

TORTOISE ENERGY INDEPENDENCE FUND, INC.  
Form N-CSR  
January 21, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-22690

Tortoise Energy Independence Fund, Inc.  
(Exact name of registrant as specified in charter)

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

Terry Matlack  
Diane Bono  
11550 Ash Street, Suite 300, Leawood, KS 66211  
(Name and address of agent for service)

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

Date of fiscal year end: November 30

Date of reporting period: November 30, 2014

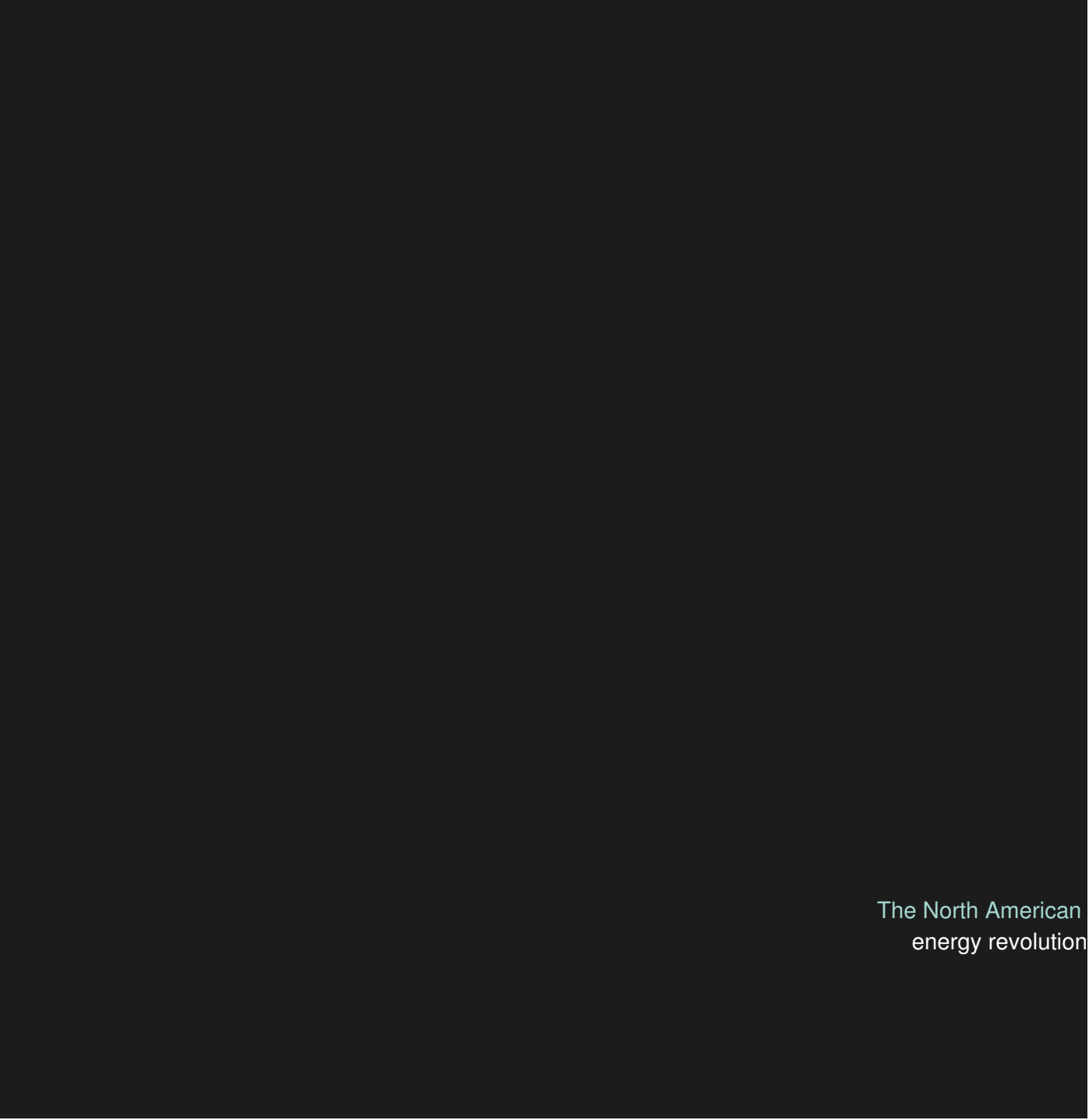
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**Item 1. Report to Stockholders.**

Tortoise  
Energy Independence Fund, Inc.

**2014 Annual Report November 30, 2014**

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The North American  
energy revolution

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## Fund at a glance

Tortoise believes Tortoise Energy Independence Fund, Inc. (NYSE: NDP) is the first closed-end fund with a focus on North American crude oil and natural gas production growth — growth which supports energy independence.

## Investment opportunity

Technological developments are now providing access to vast amounts of unconventional resources in North American oil and gas reservoirs, with the potential for an extended period of production growth. Virtually unthinkable a few years ago, North America now has the opportunity to be a global leader in energy production, with many experts predicting North America could become energy self-sufficient over the coming decades.

To capture the heart of this significant North American production growth potential, NDP invests in energy producers, also known as the upstream portion of the energy value chain. While commodity prices will fluctuate, we believe the sector's volume growth potential provides an attractive long-term investment opportunity.

## Targeted investment characteristics

NDP primarily invests in North American energy companies that engage in the exploration and production of crude oil, condensate, natural gas and natural gas liquids that generally have a significant presence in North American oil and gas fields, including shale reservoirs, and, to a lesser extent, in companies that provide associated transportation, processing and storage. The majority of NDP's investments include upstream energy companies with the following targeted characteristics:

Substantial acreage positions in premier North American oil and gas fields

Production volume growth potential over many years

High quality, financially disciplined management teams

Total return potential through a combination of current income and capital appreciation

We also write (sell) out-of-the-money covered call options on companies that meet our investment thresholds, seeking to mitigate portfolio risk, increase current income and enhance long-term total return potential across economic cycles.

