TORTOISE ENERGY INFRASTRUCTURE CORP
Form N-CSR
January 21, 2015

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)

11550 Ash Street, Suite 300, Leawood, KS 66211
(Address of principal executive offices) (Zip code)

Terry Matlack
Diane Bono
11550 Ash Street, Suite 300, Leawood, KS 66211
(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, 2014**

Item 1. Report to Stockholders.

Company at a Glance

Tortoise Energy Infrastructure Corp. (NYSE: TYG) is a pioneering closed-end investment company investing primarily in equity securities of publicly-traded Master Limited Partnerships (MLPs) and their affiliates in the energy infrastructure sector.

Investment Goals: Yield, Growth and Quality

TYG seeks a high level of total return with an emphasis on current distributions paid to stockholders.

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

We seek to achieve distribution **growth** as revenues of our underlying companies grow with the economy, with the population and through rate increases. This revenue growth generally leads to increased operating profits, and when combined with internal expansion projects and acquisitions, is expected to provide attractive growth in distributions to us. We also seek distribution growth through timely debt and equity offerings.

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

About Energy Infrastructure Master Limited Partnerships

MLPs are limited partnerships whose units trade on public exchanges such as the New York Stock Exchange (NYSE), the NYSE Alternext US and NASDAQ. Buying MLP units makes an investor a limited partner in the MLP. There are currently more than 100 MLPs in the market in industries related to energy and natural resources.

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

A TYG Investment Versus a Direct Investment in MLPs

We provide our stockholders an alternative to investing directly in MLPs and their affiliates. A direct MLP investment potentially offers an attractive distribution with a significant portion treated as return of capital, and a historically low correlation to returns on stocks and bonds. However, the tax characteristics of a direct MLP investment are generally undesirable for tax-exempt investors such as retirement plans. We are structured as a C Corporation accruing federal and state income taxes, based on taxable earnings and profits. Because of this innovative structure, pioneered by Tortoise Capital Advisors, institutions and retirement accounts are able to join individual stockholders as investors in MLPs.

Additional features include:

- One Form 1099 per stockholder at the end of the year, thus avoiding multiple K-1s and multiple state filings for individual partnership investments;
- A professional management team, with more than 130 years combined investment experience, to select and manage the portfolio on your behalf;

The ability to access investment grade credit markets to enhance stockholder return; and

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

December 31, 2014

Dear Fellow Stockholders,

The broad energy sector, including midstream MLPs, had a strong first three quarters of the fiscal year ending Nov. 30, 2014, benefiting from robust volumes of oil and natural gas being produced out of North American shales. However, energy stocks retreated significantly in the fourth quarter as investors reacted to the drop in crude oil prices. As can be the case in the short-term, the market did not necessarily decipher quality and energy-related stocks across the value chain were affected. As such, midstream MLPs also pulled back, but to a lesser extent, as they typically are not directly affected by commodity price volatility and tend to have more steady, fee-based revenues.

Factors pressuring oil prices included increasing global supply, particularly out of Libya, where production had been offline due to political strife, slowing global demand growth and a strengthening U.S. dollar. In addition, during the last week of the fund s fiscal year, oil prices fell sharply following the Organization of the Petroleum Exporting Countries (OPEC) Nov. 27 announcement that it would not cut current crude oil production levels. While this did not have much effect on the fund s 2014 fiscal year, it did impact its entry into fiscal 2015.

Despite challenges in the energy sector, which emerged as the worst-performing sector for the fiscal year, broader equity market performance was solid during the same period, with the S&P 500 Index® reaching record highs. The U.S. economy expanded during the year, with a steady stream of upbeat economic data reflecting continued healthy domestic growth, although the global economy continued to struggle, with weakness particularly in Europe and Asia.

Master Limited Partnership Sector Review and Outlook

MLPs slightly underperformed the broader market for the fiscal year ending Nov. 30, 2014, with the Tortoise MLP Index® posting a 16.5 percent total return, as compared to the 16.9 percent total return for the S&P 500 Index® for the same period. It also reflects a difficult fourth quarter, during which the Tortoise MLP Index® returned -8.3 percent. Midstream MLPs dramatically outperformed upstream MLPs during the year, as reflected by the Tortoise Midstream MLP Index s 22.0 percent return compared to the Tortoise Upstream MLP Index s -18.1 percent return. This midstream relative outperformance was driven largely by the fundamental attributes of midstream MLPs; they own and operate essential, scarce and long-lived assets that fuel our economy and tend to offer recurring, fee-based revenues.

