TORTOISE CAPITAL RESOURCES CORP
Form 10-Q
April 07, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended February 28, 2011

OR

o 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	20-3431375
(State or other jurisdiction of incorporation or organization)	(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 þ No o

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 o No o

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

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

The number of shares of the issuer's Common Stock, $0.001 par value, outstanding as of March 31, 2011 was 9,156,931.

Tortoise Capital Resources Corporation

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED FEBRUARY 28, 2011

TABLE OF CONTENTS

PART I.	FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	Statements of Assets and Liabilities as of February 28, 2011 (unaudited) and November 30, 2010	1
	Schedules of Investments as of February 28, 2011 (unaudited) and November 30, 2010	2
	Statements of Operations for the three months ended February 28, 2011 (unaudited) and the three months ended February 28, 2010 (unaudited)	4
	Statements of Changes in Net Assets for the three months ended February 28, 2011 (unaudited), the three months ended February 28, 2010 (unaudited) and the year ended November 30, 2010	6
	Statements of Cash Flows for the three months ended February 28, 2011 (unaudited) and the three months ended February 28, 2010 (unaudited)	7
	Financial Highlights for the three months ended February 28, 2011 (unaudited), the three months ended February 28, 2010 (unaudited) and the year ended November 30, 2010	8
	Notes to Financial Statements (unaudited)	9
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	20
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	24
Item 4.	Controls and Procedures	25
PART II.	OTHER INFORMATION	
Item 1.	Legal Proceedings	26
Item 1A.	Risk Factors	26
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	26
Item 3.	Defaults Upon Senior Securities	26
Item 4.	(Removed and Reserved)	26
Item 5.	Other Information	26
Item 6.	Exhibits	26

SIGNATURES

Tortoise Capital Resources Corporation

STATEMENTS OF ASSETS & LIABILITIES

	February 28, 2011 (Unaudited)	November 30, 2010
Assets		
Investments at fair value, control (cost $4,593,000 and $18,122,054, respectively)	$ 8,736,367	$ 23,260,566
Investments at fair value, affiliated (cost $44,774,854 and $31,329,809, respectively)	63,310,963	49,066,009
Investments at fair value, non-affiliated (cost $22,311,998 and $21,628,965, respectively)	24,058,040	22,875,848
Total investments (cost $71,679,852 and $71,080,828, respectively)	96,105,370	95,202,423
Receivable for Adviser expense reimbursement	117,340	109,145
Receivable for investments sold	—	5,198
Interest receivable from control investments	—	42,778
Dividends receivable	50	83
Deferred tax asset	919,005	656,743
Prepaid expenses and other assets	30,994	25,023
Total assets	97,172,759	96,041,393
Liabilities		
Base management fees payable to Adviser	352,020	327,436
Distribution payable to common stockholders	914,654	—
Accrued expenses and other liabilities	228,293	234,784
Total liabilities	1,494,967	562,220
Net assets applicable to common stockholders	$ 95,677,792	$ 95,479,173
Net Assets Applicable to Common Stockholders Consist of:		
Warrants, no par value; 945,594 issued and outstanding at February 28, 2011 and November 30, 2010 (5,000,000 authorized)	$ 1,370,700	$ 1,370,700
Capital stock, $0.001 par value; 9,146,506 shares issued and outstanding at February 28, 2011 and November 30, 2010 (100,000,000 shares authorized)	9,147	9,147
Additional paid-in capital	97,530,301	98,444,952
Accumulated net investment loss, net of income taxes	(3,195,579)	(3,308,522)
Accumulated realized loss, net of income taxes	(17,730,436)	(18,532,648)
Net unrealized appreciation of investments, net of income taxes	17,693,659	17,495,544
Net assets applicable to common stockholders	$ 95,677,792	$ 95,479,173
Net Asset Value per common share outstanding (net assets applicable to common stock, divided by common shares outstanding)	$ 10.46	$ 10.44

See accompanying Notes to Financial Statements.

Tortoise Capital Resources Corporation
SCHEDULE OF INVESTMENTS
February 28, 2011
(Unaudited)