## Portfolio statistics at November 30, 2014 (unaudited)

## December 31, 2014

### Dear fellow stockholders,

The broad energy sector, including oil and gas producers, had a strong first three quarters of the fiscal year ending Nov. 30, 2014, benefiting from robust volumes of oil and natural gas being produced out of North American shales. However, energy stocks retreated significantly in the fourth quarter as investors reacted to the drop in crude oil prices.

Factors pressuring oil prices included increasing global supply, particularly out of Libya, where production had been offline due to political strife, slowing global demand growth and a strengthening U.S. dollar. In addition, oil prices fell sharply following the Organization of the Petroleum Exporting Countries (OPEC) Nov. 27 announcement that it would not cut current crude oil production levels.

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

### Energy production review and outlook

Oil and gas producers dramatically underperformed the broader equity market in fiscal 2014. The Tortoise North American Oil and Gas Producers Index<sup>SM</sup> posted a -17.5 percent return for the fiscal year, compared to the S&P 500 Index<sup>®</sup> 16.9 percent total return for the same period. These returns reflect a difficult fourth fiscal quarter for the sector with oil and gas producers experiencing a -30.1 percent return. Despite their strong showing earlier in the year, their overall performance for this fiscal period was negatively affected by the price of crude oil, with WTI (West Texas Intermediate) falling approximately 50 percent from its July 23 peak of \$107.62 per barrel to close the fiscal year at \$66.15 per barrel, and prices continued to decline through December.

Despite lower crude oil prices, total U.S. crude oil production remained robust, averaging an estimated 8.6 million barrels per day (MMbbl/d) in 2014, with 2015 production estimated to average 9.3 MMbbl/d.<sup>1</sup> A majority of the increase is expected to come out of the premier North American oil shales—the Bakken, the Eagle Ford and the Permian. The current crude oil supply/demand imbalance is expected to improve beginning in the second half of 2015, when demand for crude oil typically increases and the pace of supply growth is expected to slow.

Meanwhile, natural gas production also has been strong, despite lower prices as well, with volumes in 2014 averaging an estimated 70.0 billion cubic feet per day (Bcf/d) for the lower 48 states and projected to grow an average 3.1 percent in 2015.<sup>1</sup> Price fluctuations were driven largely by seasonal demand, with natural gas opening the year at \$4.32 per million British thermal units (MMBtu), peaking at \$8.03 per MMBtu on Feb. 5 as a colder-than-usual winter gripped much of the nation, then normalizing as inventories were rebuilt over the summer to close the fiscal year at \$4.24 per MMBtu and prices continued to decline through December.

### Fund performance review

The fund's total assets decreased from approximately \$442.7 million on Nov. 30, 2013 to \$400.1 million on Nov. 30, 2014, due largely to declining market values of its investments. The fund's fiscal 2014 market-based and NAV-based total returns were -5.2 percent and -7.8 percent, respectively (including the reinvestment of distributions). This performance particularly reflects a difficult fourth fiscal quarter, when the fund's market-based and NAV-based returns were -20.5 percent and -25.2 percent, respectively, driven by the broader upstream energy market decline.

The discount of the fund's stock price relative to its NAV narrowed over the year, particularly in the fourth quarter, ending the year at a 6.5 percent discount. We are undertaking some efforts that we believe may help improve investor sentiment and could help continue to close that gap. We continue to believe in the closed-end fund structure and believe NDP is fundamentally well-positioned for the long term, which is particularly relevant in today's environment. We plan to increase education, communication and outreach emphasizing the benefits of the closed-end fund structure and the long-term attractive risk-reward potential of the fund's strategy to both existing and potential stockholders. We will continue to work internally and with the fund board to explore other areas that may benefit market performance while maintaining our long-term, prudent approach to managing the

fund.

The fund paid a distribution of \$0.4375 per common share (\$1.75 annualized) to stockholders on Nov. 28, 2014. This distribution represented an annualized distribution rate of

(unaudited)

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8.2 percent based on the fund's fiscal year closing price of \$21.29. For tax purposes, distributions to stockholders for 2014 were 56 percent ordinary dividend income, 12 percent qualified dividend income, 27 percent long-term capital gains and 5 percent return of capital. The fund ended the period with leverage (bank debt) at 14.0 percent of total assets, slightly more than last year, due to the decrease in the value of fund assets.

### Key quarterly asset performance drivers

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

The fund's focus on oil and gas producers hurt absolute performance. However, its strategic selection of companies, particularly in the Eagle Ford, helped the fund outperform on a relative basis for both the fiscal year and the challenging fourth fiscal quarter.

Natural gas producers fared better than liquids producers, particularly in the fourth quarter as crude oil prices declined sharply. The fund's stake in gas producers in the Marcellus detracted from absolute performance for both the fiscal year and the fourth quarter; however, they helped in relative terms during the fourth quarter, as pipeline takeaway constraints continued in that region and natural gas producers pulled back along with the broader energy sector.

The fund's holdings in midstream pipeline companies contributed positively to relative results for both the fiscal year and fourth quarter as these firms are less affected by falling oil prices.

The fund's covered call strategy continued to provide additional current income in the portfolio and mitigated risk. In higher-volatility environments such as the one we currently are experiencing, this strategy can be especially effective. The notional amount of the fund's covered calls averaged approximately 47.9 percent of total assets and their out-of-the money percentage averaged approximately 8.9 percent during the year.

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

### Concluding thoughts

In our view, when oil prices move lower, location of assets becomes even more critical. Our approach has been to focus on high-quality oil and gas producers in the most prolific basins that also have strong balance sheets, distribution coverage, and growing cash flows. We have constructed the fund's portfolio to operate in multiple commodity price environments, anchored in producers that, in our view, are located in the best oil and gas fields in North America. For these reasons, we believe the portfolio is both well positioned and diversified, given the changing dynamics in the energy sector.