Despite lower crude oil prices, total U.S. crude oil production remained robust, estimated to average 8.6 million barrels per day (MMbbl/d) in 2014, with 2015 production projected to average 9.3 MMbbl/d.[1] Natural gas production also was strong, despite lower prices as well, with volumes in 2014 averaging an estimated 70.0 billion cubic feet per day (Bcf/d) for the lower 48 states, and projected to grow an average 3.1 percent in 2015,[1] with the Marcellus being the predominant U.S. natural gas basin in this low-price environment. MLP and pipeline companies have remained responsive to infrastructure needs, with new projects coming online. We project capital investment in MLP, pipeline and related organic growth projects from 2014 through 2016 of approximately $135 billion. Based off committed projects underway, we have high visibility to cash flow growth in 2015 and 2016. These capital expenditures are largely already supported by shipper commitments, including crude oil projects to debottleneck along the Gulf Coast refining complex and to add capacity out of the Permian basin. Additionally, there are natural gas projects to relieve takeaway constraints in the Northeast. We believe new projects will continue at a fairly constant pace for natural gas-related projects, but at a slower clip for crude oil-related projects if prices remain low.

Capital markets remained supportive of sector growth during the fiscal year, with MLPs raising approximately $40.9 billion in equity and $36.0 billion in debt offerings. There were 17 new MLP initial public offerings during the fiscal year, totaling approximately $5.7 billion, with five of those occurring in the final fiscal quarter. This activity occurred in each sector of the energy value chain.

Merger and acquisition (M&A) activity was a key driver during the fiscal year, with approximately $85 billion in MLP transactions. In addition, Kinder Morgan Inc. s (KMI) $70 billion acquisition of three affiliates: Kinder Morgan Energy Partners, L.P. (KMP), Kinder Morgan Management, LLC (KMR) and El Paso Pipeline Partners, L.P. (EPB), consolidated four publicly traded pipeline companies into one entity. All in, the total for all MLP and pipeline transactions was approximately $170 billion in announced deals for the fiscal year.

Fund Performance Review

The fund s total assets increased from approximately $2.2 billion on Nov. 30, 2013 to $4.4 billion on Nov. 30, 2014. This increase reflects the mergers of TYN and TYY into the fund as of June 23, 2014, net realized and unrealized gains on investments and additional leverage proceeds. The fund s fiscal 2014 market-based and NAV-based total returns were -2.5 percent and 19.7 percent, respectively (including the reinvestment of distributions). As noted earlier, this performance reflects a difficult fourth fiscal quarter for the energy sector, when the market-based and NAV-based total returns were -4.6 percent and -7.4 percent, respectively.

All in, the fund produced relatively strong NAV performance for the fiscal year. However, we are disappointed with the fund s stock price performance this year and the resulting discount. The fund s stock price relative to its NAV went from a premium to a discount over the year, though the discount narrowed in the fourth quarter, ending the fiscal year at a 6.6 percent discount to NAV. We are undertaking some efforts that we believe may help improve investor sentiment and could perhaps continue closing that gap. We continue to believe in the closed-end fund structure and believe TYG is fundamentally well-positioned for the long term, which is particularly relevant in today s environment. We plan to increase education, communication and outreach emphasizing the benefits of the closed-end fund structure and the long-term attractive risk-reward potential of the fund s strategy to both existing and potential

(Unaudited)

stockholders. We ll continue to work internally and with the fund board to explore other areas that may benefit market performance while maintaining our long-term, prudent approach to managing the fund.