Company	Energy Infrastructure Segment	Type of Investment	Cost	Fair Value
Control Investments(1)				
Mowood, LLC	Midstream/	Equity Interest (100%)(2)	$ 793,000	$ 4,936,367
	Downstream	Subordinated Debt (14.0% Due 12/31/11)(2)	3,800,000	3,800,000
Total Control Investments — 9.1%(3)			4,593,000	8,736,367
Affiliated Investments(4)				
High Sierra Energy, LP	Midstream	Common Units (1,042,685)(2)(5)	19,823,161	20,520,033
International Resource Partners LP	Coal	Class A Units (500,000)(2)	9,237,333	30,455,000
LONESTAR Midstream Partners, LP	Midstream	Class A Units (1,327,900)(2)(5)(6)	2,149,269	216,000
LSMP GP, LP	Midstream	GP LP Units (180)(2)(5)(6)	120,046	39,000
VantaCore Partners LP	Aggregates	Common Units (933,430)(2)	12,941,737	11,639,872
		Preferred Units (23,185)(2)(5)	359,367	405,737
		Incentive Distribution Rights (988)(2)(5)	143,941	35,321
Total Affiliated Investments — 66.2%(3)			44,774,854	63,310,963
Non-affiliated Investments				
Buckeye Partners, L.P.	Midstream	Common Units (38,400)(7)	2,464,393	2,489,088
Chesapeake Midstream Partners, L.P.	Midstream	Common Units (55,300)(7)	1,479,755	1,440,012
El Paso Pipeline Partners, L.P.	Midstream	Common Units (56,700)(7)	2,001,136	2,137,590
Energy Transfer Partners, L.P.	Midstream	Common Units (55,600)(7)	2,644,492	3,048,548
Enterprise Products Partners L.P.	Midstream	Common Units (37,600)(7)	1,205,729	1,639,360
EV Energy Partners, L.P.	Upstream	Common Units (78,900)(7)	2,267,420	3,599,418
High Sierra Energy GP, LLC	Midstream	Equity Interest (2.37%)(2)(5)	1,999,275	53,486
Inergy, L.P.	Midstream	Common Units (7,100)(7)	283,859	294,508
Kinder Morgan Management, LLC	Midstream	Common Units (21,038)(7)(8)	1,139,279	1,380,310
ONEOK Partners, L.P.	Midstream	Common Units (17,100)(7)	972,313	1,421,865
Regency Energy Partners LP	Midstream	Common Units (86,800)(7)	2,203,867	2,410,436
Williams Partners L.P.	Midstream	Common Units (37,500)(7)	1,451,811	1,944,750
Fidelity Institutional Government Portfolio	Short-term investment	Class I Shares (2,198,669)	2,198,669	2,198,669
Total Non-affiliated Investments — 25.1%(3)			22,311,998	24,058,040
Total Investments — 100.4%(3)			$ 71,679,852	$ 96,105,370

(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 $72,100,816, which represents 75.4% 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
SCHEDULE OF INVESTMENTS
November 30, 2010

Company	Energy Infrastructure Segment	Type of Investment	Cost	Fair Value
Control Investments(1)				
Mowood, LLC	Midstream/ 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
Affiliated Investments(4)				
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
Non-affiliated Investments				
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 Portfolio	Short-term 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 months ended February 28, 2011	For the three months ended February 28, 2010
Investment Income		
Distributions from investments		
Control investments	$ 70,167	$ 555,879
Affiliated investments	384,009	856,892
Non-affiliated investments	277,815	75,985
Total distributions from investments	731,991	1,488,756
Less return of capital on distributions	(305,725)	(998,640)
Net distributions from investments	426,266	490,116
Interest income from control investments	135,330	191,431
Dividends from money market mutual funds	190	217
Fee income	—	10,392
Total Investment Income	561,786	692,156
Operating Expenses		
Base management fees	352,020	309,922
Professional fees	80,876	85,162
Directors' fees	14,573	26,161
Stockholder communication expenses	12,912	15,703
Administrator fees	9,387	14,460
Fund accounting fees	7,328	6,972
Registration fees	6,160	6,355
Stock transfer agent fees	3,353	3,130
Franchise tax expense	4,998	2,572
Custodian fees and expenses	1,382	1,575
Other expenses	12,874	12,478
Total Operating Expenses	505,863	484,490
Interest expense	—	45,619
Total Expenses	505,863	530,109
Less expense reimbursement by Adviser	(117,340)	(51,654)
Net Expenses	388,523	478,455
Net Investment Income, before Income Taxes	173,263	213,701
Deferred tax expense	(60,320)	(32,694)
Net Investment Income	112,943	181,007

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

	For the three months ended February 28, 2011	For the three months ended February 28, 2010
Realized and Unrealized Gain (Loss) on Investments		
Net realized gain on control investments	$ —	$ 1,578,001
Net realized loss on affiliated investments	—	(17,445)
Net realized gain on non-affiliated investments	373,822	27,612
Net realized gain, before income taxes	373,822	1,588,168
Deferred tax benefit (expense)	428,390	(242,971)
Net realized gain on investments	802,212	1,345,197
Net unrealized appreciation (depreciation) of control investments	(995,145)	1,535,457
Net unrealized appreciation of affiliated investments	799,909	1,208,074
Net unrealized appreciation of non-affiliated investments	499,159	197,774
Net unrealized appreciation, before income taxes	303,923	2,941,305
Deferred tax expense	(105,808)	(449,986)
Net unrealized appreciation of investments	198,115	2,491,319
Net Realized and Unrealized Gain on Investments	1,000,327	3,836,516
Net Increase in Net Assets Applicable to Common Stockholders Resulting from Operations	$ 1,113,270	$ 4,017,523
Net Increase in Net Assets Applicable to Common Stockholders Resulting from Operations Per Common Share:		
Basic and Diluted	$ 0.12	$ 0.44
Weighted Average Shares of Common Stock Outstanding:		
Basic and Diluted	9,146,506	9,078,090

See accompanying Notes to Financial Statements.

