this incentive structure, the general partner has an incentive to streamline operations and undertake acquisitions and growth projects in order to increase distributions to all partners.

(Unaudited)

Energy infrastructure MLPs in which Tortoise Energy invests can generally be classified in the following categories:

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

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

Propane MLPs are distributors of propane to homeowners for space and water heating. Revenue is derived from the resale of the commodity on a margin over wholesale cost. The ability to maintain margin is a key to profitability. Propane serves approximately three percent of the household energy needs in the U.S., largely for homes beyond the geographic reach of natural gas distribution pipelines. Approximately 70 percent of annual cash flow is earned during the winter heating season (October through March). Accordingly, volumes are weather dependent, but have utility type functions similar to electricity and natural gas.

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

Tortoise Energy invests primarily in equity securities of MLPs, which currently consist of the following instruments: common units, convertible subordinated units and I-Shares. Almost all MLP common units and I-Shares in which Tortoise Energy invests are listed and traded on the NYSE, AMEX or NASDAQ. Tortoise Energy also may purchase MLP common units through direct placements that are not initially readily tradable. MLP convertible subordinated units are not listed or publicly traded and are typically purchased in direct transactions with MLP affiliates or institutional holders of such shares.

MLP common unitholders have typical limited partner rights, including limited management and voting rights. MLP common units have priority over convertible subordinated units upon liquidation. Common unit holders are entitled to minimum quarterly distributions (MQD), including arrearage rights, prior to any distribution payments to convertible subordinated unit holders or incentive distribution payments to the general partner. MLP convertible subordinated units are convertible into common units on a one-to-one basis after the passage of time and/or achievement of specified financial goals. MLP convertible subordinated units are entitled to MQD after the payments to holders of common units and before incentive distributions to the general partner. MLP convertible subordinated units do not have arrearage rights. I-Shares have similar features to common units except that distributions are payable in additional I-Shares rather than cash. Tortoise Energy invests in I-Shares only if it has adequate cash to satisfy its distribution targets.

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

Summary of Investment Policies

Under normal circumstances, Tortoise Energy will invest at least 90 percent of its total assets (including assets obtained through leverage) in securities of energy infrastructure companies, and will invest at least 70 percent of its total assets in equity securities of MLPs.

(Unaudited)

Business Description

(Continued)

Tortoise Energy has adopted the following additional nonfundamental investment policies:

Tortoise Energy may invest up to 30 percent of its total assets in restricted securities. Subject to this policy, the Company may invest without limitation in illiquid securities.

Tortoise Energy may invest up to 25 percent of total assets in debt securities of energy infrastructure companies, including securities rated below noninvestment grade (commonly referred to as junk bonds).

Tortoise Energy will not invest more than 10 percent of total assets in any single issuer.

Tortoise Energy will not engage in short sales.

Tax Status of Company

Unlike most investment companies, Tortoise Energy is not treated as a regulated investment company under the U.S. Internal Revenue Code of 1986, as amended (the Internal Revenue Code). Therefore, Tortoise Energy is obligated to pay federal and applicable state corporate taxes on its taxable income. Unlike regulated investment companies, Tortoise Energy is not required to distribute substantially all of its income and capital gains. Tortoise Energy invests a substantial portion of its assets in MLPs.

Although the MLPs generate income taxable to Tortoise Energy, the Company expects the MLPs to pay cash distributions in excess of the taxable income reportable by the Company. Similarly, Tortoise Energy expects to distribute cash in excess of its taxable income to its stockholders and intends to distribute substantially all of its distributable cash flow (generally, cash from operations less certain operating expenses and reserves).

Summary of Tax Features for U.S. Stockholders

Stockholders of Tortoise Energy hold stock of a corporation. Shares of stock differ substantially from partnership interests for federal income tax purposes. Unlike holders of MLP common units, stockholders of Tortoise Energy will not recognize an allocable share of Tortoise Energy s income, gains, losses and deductions. Stockholders recognize income only if Tortoise Energy pays distributions from current or accumulated earnings and profits allocable to the particular shares held by a stockholder. Such distributions will be taxable to a stockholder in the current period as dividend income. Dividend income will be treated as qualified dividends for federal income tax purposes, currently subject to favorable capital gains rates. If distributions exceed Tortoise Energy s allocated current or accumulated earnings and profits, such excess distributions will constitute a tax-free return of capital to the extent of a stockholder s basis in its stock. To the extent excess distributions exceed a stockholder s basis, the amount in excess of basis will be taxed as capital gain.

Based on the historical performance of MLPs, Tortoise Energy expects that a significant portion of distributions to holders of stock will constitute a tax-free return of capital. In addition, earnings and profits are treated generally, for federal income tax purposes, as first being used to pay distributions on the MMP Shares, and then to the extent remaining, if any, to pay distributions on common stock. There is no assurance that Tortoise Energy will make regular distributions or that Tortoise Energy s expectation regarding the tax character of its distributions will be realized. The special tax treatment for qualified dividends is scheduled to expire as of December 31, 2010.