As a means to help support the fund, we are providing distribution guidance where we are able, to help stockholders better understand our current thinking. As such, we currently expect TYG s distributions to be at least $2.51 for fiscal year 2015. The fund paid its fourth fiscal quarter distribution of $0.615 per common share ($2.46 annualized) to stockholders on Nov. 28, 2014, an increase of 0.8 percent quarter over quarter and 7.0 percent year over year. The distribution represented an annualized distribution rate of 5.3 percent based on the fund s fiscal year closing price of $46.10. The distribution payout coverage was 107.0 percent for the fiscal year. For tax purposes, distributions to stockholders for 2014 were 100 percent qualified dividend income.

The completion of the mergers with TYY and TYN provided a number of direct benefits to stockholders, including expenses that are estimated to be approximately $1.1 million lower than they would have been in total on a stand-alone basis through year-end as well as average daily trading volume that has increased from approximately 60,000 shares per day prior to the mergers to over 120,000 shares per day through year-end.

The fund ended the fiscal year with leverage at 21.3 percent of total assets, a slight increase from last year. During the year, we capitalized on the low interest rate environment and additional leverage financing opportunities as a result of the fund mergers, enabling the fund to take advantage of attractive investment opportunities while also lengthening its weighted average maturity and reducing its weighted average leverage cost.

Key Asset Performance Drivers

A number of factors influenced the fund s absolute and relative asset performance during the fiscal year and the fourth fiscal quarter:

Crude oil pipeline MLPs continued to benefit from robust production, with this group emerging as the second-greatest source of both absolute and relative performance for the year. This group retracted in the later months of the year along with declining crude oil prices, on anticipation of decreased growth in volumes. However, the fund s focus on strategic assets in premier basins helped drive better relative performance.

Refined product pipeline MLPs added significantly to absolute performance during the fiscal year as they benefited from strong fundamentals and expected drop down acquisitions. This group also contributed to strong relative performance with an overweight position and astute selection, though it also pulled back in the fourth quarter with the broader energy market.

The fund s stake in natural gas pipeline MLPs that benefited from the increasing need for greater pipeline takeaway capacity added to absolute returns for the fiscal year. However, the fund s underweight exposure to Kinder Morgan affiliates that continued to perform well following the acquisition detracted on a relative basis, as well as certain holdings with natural gas liquids (NGL) price exposure, which declined along with crude oil prices.

Gathering and processing MLPs performed well in absolute terms for the fiscal year due to increased transport of NGLs, although performance was marginally restrained by the fund s overweight exposure as gathering and processing MLPs did not keep pace with the broader MLP index. However, the fund s focus on gathering and processing MLPs with fee-based contracts helped, as they fared better in the fourth quarter than those with greater commodity-based fees.

As a result of its midstream focus, the fund also benefited on a relative basis from its lack of exposure to upstream MLPs that struggled in the wake of lower crude oil prices in the second half of the year.

Additional information about the fund s financial performance, distributions and leverage is available in the Key Financial Data and Management s Discussion sections of this report.

Concluding Thoughts

We remain confident in the long-term fundamentals of the fund s underlying investments. TYG s focus on quality midstream MLPs for their attractive attributes has been firmly in place since its inception. We believe a portfolio providing exposure to essential midstream assets that are diversified through both location and the products they transport will help investors through this volatility. We also continue to believe that the fund s investment focus on quality, sustainable distributions and growth, while not bulletproof,

positions the fund to deliver attractive long-term total return potential, anchored in current income. In particular, we remain steadfast in our belief in the long-term investment opportunity TYG offers, despite the current challenges in the energy market.

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

The Tortoise MLP Index® is a float-adjusted, capitalization-weighted index of energy master limited partnerships (MLPs). The Tortoise Midstream MLP Index, a sub-index of the Tortoise MLP Index® is comprised of all constituents included in the following sub sectors: Crude Oil Pipelines, Gathering & Processing, Natural Gas Pipelines and Refined Products Pipelines. The Tortoise Upstream MLP Index is comprised of all constituents included in the Tortoise MLP Index s Coal and Oil & Gas Productions sub sector indices. The S&P 500 Index® is an unmanaged market-value-weighted index of stocks, which is widely regarded as the standard for measuring large-cap U.S. stock market performance.

Performance data quoted represents past performance: past performance does not guarantee future results. Like any other stock, total return and market value will fluctuate so that an investment, when sold, may be worth more or less than its original cost.