Tortoise Capital Resources Corporation
STATEMENTS OF CHANGES IN NET ASSETS

	For the three months ended February 28, 2011 (Unaudited)	For the three months ended February 28, 2010 (Unaudited)	Year ended November 30, 2010
Operations			
Net investment income (loss)	$ 112,943	$ 181,007	$ (4,106)
Net realized gain (loss) on investments	802,212	1,345,197	(4,491,034)
Net unrealized appreciation of investments	198,115	2,491,319	19,162,014
Net increase in net assets applicable to common stockholders resulting from operations	1,113,270	4,017,523	14,666,874
Distributions to Common Stockholders			
Return of capital	(914,651)	(1,180,152)	(3,915,124)
Total distributions to common stockholders	(914,651)	(1,180,152)	(3,915,124)
Capital Stock Transactions			
Issuance of 68,416 common shares from reinvestment of distributions to stockholders	—	—	430,838
Net increase in net assets, applicable to common stockholders, from capital stock transactions	—	—	430,838
Total increase in net assets applicable to common stockholders	198,619	2,837,371	11,182,588
Net Assets			
Beginning of period	95,479,173	84,296,585	84,296,585
End of period	$ 95,677,792	$ 87,133,956	$ 95,479,173
Accumulated net investment loss, net of income taxes, at the end of period	$ (3,195,579)	$ (3,123,409)	$ (3,308,522)

See accompanying Notes to Financial Statements.

Tortoise Capital Resources Corporation
STATEMENTS OF CASH FLOWS (Unaudited)

	For the three months ended February 28, 2011	For the three months ended February 28, 2010
Cash Flows From Operating Activities		
Distributions received from investments	$ 731,990	$ 1,488,756
Interest and dividend income received	178,331	136,600
Fee income received	—	10,392
Purchases of long-term investments	(7,970,756)	(750,000)
Proceeds from sales of long-term investments	8,177,504	9,839,190
Purchases of short-term investments, net	(732,476)	(5,605,655)
Interest expense paid	—	(66,703)
Operating expenses paid	(384,593)	(452,580)
Net cash provided by operating activities	—	4,600,000
Cash Flows From Financing Activities		
Repayments on revolving line of credit	—	(4,600,000)
Net cash used in financing activities	—	(4,600,000)
Net change in cash	—	—
Cash — beginning of period	—	—
Cash — end of period	$ —	$ —
Reconciliation of net increase in net assets applicable to common stockholders resulting from operations to net cash provided by operating activities		
Net increase in net assets applicable to common stockholders resulting from operations	$ 1,113,270	$ 4,017,523
Adjustments to reconcile net increase in net assets applicable to common stockholders resulting from operations to net cash provided by operating activities:		
Purchases of long-term investments	(7,970,756)	(750,000)
Return of capital on distributions received	305,725	998,640
Proceeds from sales of long-term investments	8,172,306	9,839,190
Purchases of short-term investments, net	(732,476)	(5,605,655)
Deferred income taxes, net	(262,262)	725,651
Realized gain on investments	(373,822)	(1,588,168)
Net unrealized appreciation of investments	(303,923)	(2,941,305)
Changes in operating assets and liabilities:		
(Increase) decrease in interest, dividend and distribution receivable	42,811	(55,047)
Decrease in receivable for investments sold	5,198	—
Increase in prepaid expenses and other assets	(5,971)	(1,668)
Increase in base management fees payable to Adviser, net of expense reimbursement	16,389	9,051
Decrease in accrued expenses and other liabilities	(6,489)	(48,212)
Total adjustments	(1,113,270)	582,477
Net cash provided by operating activities	$ —	$ 4,600,000

See accompanying Notes to Financial Statements.

Tortoise Capital Resources Corporation
FINANCIAL HIGHLIGHTS

	For the three months ended February 28, 2011 (Unaudited)	For the three months ended February 28, 2010 (Unaudited)	Year ended November 30, 2010
Per Common Share Data(1)			
Net Asset Value, beginning of period	$ 10.44	$ 9.29	$ 9.29
Income from Investment Operations:			
Net investment income(2)(3)	0.01	0.02	0.00
Net realized and unrealized gain on investments(2)	0.11	0.42	1.58
Total increase from investment operations	0.12	0.44	1.58
Less Distributions to Common Stockholders:			
Return of capital	(0.10)	(0.13)	(0.43)
Total distributions to common stockholders	(0.10)	(0.13)	(0.43)
Net Asset Value, end of period	$ 10.46	$ 9.60	$ 10.44
Per common share market value, end of period	$ 8.50	$ 6.85	$ 7.28
Total Investment Return, based on net asset value(4)	1.38%	5.28%	20.26%
Total Investment Return, based on market value(5)	18.14%	12.02%	25.04%
Supplemental Data and Ratios			
Net assets applicable to common stockholders, end of period (000's)	$ 95,678	$ 87,134	$ 95,479
Average net assets (000's)	$ 95,832	$ 85,813	$ 85,950
Ratio of Expenses to Average Net Assets(6)			
Advisory fees	1.49%	1.46%	1.44%
Other expenses	0.65	0.83	1.08
Expense reimbursement	(0.50)	(0.24)	(0.36)
Subtotal	1.64	2.05	2.16
Interest expense	—	0.21	0.05
Income tax expense (benefit)(7)	(1.11)	3.43	5.55
Total expenses	0.53%	5.69%	7.76%
Ratio of net investment income (loss) to average net assets, before expense reimbursement(6)	(0.02)%	0.61%	(0.36)%
Ratio of net investment income (loss) to average net assets, after expense reimbursement(3)(6)	0.48%	0.85%	(0.00)%
Portfolio turnover rate(6)	34.45%	3.82%	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 three months ended February 28, 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. 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 atthe end of the period.
(5) Not annualized. 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 three months ended February 28, 2011, the Company accrued $262,262 in net deferred income tax benefit. For the three months ended February 28, 2010, the Company accrued $725,651 in net deferred income tax expense. For the year ended November 30, 2010, the Company accrued $4,772,648 in net deferred income tax expense.