Upon the sale of stock, a stockholder generally will recognize capital gain or loss measured by the difference between the sale proceeds received by the stockholder and the stockholder s federal income tax basis in its stock sold, as adjusted to reflect return(s) of capital. Generally, such capital gain or loss will be long-term capital gain or loss if stock were held as a capital asset for more than one year.

Distributions

Tortoise Energy intends to pay out substantially all of its Distributable Cash Flow (DCF) to stockholders through quarterly distributions. DCF is the amount received by Tortoise Energy as cash or paid-in-kind distributions from MLPs or their affiliates, and dividend and interest payments received, less current or anticipated operating expenses, dividends on MMP shares, taxes on Company taxable income, and leverage costs paid by Tortoise Energy. Tortoise Energy s Board of Directors adopted a policy to target distributions to stockholders in an amount of at least 95 percent of DCF on an annual basis. Distributions will be paid each fiscal quarter out of DCF, if any. There is no assurance that Tortoise Energy will continue to make regular distributions.

(Unaudited)

Schedule of Investments

	November 30, 2006	
	Shares	Value
Master Limited Partnerships and Related Companies 172.5%(1)		
Crude/Refined Products Pipelines 92.8%(1)		
Buckeye Partners, L.P.	567,102	$ 26,024,311
Enbridge Energy Partners, L.P.	925,300	46,320,518

		November 30, 2006
Holly Energy Partners, L.P.(2)	427,070	17,163,943
Kinder Morgan Management, LLC(3)(4)	1,590,621	73,168,566
Magellan Midstream Partners, L.P.	2,190,213	84,783,145
Plains All American Pipeline, L.P.	2,370,094	119,689,747
Sunoco Logistics Partners, L.P.	934,625	45,366,698
TEPPCO Partners, L.P.	869,520	34,233,002
Valero, L.P.	860,689	47,234,612
		493,984,542
Natural Gas/Natural Gas Liquid Pipelines 15.6%(1)		
DCP Midstream Partners, L.P.	23,300	774,725
Enterprise GP Holdings, L.P.	71,400	2,485,434
Enterprise Products Partners, L.P.	2,323,940	65,721,023
ONEOK Partners, L.P.	231,655	14,001,228
		82,982,410
Natural Gas Gathering/Processing 48.9%(1)		
Boardwalk Pipeline Partners, L.P.	108,000	3,223,800
Copano Energy, LLC	592,448	35,019,601
Crosstex Energy, L.P.	268,587	10,085,442
Crosstex Energy, L.P.(4)(5)	712,760	22,701,406
Eagle Rock Energy Partners, L.P.	13,500	255,015
Energy Transfer Equity, L.P.(5)	729,661	20,342,949
Energy Transfer Partners, L.P.	1,722,250	94,034,850
Hiland GP Holdings, L.P.	39,050	927,438
Hiland Partners, L.P.	41,048	2,164,461
MarkWest Energy Partners, L.P.(2)	1,016,877	57,555,238
Universal Compression Partners, L.P.	84,700	2,109,877
Williams Partners, L.P.	310,380	12,005,499
		260,425,576
Shipping 4.2%(1)		
United States 3.8%(1)		
K-Sea Transportation Partners, L.P.(2)	571,300	20,452,540
Republic of the Marshall Islands 0.4%(1)		
Teekay LNG Partners, L.P.	67,200	2,121,504
		22,574,044

	November 30, 2006	
	Shares	**Value**
Propane Distribution — 11.0%(1)		
Inergy, L.P.	1,916,784	$ 56,755,974
Inergy Holdings, L.P.	49,715	1,921,982
		58,677,956
Total Master Limited Partnerships and Related Companies (Cost $596,669,344)		918,644,528
	Principal Amount	
Promissory Note — 1.0%(1)		
Shipping — 1.0%(1)		
E.W. Transportation, LLC — Unregistered, 9.12%, Due 3/31/2009 (Cost $5,240,533)(5)(6)	$ 5,283,023	5,240,533
	Shares	
Short-Term Investments — 0.1%(1)		
Investment Company — 0.1%(1)		
First American Government Obligations Fund — Class Y, 5.01%(7)(8) (Cost $673,845)	673,845	673,845
Total Investments — 173.6%(1) (Cost $602,583,722)		**924,558,906**
Auction Rate Senior Notes — (31.0%)(1)		(165,000,000)
Interest Rate Swap Contracts — 0.0%(1)		
$345,000,000 notional — Unrealized Depreciation, Net(9)		(202,951)
Liabilities in Excess of Cash and Other Assets — (29.5%)(1)		(156,922,590)
Preferred Shares at Redemption Value — (13.1%)(1)		(70,000,000)
Total Net Assets Applicable to Common Stockholders — 100.0%(1)		