[1] Energy Information Administration, Dec. 2014

(Unaudited)

Key Financial Data *(Supplemental Unaudited Information)*
(dollar amounts in thousands unless otherwise indicated)

The information presented below regarding Distributable Cash Flow and Selected Financial Information is supplemental non-GAAP financial information, which we believe is meaningful to understanding our operating performance. The Distributable Cash Flow Ratios include the functional equivalent of EBITDA for non-investment companies, and we believe they are an important supplemental measure of performance and promote comparisons from period-to-period. This information is supplemental, is not inclusive of required financial disclosures (e.g. Total Expense Ratio), and should be read in conjunction with our full financial statements.

	Year Ended November 30,		2013		2
	2013	2014[2]	Q4[1]	Q1[1]	Q2[1]
Total Income from Investments					
Distributions received from master limited partnerships	$ 102,803	$ 151,306	$ 27,024	$ 26,172	$ 27,393
Dividends paid in stock	6,437	5,732	1,597	1,637	1,479
Distributions from common stock		358		52	71
Other income	94		94		
Total from investments	109,334	157,396	28,715	27,861	28,943
Operating Expenses Before Leverage Costs and Current Taxes					
Advisory fees, net of fees waived	18,770	31,295	4,957	5,119	5,774
Other operating expenses	1,396	1,736	349	362	365
	20,166	33,031	5,306	5,481	6,139
Distributable cash flow before leverage costs and current taxes	89,168	124,365	23,409	22,380	22,804
Leverage costs[3]	16,078	25,731	4,184	4,691	4,982
Current income tax expense[4]					
Distributable Cash Flow[5]	$ 73,090	$ 98,634	$ 19,225	$ 17,689	$ 17,822
As a percent of average total assets[6]					
Total from investments	5.49%	4.73%	5.44%	5.01%	4.73%
Operating expenses before leverage costs and current taxes	1.01%	0.99%	1.00%	0.99%	1.00%
Distributable cash flow before leverage costs and current taxes	4.48%	3.74%	4.44%	4.02%	3.73%
As a percent of average net assets[6]					
Total from investments	9.37%	8.57%	9.51%	9.03%	8.43%
Operating expenses before leverage costs and current taxes	1.73%	1.80%	1.76%	1.78%	1.79%
Leverage costs and current taxes	1.38%	1.40%	1.39%	1.52%	1.45%
Distributable cash flow	6.26%	5.37%	6.36%	5.73%	5.19%
Selected Financial Information					
Distributions paid on common stock	$ 65,089	$ 92,193	$ 16,442	$ 16,643	$ 16,730
Distributions paid on common stock per share	2.2850	2.3825	0.5750	0.5775	0.5800
Distribution coverage percentage for period[7]	112.3%	107.0%	116.9%	106.3%	106.5%
Net realized gain, net of income taxes, for the period	87,822	159,101	31,391	8,609	5,695
Total assets, end of period	2,188,730	4,375,596	2,188,730	2,294,312	2,579,795
Average total assets during period[8]	1,991,026	3,325,114	2,118,177	2,253,941	2,428,481
Leverage[9]	407,600	931,200	407,600	454,000	507,000
Leverage as a percent of total assets	18.6%	21.3%	18.6%	19.8%	19.7%
Net unrealized appreciation, end of period	705,678	804,600	705,678	749,365	907,206
Net assets, end of period	1,245,761	2,369,068	1,245,761	1,280,942	1,425,918
Average net assets during period[10]	1,167,339	1,837,590	1,211,261	1,251,952	1,361,662
Net asset value per common share	43.36	49.34	43.36	44.41	49.43
Market value per share	49.76	46.10	49.76	44.65	48.34
Shares outstanding (000 s)	28,733	48,017	28,733	28,844	28,844