Furthermore, we believe that the laws of economics will prevail. Lower prices may discourage short-term production growth but may also spur demand. We anticipate this will drive prices in the other direction, and the cycle will continue. We think that over the long term, prices will return to a range that is economical for production to continue broadly, which should bode well for many upstream oil and gas producers.

Despite recent volatility, what is particularly noteworthy is that North America is now a major, relevant global energy player, with the ability to better control our national security and with significant production potential for generations to come, though at a slower pace in the near term. We believe that NDP offers an attractive long-term investment opportunity despite current headwinds.

Sincerely,  
The Managing Directors  
Tortoise Capital Advisors, L.L.C.  
*The adviser to Tortoise Energy Independence Fund, Inc.*

*The Tortoise North American Oil and Gas Producers Index<sup>SM</sup> is a float-adjusted, capitalization weighted index of North American energy companies engaged primarily in the production of crude oil, condensate, natural gas or natural gas liquids (NGLs). The S&P 500 Index<sup>®</sup> is an unmanaged market-value-weighted index of stocks, which is widely regarded as the standard for measuring large-cap U.S. stock market performance.*

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

<sup>1</sup> Energy Information Administration, Dec. 2014

(unaudited)  
Tortoise Energy Independence Fund, Inc.

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**Key Financial Data** (supplemental unaudited information)  
(dollar amounts in thousands unless otherwise indicated)

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

	Year Ended November 30,		2013	2014			
	2013	2014	Q4 <sup>(1)</sup>	Q1 <sup>(1)</sup>	Q2 <sup>(1)</sup>	Q3 <sup>(1)</sup>	Q4 <sup>(1)</sup>
<b>Total Income from Investments</b>							
Distributions and dividends from investments	\$ 11,653	\$ 11,717	\$ 3,017	\$ 2,783	\$ 2,916	\$ 3,032	\$ 2,986
Less foreign withholding taxes	(364)	(321)	(87)	(81)	(72)	(83)	(85)
Dividends paid in stock	1,598	1,629	417	422	391	404	412
Net premiums on options written	17,618	17,375	4,781	4,486	4,425	4,316	4,148
Total from investments	30,505	30,400	8,128	7,610	7,660	7,669	7,461
<b>Operating Expenses Before</b>							
<b>Leverage Costs</b>							
Advisory fees, net of fees waived	3,965	4,465	1,062	1,037	1,138	1,216	1,074
Other operating expenses	586	661	153	164	171	168	158
	4,551	5,126	1,215	1,201	1,309	1,384	1,232
Distributable cash flow before leverage costs	25,954	25,274	6,913	6,409	6,351	6,285	6,229
Leverage costs <sup>(2)</sup>	570	590	146	145	150	151	144
<b>Distributable Cash Flow<sup>(3)</sup></b>	\$25,384	\$24,684	\$6,767	\$6,264	\$6,201	\$6,134	\$6,085
<b>Net realized gain (loss) on investments and foreign currency translation, for the period</b>	\$ 17,443	\$ 39,050	\$ 12,258	\$ 11,811	\$ 5,732	\$ 20,857	\$ 650
<b>As a percent of average total assets<sup>(4)</sup></b>							
Total from investments	7.30 %	6.49 %	7.31 %	6.86 %	6.34 %	5.96 %	6.90 %
Operating expenses before leverage costs	1.09%	1.09%	1.09%	1.08%	1.08%	1.08%	1.14%
Distributable cash flow before leverage costs	6.21 %	5.40 %	6.22 %	5.78 %	5.26 %	4.88 %	5.76 %
<b>As a percent of average net assets<sup>(4)</sup></b>							
Total from investments	8.31 %	7.35 %	8.26 %	7.96 %	7.26 %	6.75 %	7.57 %
Operating expenses before leverage costs	1.24%	1.24%	1.24%	1.26%	1.24%	1.22%	1.25%
Leverage costs	0.16 %	0.14 %	0.15 %	0.15 %	0.14 %	0.13 %	0.15 %
Distributable cash flow	6.91%	5.97%	6.87%	6.55%	5.88%	5.40%	6.17%
<b>Selected Financial Information</b>							
Distributions paid on common stock	\$25,393	\$25,403	\$ 6,351	\$ 6,351	\$ 6,351	\$ 6,350	\$ 6,351
Distributions paid on common stock per share	1.7500	1.7500	0.4375	0.4375	0.4375	0.4375	0.4375
Total assets, end of period	442,686	400,082	442,686	462,646	504,254	513,378	400,082
Average total assets during period <sup>(5)</sup>	417,826	468,744	445,692	449,572	479,402	510,328	433,686
Leverage <sup>(6)</sup>	56,300	56,200	56,300	55,700	60,600	58,600	56,200
Leverage as a percent of total assets	12.7 %	14.0 %	12.7 %	12.0 %	12.0 %	11.4 %	14.0 %
Net unrealized appreciation (depreciation), end of period	55,201	(12,132)	55,201	64,972	107,413	105,653	(12,132)
Net assets, end of period	384,471	330,458	384,471	402,138	441,064	450,516	330,458
Average net assets during period <sup>(7)</sup>	366,900	413,380	394,581	387,650	418,875	450,971	395,268
Net asset value per common share	26.49	22.76	26.49	27.70	30.38	31.04	22.76
Market value per common share	24.08	21.29	24.08	24.61	26.78	27.32	21.29
Shares outstanding (000 s)	14,516	14,516	14,516	14,516	14,516	14,516	14,516

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

(2) Leverage costs include interest expense and other recurring leverage expenses.