See accompanying Notes to Financial Statements.

Tortoise Capital Resources Corporation

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

February 28, 2011

1. Organization

Tortoise Capital Resources Corporation (the "Company") was organized as a Maryland corporation on September 8, 2005, and is a non-diversified closed-end management investment company focused on the U.S. energy infrastructure sector. The Company invests primarily in privately held and micro-cap public companies operating in the energy infrastructure sector. The Company is regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). 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 invests primarily 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 February 28, 2011, the independent valuation firm performed positive assurance valuation procedures on five portfolio companies comprising approximately 99.6 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 months ended February 28, 2011 and February 28, 2010, the Company received $0 and $10,392 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, 2010 through February 28, 2011, 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 has estimated approximately 58 percent as investment income and approximately 42 percent as return of capital.

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 February 28, 2011, the Company's distributions for book purposes were comprised of 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; however, the Company anticipates a marginal effective tax rate of 34 percent due to expectations of the level of taxable income relative to the federal graduated tax rates, including the tax rate anticipated when temporary differences reverse. 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. Offering Costs — Offering costs related to the issuance of common stock are charged to additional paid-in capital when the stock is issued.

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

3. Concentration of Risk

The Company invests primarily in privately-held and micro-cap public companies in the U.S. energy infrastructure sector. 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 November 11, 2008, the Company entered into an Expense Reimbursement Agreement with the Adviser, for which the Adviser reimbursed the Company for certain expenses incurred beginning January 1, 2009 and ending December 31, 2009 in an amount equal to an annual rate of 0.25 percent of the Company's average monthly Managed Assets. 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 months ended February 28, 2011 and February 28, 2010, the Adviser reimbursed the Company $117,340 and $51,654, 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 months ended February 28, 2011 and February 28, 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 months ended February 28, 2011 and February 28, 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 February 28, 2011 and November 30, 2010 are as follows:

	February 28, 2011	November 30, 2010
Deferred tax assets:		
Organization costs	$ (20,700)	$ (21,231)
Capital loss carryforwards	(4,134,627)	(4,268,529)
Net operating loss carryforwards	(6,632,064)	(6,343,988)
AMT and State of Kansas credit	(5,039)	(5,039)
Valuation allowance	—	558,533
	(10,792,430)	(10,080,254)
Deferred tax liabilities:		
Basis reduction of investment in partnerships	1,124,205	783,156
Net unrealized gain on investment securities	8,749,220	8,640,355
	9,873,425	9,423,511
Total net deferred tax asset	$ (919,005)	$ (656,743)

At February 28, 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 February 28, 2011, the Company had no uncertain tax positions and no interest or penalties 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 (benefit) differs from the amount computed by applying the federal statutory income tax rate of 34 percent to net investment income and realized and unrealized gains on investments before taxes as follows:

	For the three months ended February 28, 2011	For the three months ended February 28, 2010
Application of statutory income tax rate	$ 289,343	$ 1,612,679
State income taxes, net of federal taxes	15,488	166,485
Other	(8,560)	—
Change in deferred tax valuation allowance	(558,533)	(1,053,513)
Total income tax expense (benefit)	$ (262,262)	$ 725,651

The provision for income taxes is computed by applying the federal statutory rate plus a blended state income tax rate. The components of income tax include the following for the periods presented:

	For the three months ended February 28, 2011	For the three months ended February 28, 2010
Deferred tax expense (benefit)		
Federal	$ (248,937)	$ 657,748
State	(13,325)	67,903
Total deferred expense (benefit)	$ (262,262)	$ 725,651

The deferred income tax expense (benefit) for the three months ended February 28, 2011 and February 28, 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 $17,798,000. The net operating loss may be carried forward for 20 years. If not utilized, this net operating loss will expire as follows: $3,911,000, $3,381,000, $7,119,000 and $3,387,000 in the years 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 February 28, 2011 also includes amounts for the period from December 1, 2010 through February 28, 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:

	February 28, 2011	November 30, 2010
Aggregate cost for federal income tax purposes	$ 68,541,367	$ 68,894,462
Gross unrealized appreciation	29,901,880	32,072,976
Gross unrealized depreciation	(2,337,877)	(5,765,015)
Net unrealized appreciation	$ 27,564,003	$ 26,307,961

6. Fair Value of Financial Instruments

Various inputs are used in determining the fair value of the Company's investments. 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'sLevel 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 February 28, 2011 and November 30, 2010. These assets are measured on a recurring basis.