(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) Includes amounts from TYY and TYN for the period from June 1, 2014 through June 22, 2014.
(3) Leverage costs include interest expense, distributions to preferred stockholders, interest rate swap expenses and other recurring leverage expenses.
(4) Includes taxes paid on net investment income and foreign taxes, if any. Taxes related to realized gains are excluded from the calculation of Distributable Cash Flow (DCF).
(5) Net investment income (loss), before income taxes on the Statement of Operations is adjusted as follows to reconcile to DCF: increased by the return of capital on distributions, the value of paid-in-kind distributions, premium on redemption of MRP stock, amortization of debt issuance costs, non-recurring merger expenses; decreased by realized and unrealized gains (losses) on interest rate swap settlements and current taxes paid on net investment income; and adjusted for pre-merger DCF from TYY and TYN.
(6) Annualized for periods less than one full year.
(7) Distributable Cash Flow divided by distributions paid.
(8) Computed by averaging month-end values within each period.
(9) Leverage consists of senior notes, preferred stock and outstanding borrowings under revolving credit facilities.
(10) Computed by averaging daily net assets within each period.

Management s Discussion *(Unaudited)*

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

Overview

Tortoise Energy Infrastructure Corp. s (the Company) primary investment objective is to seek a high level of total return for our stockholders, with an emphasis on distribution income paid to stockholders. We seek to provide our stockholders with an efficient vehicle to invest in the energy infrastructure sector. While we are a registered investment company under the Investment Company Act of 1940, as amended (the 1940 Act), we are not a regulated investment company for federal tax purposes. Our distributions do not generate unrelated business taxable income (UBTI) and our stock may therefore be suitable for holding by pension funds, IRAs and mutual funds, as well as taxable accounts. We invest primarily in master limited partnerships (MLPs) through private and public market purchases. MLPs are publicly traded partnerships whose equity interests are traded in the form of units on public exchanges, such as the NYSE or NASDAQ. Tortoise Capital Advisors, L.L.C. serves as our investment adviser.

Company Update

The 4th quarter 2014 represented the first full quarter of operations following the mergers of the Company, Tortoise Energy Capital Corporation (TYY) and Tortoise North American Energy Corporation (TYN) on June 23, 2014. Comparative financial discussions below are based on 4th quarter 2014 amounts as reflected in the Key Financial Data table compared to the combined amount for TYG, TYY and TYN as reported on each fund s Key Financial Data table for periods prior to the mergers.

There have been a number of direct benefits to our stockholders as a result of the mergers, including operating cost savings and increased trading liquidity. Expenses since the mergers were completed in June 2014 are estimated to be approximately $1.1 million lower than they would have been in total on a stand-alone basis through the end of November 2014 as a result of reduced management fees, greater economies of scale, and elimination of duplicative expenses. These savings, which are expected to continue into the future, are part of the reason we have increase our quarterly distribution by 6.0 percent since the mergers. In addition, the average daily trading volume of TYG has increased from approximately 60,000 shares per day prior to the mergers to over 120,000 shares per day through November 2014. A final benefit relates to leverage financing, as we have received more attractive terms due to our larger balance sheet.

Market values of our investments increased for the majority of the quarter and we issued additional leverage, leading to slightly higher average total assets during 4th quarter 2014. However, declining market values of our MLP investments at the end of the 4th quarter led to a decrease in total assets of approximately $228 million as compared to the end of the 3rd quarter.

Although average managed assets were higher during the 4th quarter, asset-based fees and other operating expenses decreased after the implementation of a tiered advisory fee schedule following the mergers and elimination of duplicative expenses. Additional leverage utilization and lower market values at the end of the quarter led to higher leverage as a percentage of total assets. Distribution increases from our MLP investments during the quarter were in line with our expectations and we increased our quarterly distribution to $0.615 per share. Additional information on these events and results of our operations are discussed in more detail below.

Critical Accounting Policies

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

Determining Distributions to Stockholders

Our portfolio generates cash flow from which we pay distributions to stockholders. Our Board of Directors has adopted a policy of declaring what it believes to be sustainable distributions. In determining distributions, our Board of Directors considers a number of current and anticipated factors, including, among others, distributable cash flow (DCF), realized and unrealized gains, leverage amounts and rates, current and deferred taxes payable, and potential volatility in returns from our investments and the overall market. While the Board considers many factors in determining distributions to stockholders, particular emphasis is given to DCF and distribution coverage. Distribution coverage is DCF divided by distributions paid to stockholders and is discussed in more detail below. Over the long-term, we expect to distribute substantially all of our DCF to holders of common stock. Our Board of Directors reviews the distribution rate quarterly and may adjust the quarterly distribution throughout the year.