(3) Net investment loss on the Statement of Operations is adjusted as follows to reconcile to Distributable Cash Flow (DCF): increased by net premiums on options written, the return of capital on distributions, and the value of paid-in-kind distributions.

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

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

*(6) Leverage consists of outstanding borrowings under the revolving credit facility.*

*(7) Computed by averaging daily net assets within each period.*

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**Management's Discussion**(unaudited)

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

**Overview**

Tortoise Energy Independence Fund, Inc.'s (NDP) primary investment objective is to provide a high level of total return, with an emphasis on current distributions. We seek to provide stockholders an efficient vehicle to invest in a portfolio consisting primarily of equity securities of companies that provide access to North American oil and gas production growth, which supports North American energy independence through reduced reliance on foreign energy sources. We focus primarily on North American energy companies that engage in the exploration and production of crude oil, condensate, natural gas and natural gas liquids (NGLs) that generally have a strong presence in North American oil and gas reservoirs, including shale, and, to a lesser extent, on companies that provide associated transportation, processing, storage, servicing and equipment. We also seek to provide current income from gains earned through a covered call option strategy, which consists of writing (selling) call options on selected equity securities in our portfolio.

NDP is a registered non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act), and expects to qualify as a regulated investment company (RIC) under the U.S. Internal Revenue Code of 1986, as amended (the Code). Tortoise Capital Advisors, L.L.C. (the Adviser) serves as investment adviser.

**Company update**

Market values of our investments decreased during the quarter, contributing to a decrease in total assets of approximately \$113.3 million during 4th quarter 2014. Distribution increases from our investments were in line with our expectations while net premiums on options written declined from 3rd quarter 2014. Average total assets decreased during the quarter, resulting in decreased asset-based expenses. The amount of leverage outstanding declined during the quarter, but the ratio of leverage to total assets increased from the prior quarter due to the reduction in asset values. We maintained our regular quarterly distribution of \$0.4375 per share. Additional information on these events and results of our operations are discussed below.

**Critical accounting policies**

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

**Determining distributions to stockholders**

We pay quarterly distributions based primarily upon our current and estimated future distributable cash flow (DCF). In addition, and to the extent that the sum of our net investment company taxable income and net realized gains from investments exceed our quarterly distributions, we intend to make an additional distribution to common stockholders in the last quarter of the calendar year in order to avoid being subject to U.S. federal income taxes at the fund level. Our Board of Directors reviews the distribution rate quarterly and may adjust the quarterly distribution throughout the year.

**Determining DCF**

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DCF is income from investments less expenses. Income from investments includes the amount we receive as cash or paid-in-kind distributions from common stock, master limited partnerships ( MLPs ) or affiliates of MLPs in which we invest and dividend payments on short-term investments we own. Income also includes the premiums received from sales of covered call options, net of amounts paid to buy back out of the money options. The total expenses include current or anticipated operating expenses and leverage costs.

The Key Financial Data table discloses the calculation of DCF and should be read in conjunction with this discussion. The difference between income from investments in the DCF calculation and total investment income as reported in the

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**Management's Discussion**(unaudited)  
(continued)

Statement of Operations, is reconciled as follows: (1) GAAP recognizes that a significant portion of the cash distributions received from our investments are characterized as a return of capital and therefore excluded from investment income, whereas the DCF calculation includes the return of capital; (2) income from investments in the DCF calculation includes the value of dividends paid-in-kind (additional stock or units), whereas such amounts are not included as income for GAAP purposes; and (3) net premiums on options written (premiums received less amounts paid to buy back out of the money options) with expiration dates during our fiscal quarter are included in the DCF calculation, whereas GAAP recognizes the net effect of options written as realized and unrealized gains (losses). A reconciliation of Net Investment Income to DCF is included below in Distributable Cash Flow and Capital Gains.

**Income from investments**

We seek to achieve our investment objectives by investing in a portfolio consisting primarily of equity securities of companies that provide access to North American oil and gas production growth. We evaluate each holding based upon its contribution to our investment income and its risk relative to other potential investments.

We focus primarily on North American energy companies that engage in the exploration and production of crude oil, condensate, natural gas and NGLs that generally have a strong presence in North American oil and gas reservoirs, including shale.

We also seek to provide current income from gains earned through a covered call option strategy, which consists of writing (selling) call options on selected equity securities in our portfolio. We typically aim to write call options that are approximately 5 to 15 percent out-of-the-money on approximately 75 percent of our portfolio, although we may adjust these targets depending on market volatility and other market conditions.

Total distributions received from our investments and option strategy for the 4th quarter 2014 were approximately \$7.5 million, including earnings on our investments of \$3.3 million and net premiums on options written of approximately \$4.2 million. This represents a decrease of approximately 8.2 percent as compared to 4th quarter 2013 and approximately 2.7 percent as compared to 3rd quarter 2014. Net premiums received on options written during the 4th quarter 2014 declined by approximately 3.9 percent as compared to 3rd quarter 2014, but remains in line with our expectations given the targets indicated above in the current market environment. On an annualized basis, the total received from investments for the 4th quarter 2014 equates to 6.90 percent of our average total assets for the quarter as compared to 5.96 percent for 3rd quarter 2014.

**Expenses**

We incur two types of expenses: (1) operating expenses, consisting primarily of the advisory fee; and (2) leverage costs. On a percentage basis, operating expenses before leverage costs were an annualized 1.14 percent of average total assets for the 4th quarter 2014, an increase of 0.06 percent as compared to 3rd quarter 2014 and 0.05 percent as compared to 4th quarter 2013. Advisory fees, net of fees waived, for the 4th quarter 2014 decreased 11.7 percent from 3rd quarter 2014 as a result of decreased average managed assets during the quarter. While the contractual advisory fee is 1.10 percent of average monthly managed assets, the Adviser has agreed to waive an amount equal to 0.15 percent of average monthly managed assets through December 31, 2014 and 0.10 percent of average monthly managed assets for the period from January 1, 2015 through December 31, 2016. Other operating expenses decreased from 3rd quarter 2014, primarily due to other asset-based fees.