February 28, 2011

Description	Fair Value at February 28, 2011	Level 1	Level 2	Level 3
Equity Investments	$ 90,106,701	$ 21,805,885	$ —	$ 68,300,816
Debt Investments	3,800,000	—	—	3,800,000
Short-Term Investments	2,198,669	2,198,669	—	—
Total Investments	$ 96,105,370	$ 24,004,554	$ —	$ 72,100,816

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	—	—
Total Investments	$ 95,202,423	$ 22,273,014	$ —	$ 72,929,409

The changes for all Level 3 assets measured at fair value on a recurring basis using significant unobservable inputs for the three months ended February 28, 2011 and February 28, 2010, are as follows:

	Three months ended February 28, 2011	Three months ended February 28, 2010
Fair value beginning balance	$ 72,929,409	$ 77,146,520
Total realized and unrealized gains (losses) included in net increase (decrease) in net assets applicable to common stockholders	(744,584)	3,998,840
Purchases	400,000	750,000
Sales	(400,000)	(9,839,190)
Return of capital adjustments impacting cost basis of securities	(84,009)	(974,812)
Fair value ending balance	$ 72,100,816	$ 71,081,358
The amount of total gains (losses) for the period included in net increase (decrease) in net assets applicable to common stockholders attributable to the change in unrealized gains (losses) relating to assets still held at the reporting date	$ (744,584)	$ 3,981,482

There were no transfers between levels for the three months ended February 28, 2011 and February 28, 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 February 28, 2011 and November 30, 2010.

February 28, 2011

Investment Security		Equity Interest, Units or Principal Amount	Acquisition Date(s)	Acquisition Cost	Fair Value	Fair Value Per Unit	Fair Value as Percent of Net Assets
High Sierra Energy, LP	Common Units	1,042,685	11/2/06-11/15/08	$ 24,828,836	$ 20,520,033	$ 19.68	21.5%
High Sierra Energy GP, LLC	Equity Interest	2.37%	11/2/06-5/1/07	2,015,969	53,486	N/A	0.1
International Resource Partners LP	Class A Units	500,000	6/12/07	10,000,000	30,455,000	60.91	31.8
LONESTAR Midstream Partners, LP(1)	Class A Units	1,327,900	7/27/07-4/2/08	2,149,269	216,000	0.16	0.2
LSMP GP, LP(1)	GP LP Units	180	7/27/07-4/2/08	120,046	39,000	216.67	0.0
Mowood, LLC	Equity Interest	100%	6/5/06-8/4/08	1,000,000	4,936,367	N/A	5.2
	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	5/21/07-8/4/08	17,911,082	11,639,872	12.47	12.2
	Preferred Units	23,185	2/25/11	359,367	405,737	17.50	0.4
	Incentive Distribution Rights	988	5/21/07-8/4/08	143,936	35,321	35.75	0.0
				$ 62,328,505	$ 72,100,816		75.4%

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

November 30, 2010

Investment Security		Equity Interest, Units or Principal Amount	Acquisition Date(s)	Acquisition Cost	Fair Value	Fair Value Per Unit	Fair Value as Percent of Net Assets
High Sierra Energy, LP	Common Units	1,042,685	11/2/06-11/15/08	$ 24,828,836	$ 20,666,009	$ 19.82	21.6%
High Sierra Energy GP, LLC	Equity Interest	2.37%	11/2/06-5/1/07	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	7/27/07-4/2/08	2,149,269	208,000	0.16	0.2
LSMP GP, LP(1)	GP LP Units	180	7/27/07-4/2/08	120,046	37,000	205.56	0.1

Mowood, LLC	Equity Interest	100%	6/5/06-8/4/08	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	5/21/07-8/4/08	18,270,449	13,814,764	14.80	14.5
	Incentive Distribution Rights	988	5/21/07-8/4/08	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 February 28, 2011 amounted to $72,047,330, representing 75.3 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 February 28, 2011 or during the three months then ended and at November 30, 2010 or during the year then ended is as follows:

February 28, 2011

	Units/ Equity Interest/ Principal Balance 11/30/10	Gross Additions	Gross Reductions	Realized Gain (Loss)	Gross Distributions or Interest Received	Units/ Equity Interest/ Principal Balance 2/28/11	Fair Value 2/28/11
High Sierra Energy, LP(1)	1,042,685	$ —	$ —	$ —	$ —	1,042,685	$ 20,520,033
International Resource Partners LP	500,000	—	—	—	300,000	500,000	30,455,000
LONESTAR Midstream Partners, LP(1)(2)	1,327,900	—	—	—	—	1,327,900	216,000
LSMP GP, LP(1)(2)	180	—	—	—	—	180	39,000
Mowood, LLC Subordinated Debt	$ 3,800,000	400,000	(400,000)	—	135,330	$ 3,800,000	3,800,000
Mowood, LLC Equity Interest	100%	—	—	—	70,166	100%	4,936,367
VantaCore Partners LP Common Units	933,430	—	(359,367)	—	84,009	933,430	11,639,872
VantaCore Partners LP Preferred Units(1)	—	359,367	—	—	—	23,185	405,737
VantaCore Partners LP Incentive Distribution Rights(1)	988	—	—	—	—	988	35,321
		$ 759,367	$ (759,367)	$ —	$ 589,505		$ 72,047,330