Determining DCF

DCF is distributions received from investments, less expenses. The total distributions received from our investments include the amount received by us as cash distributions from investments, paid-in-kind distributions, and dividend and interest payments. The total expenses include current or anticipated operating expenses, leverage costs and current income taxes. Current income taxes include taxes paid on our net investment income, in addition to foreign taxes, if any. Taxes incurred from realized gains on the sale of investments, expected tax benefits and deferred taxes are not included in DCF.

The Key Financial Data table discloses the calculation of DCF and should be read in conjunction with this discussion. The difference between distributions received from investments in the DCF calculation and total investment income as reported in the Statement of Operations, is reconciled as follows: the Statement of

Management s Discussion *(Unaudited)*
(Continued)

Operations, in conformity with U.S. generally accepted accounting principles (GAAP), recognizes distribution income from MLPs and common stock on their ex-dates, whereas the DCF calculation may reflect distribution income on their pay dates; GAAP recognizes that a significant portion of the cash distributions received from MLPs and other investments are characterized as a return of capital and therefore excluded from investment income, whereas the DCF calculation includes the return of capital; and distributions received from investments in the DCF calculation include the value of dividends paid-in-kind (additional stock or MLP units), whereas such amounts are not included as income for GAAP purposes, and includes distributions related to direct investments when the purchase price is reduced in lieu of receiving cash distributions. The treatment of expenses in the DCF calculation also differs from what is reported in the Statement of Operations. In addition to the total operating expenses, including fee waiver, as disclosed in the Statement of Operations, the DCF calculation reflects interest expense, realized and unrealized gains (losses) on interest rate swap settlements, distributions to preferred stockholders, other recurring leverage expenses, as well as taxes paid on net investment income. Non-recurring expenses related to the mergers are excluded from DCF. For 3rd quarter 2014, our DCF includes DCF from TYY and TYN for the portion of the quarter prior to the mergers (June 1, 2014 through June 22, 2014). A reconciliation of Net Investment Loss, before Income Taxes to DCF is included below in Distributable Cash Flow.

Distributions Received from Investments

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

We concentrate on MLPs we believe can expect an increasing demand for services from economic and population growth. We seek well-managed businesses with hard assets and stable recurring revenue streams. Our focus remains primarily on investing in fee-based service providers that operate long-haul, interstate pipelines. We further diversify among issuers, geographies and energy commodities to seek a distribution payment which approximates an investment directly in energy infrastructure MLPs. In addition, many crude/refined products and natural gas liquids pipeline companies are regulated and currently benefit from a tariff inflation escalation index of PPI + 2.65 percent. Over the long-term, we believe distributions from our investments will outpace inflation and interest rate increases, and produce positive real returns.

Total distributions received from our investments for the 4th quarter 2014 were approximately $51.2 million, representing a 7.5 percent increase as compared to 4th quarter 2013 and a 3.5 percent increase as compared to 3rd quarter 2014 based on combined distributions received for TYG, TYY and TYN for each respective prior period. These changes reflect increases in per share distribution rates on our investments, the distributions received from additional investments funded from leverage proceeds and the impact of various portfolio trading activity.

Expenses

We incur two types of expenses: (1) operating expenses, consisting primarily of the advisory fee, and (2) leverage costs. On a percentage basis, operating expenses before leverage costs and current taxes were an annualized 0.95 percent of average total assets for the 4th quarter 2014, a decrease of 0.07 percent as compared to 4th quarter 2013 and a decrease of 0.02 percent as compared to 3rd quarter 2014. Advisory fees for the 4th quarter 2014 decreased 1.1 percent as compared to combined fees for 3rd quarter 2014. The decrease in advisory fees reflects increased average managed assets for the quarter which was more than offset by the implementation of a tiered advisory fee schedule at the time the mergers were completed during 3rd quarter 2014, which serves to reduce the impact of higher managed assets on operating expenses. Under the tiered advisory fee schedule, we pay the Adviser a fee equal to an annual rate of 0.95 percent of the our average monthly managed assets up to $2.5 billion, 0.90 percent of average monthly managed assets between $2.5 billion and $3.5 billion, and 0.85 percent of average monthly managed assets above $3.5 billion, in exchange for the investment advisory services provided. Yields on our investments are currently below their 5-year historical average of approximately 7 percent. All else being equal, if yields on our investments decrease and distributions remain constant or grow, asset values will increase as will our managed assets and advisory fees. Other operating expenses decreased by approximately 10.7 percent as compared to combined expenses for 3rd quarter 2014, which primarily reflects the elimination of duplicative expenses following the mergers.