Leverage costs consist of the interest expense on our margin borrowing facility, which accrues on the margin facility at a rate equal to one-month LIBOR plus 0.80 percent. The annual rate of leverage may vary in future periods as a result of changes in LIBOR and the spread charged on the facility. The average annualized total cost of leverage was 0.95 percent as of November 30, 2014. Total leverage costs for DCF purposes were approximately \$144,000 for the 4th quarter 2014, a decrease of 4.6 percent as compared to 3rd quarter 2014, due to lower leverage utilization during the quarter as well as a change in margin facilities during the quarter that decreased the all-in cost of leverage. Additional information on our leverage is disclosed below in Liquidity and Capital Resources and in our Notes to Financial Statements.

**Distributable cash flow and capital gains**

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For 4th quarter 2014, our DCF was approximately \$6.1 million, a decrease of 10.1 percent as compared to 4th quarter 2013 and 0.8 percent as compared to 3rd quarter 2014. This is the net result of the changes in income and expenses as described above. This equates to an annualized rate of 5.76 percent of average total assets for the quarter and 6.17 percent of average net assets for the quarter. We paid a distribution of approximately \$6.4 million, or \$0.4375 per share, during the quarter, unchanged from 3rd quarter 2014.

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**Management's Discussion**(unaudited)  
(continued)

Net Investment Loss on the Statement of Operations is adjusted as follows to reconcile to DCF for fiscal year 2014 and 4th quarter 2014 (in thousands):

	FY 2014	4th Qtr 2014
Net Investment Loss	\$ (1,814)	\$ (205)
Adjustments to reconcile to DCF:		
Net premiums on options written	17,375	4,148
Distributions characterized as return of capital	7,494	1,730
Dividends paid in stock	1,629	412
DCF	\$24,684	\$6,085

In addition, we had net realized gains on investments of approximately \$0.7 million during 4th quarter 2014.

**Liquidity and capital resources**

We had total assets of approximately \$400.1 million at quarter-end. Our total assets reflect the value of our investments, which are itemized in the Schedule of Investments. It also reflects cash, interest and receivables and any expenses that may have been prepaid. During 4th quarter 2014, total assets decreased approximately \$113.3 million. This change was primarily the result of a \$121.7 million decrease in the value of our investments as reflected by the change in realized and unrealized gains on investments (excluding return of capital on distributions), net purchases of approximately \$2.0 million and an increase in receivables and other assets of approximately \$6.4 million.

Our leverage consists of a 270-day rolling evergreen margin loan facility with a borrowing capacity of \$85 million. Total leverage outstanding at November 30, 2014 was \$56.2 million, a decrease of \$2.4 million as compared to August 31, 2014. Total leverage represented 14.0 percent of total assets at November 30, 2014, an increase from 11.4 percent as compared to August 31, 2014 and from 12.7 percent at November 30, 2013. Our leverage as a percent of total assets is within our long-term target level of 10 to 15 percent of total assets. This allows the opportunity to add leverage when compelling investment opportunities arise. Temporary increases to up to 20 percent of our total assets may be permitted, provided that such leverage is consistent with the limits set forth in the 1940 Act, and that such leverage is expected to be reduced over time in an orderly fashion to reach our long-term target. Our leverage ratio is impacted by increases or decreases in market values of our investments, issuance of equity and/or the sale of securities where proceeds are used to reduce leverage.

We use leverage to acquire investments consistent with our investment philosophy. The terms of our leverage are governed by regulatory and contractual asset coverage requirements that arise from the use of leverage. Additional information on our leverage and asset coverage requirements is discussed in Note 10 in the Notes to Financial Statements. Our coverage ratios are updated each week on our Web site at [www.tortoiseadvisors.com](http://www.tortoiseadvisors.com).

**Taxation of our distributions**

We expect that distributions paid on common shares will generally consist of: (i) investment company taxable income ( ICTI ) which includes ordinary income net of deductions plus any short-term capital gains in excess of net long-term capital losses (under current law, distributions of ICTI may be designated as qualified dividend income ( QDI ) to the extent of any QDI received from our investment in common stocks); (ii) long-term capital gain (net gain from the sale of a capital asset held longer than 12 months over net short-term capital losses) and (iii) return of capital. The QDI and long-term capital gain tax rates are variable based on the taxpayer's taxable income.

We may designate a portion of our quarterly distributions as capital gains and we may also distribute additional capital gains in the last calendar quarter if necessary to meet minimum distribution requirements and to avoid being subject to excise taxes. If, however, we elect to retain any capital gains, we will be subject to U.S. capital gains taxes. The payment of those taxes will flow-through to stockholders as a tax credit to apply against their U.S. income tax payable on the deemed distribution of the

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retained capital gain.

For tax purposes, distributions paid to common stockholders for the calendar year ended December 31, 2014 were approximately 12 percent QDI, 56 percent ordinary dividend income, 27 percent long-term capital gain, and 5 percent return of capital. A holder of our common stock would reduce their cost basis for income tax purposes by the amount designated as return of capital. This information is reported to stockholders on Form 1099-DIV and is available on our Web site at [www.tortoiseadvisors.com](http://www.tortoiseadvisors.com).