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

November 30, 2010

	Units/ Equity Interest/ Principal Balance 11/30/09	Gross Additions	Gross Reductions	Realized Gain (Loss)	Gross Distributions or Interest Received	Units/ Equity Interest/ Principal Balance 11/30/10	Fair Value 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 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 three months ended February 28, 2011, the Company purchased (at cost) securities in the amount of $7,970,756 and sold securities (at proceeds) in the amount of $8,172,306 (excluding short-term debt securities). For the three months ended February 28, 2010, the Company purchased (at cost) securities in the amount of $750,000 and sold securities (at proceeds) in the amount of $9,839,190 (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. LONESTAR distributed substantially all of the initial sales proceeds to its limited partners but did not redeem partnership interests. The Company received a distribution of $10,476,511 in cash, 468,001 newly issued unregistered common units of PVR, and 59,503 unregistered common units of Penn Virginia GP Holdings, L.P. (NYSE: PVG). On February 3, 2009, the Company received a distribution of 37,305 freely tradable common units of PVR and 4,743 freely tradable common units of PVG. On July 17, 2009, the Company received an additional

distribution of 37,304 freely tradable common units of PVR and 4,744 freely tradable common units of PVG. On December 31, 2009, the Company received a cash distribution from LONESTAR of $804,387. For purposes of the capital gain incentive fee, the realized gain totals $1,756,189. 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. There are also 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 of PVR (at PVR's election). The fair value of the LONESTAR and LSMP GP, LP units, which totals $255,000 as of February 28, 2011, is based on unobservable inputs related to the potential receipt of these future payments relative to the sales transaction.

10. Common Stock

The Company has 100,000,000 shares authorized and 9,146,506 shares outstanding at February 28, 2011 and November 30, 2010.

11. Warrants

At February 28, 2011 and November 30, 2010, the Company had 945,594 warrants issued and outstanding. The warrants 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 entitles 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 will have no voting rights until such common shares are received upon exercise of the warrants. All warrants will currently expire on February 6, 2013.

12. Earnings Per Share

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

	For the three months ended February 28, 2011	For the three months ended February 28, 2010
Net increase in net assets applicable to common stockholders resulting from operations	$ 1,113,270	$ 4,017,523
Basic and diluted weighted average shares(1)	9,146,506	9,078,090
Basic and diluted net increase in net assets applicable to common stockholders resulting from operations per common share	$ 0.12	$ 0.44

(1) Warrants to purchase shares of common stock at $15.00 per share 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.

13. Subsequent Events

On March 1, 2011, the Company paid a distribution in the amount of $0.10 per common share, for a total of $914,654. Of this total, the dividend reinvestment amounted to $88,196.

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 three months ended February 28, 2011, the aggregate compensation paid by the Company to the independent directors was $21,000. 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; and (ii) on the SEC's Web site at 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," "woul "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.

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.

Overview

We have elected to be regulated as a BDC and we are classified as a non-diversified closed-end management investment company under the 1940 Act. As a BDC, we are subject to numerous regulations and restrictions. Unlike most investment companies, we are taxed as a general business corporation under the Code.

We have invested primarily in privately-held and micro-cap public companies operating in the U.S. energy infrastructure sector. We have invested in companies in the energy infrastructure sector that we expect to produce stable cash flows as a result of their fee-based revenues and proactive hedging programs, which help to limit direct commodity price risk.

Performance Review and Investment Outlook

Our net asset value was $10.46 as of February 28, 2011, compared to $10.44 at November 30, 2010. Total investment return, based on net asset value and assuming reinvestment of distributions, was approximately 1.4 percent for the three months ended February 28, 2011. Our stock price also increased this quarter, closing at $8.50 on February 28, 2011 compared to $7.28 on November 30, 2010. Total investment return based on market value and assuming reinvestment of distributions, was approximately 18.1 percent for the three months ended February 28, 2011. The fair value of our investment portfolio, excluding short-term investments at February 28, 2011, was approximately $93.9 million, with approximately 77 percent of the portfolio in private investments totaling $72.1 million and approximately 23 percent in publicly-traded investments totaling $21.8 million. Our portfolio is diversified among approximately 51 percent midstream and downstream investments, 4 percent upstream, and 45 percent in aggregates and coal.

This quarter's distribution of $0.10 per share was in excess of our DCF for the quarter. Assuming the sale of International Resource Partners LP ("IRP") closes in the expected timeframe, we anticipate paying a distribution of not less than $0.10 per share, per quarter, for the remainder of fiscal 2011. In order to sustain this distribution level for 2011, we may elect to include a small portion of the proceeds from the IRP sale, depending on the operating performance of selected portfolio companies and their ability to return to near historic distribution levels.

On January 31, 2011, we filed a proxy statement with the SEC with respect to our annual meeting. Included within the proxy is a proposal unanimously approved by our Board of Directors to withdraw our election to be treated as a BDC as defined in the 1940 Act.

International Resource Partners LP ("IRP")

IRP, headquartered in Charleston, West Virginia, is a fully integrated coal company, controlling assets across the value chain, including production, logistics and marketing assets. We hold board of director's observation rights for IRP.