Leverage costs consist of two major components: (1) the direct interest expense on our senior notes and credit facilities, and (2) distributions to preferred stockholders. Other leverage expenses include rating agency fees and commitment fees as well as the

realized and unrealized gain or loss on our interest rate swap settlements. Total leverage costs for DCF purposes were approximately $8.3 million for the 4th quarter 2014, an increase of 7.6 percent as compared to combined leverage costs for 3rd quarter 2014 due to increased leverage utilization as well as the impact of refinancing floating rate leverage assumed from TYN in the merger at a slightly higher borrowing cost.

The weighted average annual rate of our leverage at November 30, 2014 was 3.70 percent. This rate includes balances on our bank credit facilities which accrue interest at a variable rate equal to one-month LIBOR plus a fixed spread. We have entered into $110 million notional amount of interest rate swap contracts with an effective date of March 31, 2015 in an attempt to reduce the refinance risk associated with senior notes that mature in April 2015. We also have $20 million notional amount of interest rate swap contracts with The Bank of Nova Scotia. TYG has agreed to pay The Bank of Nova Scotia a fixed rate while receiving a floating rate based upon the one-month LIBOR. The spread between the fixed swap rate and LIBOR is reflected in our Statement of Operations as a realized or unrealized gain when LIBOR exceeds the fixed rate (The Bank of Nova Scotia pays TYG the net difference) or a realized or unrealized loss when the fixed rate exceeds LIBOR (TYG pays The Bank of Nova Scotia the net difference).

Management s Discussion *(Unaudited)*
(Continued)

The interest rate swap contracts have a weighted average fixed rate of 1.96 percent and a weighted average remaining maturity of approximately 4.8 years at November 30, 2014. See Note 11 in our Notes to Financial Statements for additional information on the interest rate swap contracts.

Our weighted average rate may vary in future periods as a result of changes in LIBOR, the utilization of our credit facilities and as our leverage and swaps mature or are redeemed. Additional information on our leverage is disclosed below in Liquidity and Capital Resources and in our Notes to Financial Statements.

Distributable Cash Flow

For 4th quarter 2014, our DCF was approximately $32.2 million, a decrease of 0.3 percent as compared to combined DCF for 4th quarter 2013 and an increase of 4.3 percent as compared to combined DCF for 3rd quarter 2014. These changes are the net result of changes in distributions and expenses as outlined above. We paid a distribution of $0.615 per share, during the quarter. This represents an increase of $0.04 per share (7.0 percent) as compared to 4th quarter 2013 and an increase of $0.005 per share (0.8 percent) as compared to 3rd quarter 2014.

Our distribution coverage ratio was 109.1 percent for 4th quarter 2014, a decrease in the coverage ratio of 7.8 percent as compared to 4th quarter 2013 and an increase of 3.6 percent as compared to 3rd quarter 2014. Our goal is to pay what we believe to be sustainable distributions with any increases safely covered by earned DCF. A distribution coverage ratio of greater than 100 percent provides flexibility for on-going management of the portfolio, changes in leverage costs, the impact of taxes from realized gains and other expenses. An on-going distribution coverage ratio of less than 100 percent will, over time, erode the earning power of a portfolio and may lead to lower distributions. We expect to allocate a portion of the projected future growth in DCF to increase distributions to stockholders while also continuing to manage distribution coverage to help preserve the sustainability of distributions to stockholders for the years ahead.

Net investment loss, before income taxes on the Statement of Operations is adjusted as follows to reconcile to DCF for fiscal year