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**Schedule of Investments**

November 30, 2014

	Shares	Fair Value
<b>Common Stock 89.0%</b>		
<b>Crude/Refined Products Pipelines 0.7%</b>		
<b>United States 0.7%</b>		
Plains GP Holdings, L.P.	91,716	\$ 2,382,782
<b>Natural Gas Pipelines 6.6%</b>		
<b>United States 6.6%</b>		
EQT Corporation <sup>(2)(3)</sup>	238,006	21,653,786
Kinder Morgan, Inc.	2	100
		21,653,886
<b>Oil and Gas Production 81.7%</b>		
<b>Canada 11.2%</b>		
ARC Resources Ltd.	334,600	7,912,185
Cenovus Energy Inc.	153,200	3,385,720
Crescent Point Energy Corp.	285,700	7,415,458
Enerplus Corporation	275,800	3,599,190
Penn West Petroleum Ltd.	6,400	22,592
Suncor Energy Inc. <sup>(2)(3)</sup>	465,600	14,708,304
<b>The Netherlands 2.3%</b>		
Royal Dutch Shell plc (ADR)	114,500	7,603,945
<b>United Kingdom 1.2%</b>		
BP p.l.c. (ADR)	96,400	3,790,448
<b>United States 67.0%</b>		
Anadarko Petroleum Corporation <sup>(2)(3)</sup>	330,900	26,190,735
Antero Resources Corporation <sup>(2)(3)(4)</sup>	150,610	7,066,621
Apache Corporation <sup>(2)(3)</sup>	65,052	4,169,183
Carrizo Oil & Gas, Inc. <sup>(2)(3)(4)</sup>	198,000	7,813,080
Chesapeake Energy Corporation <sup>(2)(3)</sup>	436,900	8,851,594
Cimarex Energy Co. <sup>(3)</sup>	93,373	9,799,496
Concho Resources Inc. <sup>(3)(4)</sup>	116,143	11,062,621
Continental Resources, Inc. <sup>(2)(3)(4)</sup>	183,400	7,515,732
Energen Corp. <sup>(2)(3)</sup>	76,700	4,580,524
EOG Resources, Inc. <sup>(2)(3)</sup>	383,280	33,238,042
EP Energy Corporation <sup>(4)</sup>	142,700	1,525,463
Hess Corporation	33,793	2,464,524
Kodiak Oil & Gas Corp. <sup>(4)</sup>	341,400	2,502,462
Laredo Petroleum, Inc. <sup>(4)</sup>	43,300	452,485
Marathon Oil Corporation <sup>(2)(3)</sup>	306,300	8,858,196
Newfield Exploration Company <sup>(3)(4)</sup>	309,488	8,427,358
Noble Energy, Inc. <sup>(2)(3)</sup>	283,705	13,952,612
Occidental Petroleum Corporation	192,100	15,323,817
Pioneer Natural Resources Company <sup>(2)(3)</sup>	186,215	26,671,574
Range Resources Corporation <sup>(2)(3)</sup>	224,200	14,718,730
Rice Energy Inc. <sup>(2)(3)(4)</sup>	52,646	1,310,885
RSP Permian, Inc. <sup>(4)</sup>	110,556	2,405,699
Whiting Petroleum Corporation <sup>(2)(3)(4)</sup>	61,800	2,581,386
		269,920,661
Total Common Stock (Cost \$334,057,618)		293,957,329
<b>Master Limited Partnerships and Related Companies 29.8%</b>		
<b>Crude/Refined Products Pipelines 17.1%</b>		
<b>United States 17.1%</b>		

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Buckeye Partners, L.P.	61,200	4,704,444
Enbridge Energy Management, L.L.C. <sup>(5)</sup>	448,301	16,318,149
Magellan Midstream Partners, L.P.	92,000	7,625,880
MPLX LP	117,232	7,785,377
Phillips 66 Partners LP	65,900	4,102,275
Plains All American Pipeline, L.P.	179,229	9,221,332
Rose Rock Midstream, L.P.	32,489	1,744,010
Shell Midstream Partners, L.P.	30,756	1,123,209
Tesoro Logistics LP	47,000	2,691,690
Valero Energy Partners LP	26,106	1,089,142
		56,405,508
<b>Natural Gas/Natural Gas Liquids Pipelines 7.2%</b>		
<b>United States 7.2%</b>		
Energy Transfer Partners, L.P.	77,700	5,063,709
Enterprise Products Partners L.P.	255,472	9,539,325
Regency Energy Partners LP	222,350	6,334,752
Williams Partners L.P.	57,300	2,964,702
		23,902,488
<b>Natural Gas Gathering/Processing 5.5%</b>		
<b>United States 5.5%</b>		
Access Midstream Partners, L.P.	41,724	2,615,260
Antero Midstream Partners LP	38,218	1,058,256
DCP Midstream Partners, LP	94,524	4,528,645
EnLink Midstream Partners, LP	86,700	2,418,063
Targa Resources Partners LP	95,800	5,252,714
Western Gas Partners LP	34,300	2,432,899
		18,305,837
Total Master Limited Partnerships and Related Companies (Cost \$71,874,262)		98,613,833
<b>Short-Term Investment 0.1%</b>		
<b>United States Investment Company 0.1%</b>		
Fidelity Institutional Money Market Portfolio Class I, 0.05% <sup>(6)</sup> (Cost \$338,033)	338,033	338,033
<b>Total Investments 118.9%</b> <b>(Cost \$406,269,913)</b>		392,909,195
<b>Total Value of Options Written</b> <b>(Premiums received \$1,600,265) (0.1%)</b>		(369,817)
<b>Other Assets and Liabilities (18.8%)</b>		(62,081,760)
<b>Total Net Assets Applicable to Common Stockholders 100.0%</b>		\$ 330,457,618

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

(2) All or a portion of the security is segregated as collateral for the margin borrowing facility. See Note 10 to the financial statements for further disclosure.

(3) All or a portion of the security represents cover for outstanding call option contracts written.

(4) Non-income producing security.

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

(6) Rate indicated is the current yield as of November 30, 2014.

Key to abbreviation

ADR = American Depositary Receipts

See accompanying Notes to Financial Statements.

Tortoise Energy Independence Fund, Inc.