The fair value of IRP increased approximately $2.3 million this quarter. IRP increased its quarterly distribution this quarter, from $0.55 per unit last quarter to $0.60 per unit this quarter. On March 6, 2011, IRP entered into a definitive agreement to sell its partnership interests to James River Coal Company (NASDAQ: JRCC). This transaction is expected to close in the first half of 2011 subject to completion of various closing conditions. Our portion of the initial sales proceeds is expected to be approximately $31.1 million in cash, with an additional $2.1 million held in escrow for a period of up to 14 months. The release of escrow funds is contingent upon a number of factors, including coal reserves and resolution of outstanding regulatory items. We anticipate

investing the proceeds of the sale of IRP in publicly traded MLPs and cash equivalents, pending being deployed in new qualifying investments and subject to limitations on publicly traded investments in the BDC structure.

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 decreased approximately $0.6 million this quarter, generally due to a decrease in the probability of receiving future contingent payments related to the Timberline Energy, LLC sale. We provide a revolving line of credit to Mowood with a maximum principal balance of $5.3 million. The line of credit provides Mowood flexibility related to seasonal fluctuations in working capital. At February 28, 2011, the principal balance outstanding was $3.8 million. Mowood's subsidiary, Omega, continues to perform at budget. On December 31, 2010, a tornado touched down on Fort Leonard Wood, destroying over 30 houses. Omega's pipeline system was relatively undamaged by the tornado and the financial effects of the tornado are not expected to be significant. Fort Leonard Wood continues to grow, and Omega expects that construction revenues will bolster its performance in 2011.

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.

The fair value of VantaCore decreased approximately $1.9 million this quarter. VantaCore was unable to meet its minimum quarterly distribution ("MQD") of $0.475 per unit for its quarter ended December 31, 2010. Common and preferred unitholders elected to receive their distributions as a combination of $0.09 in cash and the remainder in newly issued preferred units. We received 23,185 preferred units in addition to the $0.09 in cash per common unit. VantaCore reported year-to-date EBITDA through December 31, 2010 below budget. The Southern Aggregates property in Louisiana continues to fall short of budget but VantaCore is optimistic that signs of improvement in the building industry in the area, along with cost-cutting measures imposed by management, will help improve their performance in 2011. Results from operations in Clarksville, Tennessee were strong, but 2011 margins are expected to come under pressure as new competition has entered the market and several larger construction projects are nearing completion.

High Sierra Energy, LP ("High Sierra")

High Sierra is a holding company with diversified midstream energy assets focused on the transportation, storage, and marketing of hydrocarbons and the processing of oilfield water. The company's businesses include a natural gas liquids logistics, transportation and marketing business operating throughout the lower 48 states, a natural gas storage facility in Mississippi, an ethanol terminal in Nevada, crude oil and natural gas liquids trucking businesses in Kansas and Colorado, crude oil gathering, transportation and marketing services, primarily focused in the Mid-Continent, Western and Gulf Coast regions, water treatment, transportation and disposal businesses serving oil and gas producers in Wyoming and Oklahoma, and two asphalt processing, packaging and distribution terminals in Florida. We hold board of directors' observation rights for High Sierra.

The fair value of High Sierra decreased slightly during the quarter. High Sierra has not made cash distributions to its LP and GP unit holders for the last four consecutive quarters. On March 16, 2011, High Sierra closed on a new $215 million, 3-year committed senior secured credit facility led by BNP Paribas. The new credit facility is expected to provide a level of stability and flexibility to meet the needs of the partnership's existing operations and provide a base of working capital to take advantage of market opportunities. The new facility also financed the buyout of High Sierra's minority partners at Anticline Disposal, resulting in High Sierra owning 100 percent of the membership interests of that business. The closing represents a very positive event for the partnership and we believe this, along with improved operations, should allow High Sierra to return to paying cash distributions.

Recent Developments

On March 1, 2011, the Company paid a distribution in the amount of $0.10 per common share, for a total of $914,654. Of this total, the dividend reinvestment amounted to $88,196.

Portfolio Company Monitoring

Our Adviser monitors each portfolio company to determine progress relative to meeting the company's business plan and to assess the company's strategic and tactical courses of action. This monitoring may be accomplished by attendance at board of directors meetings, ad hoc communications with company management, the review of periodic operating and financial reports, an analysis of relevant reserve information and capital expenditure plans, and periodic consultations with engineers, geologists, and other experts. The performance of each private portfolio company is also periodically compared to performance of similarly sized companies with comparable assets and businesses to assess performance relative to peers. Our Adviser's monitoring activities are expected to provide it with information that will enable us to monitor

compliance with existing covenants, to enhance our ability to

make qualified valuation decisions, and to assist our evaluation of the nature of the risks involved in each individual investment. In addition, these monitoring activities should enable our Adviser to diagnose and manage the common risk factors held by our total portfolio, such as sector concentration, exposure to a single financial sponsor, or sensitivity to a particular geography.

As part of the monitoring process, our Adviser continually assesses the risk profile of each of our private investments. We intend to disclose, as appropriate, those risk factors that we deem most relevant in assessing the risk of any particular investment. Such factors may include, but are not limited to, the investment's current cash distribution status, compliance with loan covenants, operating and financial performance, changes in the regulatory environment or other factors that we believe are useful in determining overall investment risk.