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**Schedule of Options Written**

November 30, 2014

	Expiration Date	Strike Price	Contracts	Fair Value
<b>Call Options Written</b>				
Anadarko Petroleum Corporation	December 2014	\$ 105.00	3,266	\$ (39,192)
Antero Resources Corporation	December 2014	60.00	1,506	(30,120)
Apache Corporation	December 2014	80.00	650	(1,950)
Carrizo Oil & Gas, Inc.	December 2014	60.00	1,801	(36,020)
Chesapeake Energy Corporation	December 2014	26.50	4,369	(24,029)
Cimarex Energy Co.	December 2014	135.00	562	(8,430)
Concho Resources Inc.	December 2014	130.00	975	(26,813)
Continental Resources, Inc.	December 2014	60.00	1,834	(7,336)
Energen Corp.	December 2014	75.00	767	(9,587)
EOG Resources, Inc.	December 2014	110.00	3,832	(19,160)
EQT Corporation	December 2014	105.00	1,580	(31,600)
Marathon Oil Corporation	December 2014	36.00	3,063	(15,315)
Newfield Exploration Company	December 2014	39.00	2,114	(10,570)
Noble Energy, Inc.	December 2014	60.00	1,739	(8,695)
Pioneer Natural Resources Company	December 2014	190.00	1,862	(18,620)
Range Resources Corporation	December 2014	80.00	2,242	(44,840)
Rice Energy Inc.	December 2014	30.00	526	(11,835)
Suncor Energy Inc.	December 2014	39.00	4,523	(22,615)
Whiting Petroleum Corporation	December 2014	62.50	618	(3,090)
<b>Total Value of Call Options Written</b>				
(Premiums received \$1,600,265)				\$ (369,817)

*See accompanying Notes to Financial Statements.*

**Statement of Assets & Liabilities**

November 30, 2014

<b>Assets</b>		
Investments at fair value (cost \$406,269,913)	\$	392,909,195
Receivable for Adviser fee waiver		109,633
Dividends and distributions receivable		500,073
Receivable for investments sold		6,551,802
Prepaid expenses and other assets		11,745
<b>Total assets</b>		<b>400,082,448</b>
<b>Liabilities</b>		
Options written, at fair value (premiums received \$1,600,265)		369,817
Payable to Adviser		803,977
Accrued directors' fees and expenses		5,093
Payable for investments purchased		12,092,687
Accrued expenses and other liabilities		153,256
Credit facility borrowings		56,200,000
<b>Total liabilities</b>		<b>69,624,830</b>
Net assets applicable to common stockholders	\$	330,457,618
<b>Net Assets Applicable to Common Stockholders Consist of:</b>		
Capital stock, \$0.001 par value; 14,516,071 shares issued and outstanding (100,000,000 shares authorized)	\$	14,516
Additional paid-in capital		343,000,003
Undistributed net investment income		2,770,264
Accumulated net realized loss		(3,195,349)
Net unrealized depreciation		(12,131,816)
Net assets applicable to common stockholders	\$	330,457,618
Net Asset Value per common share outstanding (net assets applicable to common stock, divided by common shares outstanding)	\$	22.76

**Statement of Operations**

Year Ended November 30, 2014

<b>Investment Income</b>		
Distributions from master limited partnerships	\$	6,692,149
Dividends and distributions from common stock (net of foreign taxes withheld of \$321,340)		4,703,774
Less return of capital on distributions		(7,494,222)
<b>Net distributions and dividends from investments</b>		<b>3,901,701</b>
Dividends from money market mutual funds		194
<b>Total Investment Income</b>		<b>3,901,895</b>
<b>Operating Expenses</b>		
Advisory fees		5,169,591
Administrator fees		188,766
Professional fees		141,048
Directors' fees		86,281
Stockholder communication expenses		73,043
Fund accounting fees		61,253
Custodian fees and expenses		27,199
Registration fees		24,021
Stock transfer agent fees		12,264
Other operating expenses		47,218
<b>Total Operating Expenses</b>		<b>5,830,684</b>
<b>Leverage Expenses</b>		
Interest expense		590,179
<b>Total Expenses</b>		<b>6,420,863</b>

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Less fees waived by Adviser	(704,944)
<b>Net Expenses</b>	<b>5,715,919</b>
<b>Net Investment Loss</b>	<b>(1,814,024)</b>
<b>Realized and Unrealized Gains (Losses)</b>	
Net realized gain on investments, including foreign currency gain (loss)	39,056,769
Net realized gain on options	1,486,837
Net realized loss on foreign currency and translation of other assets and liabilities denominated in foreign currency	(6,333)
Net realized gain	40,537,273
Net unrealized depreciation of investments, including foreign currency gain (loss)	(67,771,240)
Net unrealized appreciation of options	439,391
Net unrealized depreciation of other assets and liabilities due to foreign currency translation	(1,317)
Net unrealized depreciation	(67,333,166)
<b>Net Realized and Unrealized Loss</b>	<b>(26,795,893)</b>
<b>Net Decrease in Net Assets Applicable to Common Stockholders Resulting from Operations</b>	<b>\$ (28,609,917)</b>

*See accompanying Notes to Financial Statements.*

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## Statement of Changes in Net Assets

	Year Ended November 30, 2014	Year Ended November 30, 2013
<b>Operations</b>		
Net investment income (loss)	\$ (1,814,024)	\$ 163,902
Net realized gain	40,537,273	9,178,359
Net unrealized appreciation (depreciation)	(67,333,166)	70,552,526
Net increase (decrease) in net assets applicable to common stockholders resulting from operations	(28,609,917)	79,894,787
<b>Distributions to Common Stockholders</b>		
Net investment income	(59,272)	(3,995,630)
Net realized gain	(24,061,484)	(20,541,811)
Return of capital	(1,282,368)	(855,296)
Total distributions to common stockholders	(25,403,124)	(25,392,737)
<b>Capital Stock Transactions</b>		
Issuance of 11,871 common shares from reinvestment of distributions to stockholders		292,620
Net increase in net assets applicable to common stockholders from capital stock transactions		292,620
Total increase (decrease) in net assets applicable to common stockholders	(54,013,041)	54,794,670
<b>Net Assets</b>		
Beginning of year	384,470,659	329,675,989
End of year	\$ 330,457,618	\$ 384,470,659
Undistributed net investment income, end of year	\$ 2,770,264	\$ 1,983,858