Results of Operations

Comparison of the Three Months Ended February 28, 2011 and February 28, 2010

Investment Income: Investment income totaled $561,786 for the three months ended February 28, 2011. This represents a decrease of $130,370 as compared to the three months ended February 28, 2010. The decrease in investment income is primarily due to a decrease in the total distributions from investments, offset by a decrease in the amount of such distributions characterized as return of capital.

Net Expenses: Net expenses totaled $388,523 for the three months ended February 28, 2011. This represents a decrease of $89,932 as compared to the three months ended February 28, 2010. The decrease is primarily related to an increase in the expense reimbursement from the Adviser and a decrease in interest expense resulting from the elimination of our outstanding leverage.

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 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 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.

The following table represents DCF for the three months ended February 28, 2011 as compared to the three months ended February 28, 2010:

Distributable Cash Flow	Three Months Ended February 28, 2011	Three Months Ended February 28, 2010
Total from Investments		
Distributions from investments	$ 731,990	$ 1,488,756
Distributions paid in stock	23,367	—
Interest income from investments	135,330	191,431
Dividends from money market mutual funds	190	217
Other income	—	10,392
Total from Investments	890,877	1,690,796
Operating Expenses Before Leverage Costs		
Advisory fees (net of expense reimbursement by Adviser)	234,680	258,268
Other operating expenses	153,843	174,568
Total Operating Expenses, before Leverage Costs	388,523	432,836
Distributable cash flow before leverage costs	502,354	1,257,960
Leverage Costs	—	45,619
Distributable Cash Flow	$ 502,354	$ 1,212,341
Distributions paid on common stock	$ 914,651	$ 1,180,152
Payout percentage for period(1)	182%	97%
DCF/GAAP Reconciliation		
Distributable Cash Flow	$ 502,354	$ 1,212,341
Adjustments to reconcile to Net Investment Income, before Income Taxes:		
Distributions paid in stock(2)	(23,367)	—
Return of capital on distributions received from equity investments	(305,724)	(998,640)
Net Investment Income, before Income Taxes	$ 173,263	$ 213,701

(1) Distributions paid as a percentage of Distributable Cash Flow.
(2) Distributions paid in stock for the three months ended February 28, 2011 were paid as part of normal operations and are included in DCF.

Distributions: The following table sets forth distributions for the three months ended February 28, 2011 as compared to the three months ended February 28, 2010.

Record Date	Payment Date	Amount
February 18, 2011	March 1, 2011	$0.10
February 19, 2010	March 1, 2010	$0.13

Net Investment Income: Net investment income after deferred taxes for the three months ended February 28, 2011 was $112,943 as compared to $181,007 for the three months ended February 28, 2010. The variance in net investment income is primarily related to decreases in investment income which were offset by decreases in net expenses during the current fiscal periods as described above.

Net Realized and Unrealized Gain: We had net unrealized appreciation (before deferred taxes) of $303,923 for the three months ended February 28, 2011 as compared to $2,941,305 for the three months ended February 28, 2010. We had net realized gains (before deferred taxes) of $373,822 for the three months ended February 28, 2011, as compared to net realized gains (before deferred taxes) of $1,588,168 for the three months ended February 28, 2010. Net realized gains for the three months ended February 28, 2011 were attributed to a realized gain on the sale

of Abraxas Petroleum Corporation shares partially offset by a realized loss on the sale of PostRock Energy Corporation shares.

Liquidity and Capital Resources

We may raise additional capital to support our future growth through equity offerings, rights offerings, and issuances of senior securities to the extent permitted by the 1940 Act and subject to market conditions. We generally may not issue additional common shares at a price below our net asset value (net of any sales load (underwriting discount)) without first obtaining approval of our stockholders and Board of Directors.

Contractual Obligations

We do not have any significant contractual payment obligations as of February 28, 2011.

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.

Borrowings

The Company did not have any borrowings outstanding during the three months ended February 28, 2011.

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

We invest primarily 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 our Board of Directors, may differ materially from the values that would have been used had a ready market existed for the investments.

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

We, as a corporation, 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.

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 February 28, 2011 as compared to February 28, 2010.

We carry our investments at fair value, 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 investments in our portfolio, we value a large portion of our portfolio investments 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 investments that do not have readily available market quotations, the fair value of our investments may differ significantly from the fair values that would have been used had a ready market quotation existed for such investments, and these differences could be material.

As of February 28, 2011, the fair value of our investment portfolio (excluding short-term investments) totaled $93,906,701. We estimate that the impact of a 10 percent increase or decrease in the fair value of these investments, net of related deferred taxes, would increase or decrease net assets applicable to common stockholders by approximately $6,026,932.

Debt investments in our portfolio may be based on floating or fixed rates. As of February 28, 2011, we had no floating rate debt investments 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 February 28, 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

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 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 February 28, 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 February 28, 2011.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. (REMOVED AND RESERVED)

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibit	Description
10.1	Purchase Agreement, dated as of March 6, 2011, by and between Lightfoot Capital Partners, LP, International Industries, Inc., International Resource Partners LP LLC, Kayne Anderson Energy Development Company, and Tortoise Capital Resources Corporation, and James River Coal Company and International Resource Partners GP LLC, as Agent, is filed herewith.
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

Date: April 7, 2011	By:	/s/ Terry Matlack Terry Matlack Authorized Officer and Chief Financial Officer (Principal Financial Officer)