*See accompanying Notes to Financial Statements.*

**Statement of Cash Flows**

Year Ended November 30, 2014

<b>Cash Flows From Operating Activities</b>	
Distributions received from master limited partnerships	\$ 6,736,160
Dividends and distributions received from common stock and money market mutual funds	4,742,711
Purchases of long-term investments	(190,714,402)
Proceeds from sales of long-term investments	209,140,628
Purchases of short-term investments, net	(215,983)
Call options written, net	1,538,980
Interest expense paid	(585,971)
Operating expenses paid	(5,138,999)
Net cash provided by operating activities	25,503,124
<b>Cash Flows From Financing Activities</b>	
Advances from margin loan facility	107,200,000
Repayments on margin loan facility	(107,300,000)
Distributions paid to common stockholders	(25,403,124)
Net cash used in financing activities	(25,503,124)
Net change in cash	
Cash beginning of year	
Cash end of year	\$
<b>Reconciliation of net decrease in net assets applicable to common stockholders resulting from operations to net cash provided by operating activities</b>	
Net decrease in net assets applicable to common stockholders resulting from operations	\$ (28,609,917)
Adjustments to reconcile net decrease in net assets applicable to common stockholders resulting from operations to net cash provided by operating activities:	
Purchases of long-term investments	(202,625,163)
Proceeds from sales of long-term investments	215,510,773
Purchases of short-term investments, net	(215,983)
Call options written, net	1,538,980
Return of capital on distributions received	7,494,222
Net unrealized depreciation	67,333,166
Net realized gain	(40,537,273)
Changes in operating assets and liabilities:	
Decrease in dividends and distributions receivable	82,754
Decrease in prepaid expenses and other assets	1,345
Increase in receivable for investments sold	(6,370,145)
Increase in payable for investments purchased	11,910,761
Decrease in payable to Adviser, net of fees waived	(23,284)
Increase in accrued expenses and other liabilities	12,888
Total adjustments	54,113,041
Net cash provided by operating activities	\$ 25,503,124

*See accompanying Notes to Financial Statements.*

## Financial Highlights

	Year Ended		Period from
	November 30, 2014	November 30, 2013	July 31, 2012 <sup>(1)</sup> through November 30, 2012
<b>Per Common Share Data<sup>(2)</sup></b>			
Net Asset Value, beginning of period	\$ 26.49	\$ 22.73	\$ 25.00
Public offering price			
Income (loss) from Investment Operations			
Net investment income (loss) <sup>(3)</sup>	(0.12)	0.01	0.04
Net realized and unrealized gains (losses) <sup>(3)</sup>	(1.86)	5.50	(0.65)
Total income (loss) from investment operations	(1.98)	5.51	(0.61)
Distributions to Common Stockholders			
Net investment income <sup>(4)</sup>	(0.00)	(0.27)	(0.03)
Net realized gain	(1.66)	(1.42)	(0.36)
Return of capital	(0.09)	(0.06)	(0.05)
Total distributions to common stockholders	(1.75)	(1.75)	(0.44)
Underwriting discounts and offering costs on issuance of common stock <sup>(5)</sup>			(1.22)
Net Asset Value, end of period	\$ 22.76	\$ 26.49	\$ 22.73
Per common share market value, end of period	\$ 21.29	\$ 24.08	\$ 22.33
Total Investment Return Based on Market Value <sup>(6)(7)</sup>	(5.16)%	15.83%	(8.89)%

**Supplemental Data and Ratios**

Net assets applicable to common stockholders, end of period (000 s)	\$ 330,458	\$ 384,471	\$ 329,676
Average net assets (000 s)	\$ 413,380	\$ 366,900	\$ 334,232
Ratio of Expenses to Average Net Assets <sup>(8)</sup>			
Advisory fees	1.25%	1.25%	1.18%
Other operating expenses	0.16	0.16	0.20
Total operating expenses, before fee waiver	1.41	1.41	1.38
Fee waiver	(0.17)	(0.17)	(0.16)
Total operating expenses	1.24	1.24	1.22
Leverage expenses	0.14	0.16	0.10
Total expenses	1.38%	1.40%	1.32%
Ratio of net investment income (loss) to average net assets before fee waiver <sup>(8)</sup>	(0.61)%	(0.13)%	0.38%
Ratio of net investment income (loss) to average net assets after fee waiver <sup>(8)</sup>	(0.44)%	0.04%	0.54%
Portfolio turnover rate <sup>(6)</sup>	43.21%	45.56%	15.68%
Credit facility borrowings, end of period (000 s)	\$ 56,200	\$ 56,300	\$ 49,000
Asset coverage, per \$1,000 of principal amount of credit facility borrowings <sup>(9)</sup>	\$ 6,880	\$ 7,829	\$ 7,728
Asset coverage ratio of credit facility borrowings <sup>(9)</sup>	688%	783%	773%

(1) Commencement of Operations.

(2) Information presented relates to a share of common stock outstanding for the entire period.

(3) The per common share data for the year ended November 30, 2013 and the period from July 31, 2012 through November 30, 2012 do not reflect the change in estimate of investment income and return of capital. See Note 2C to the financial statements for further disclosure.

(4) Less than \$0.01 for the year ended November 30, 2014.

(5) Represents the dilution per common share from underwriting and other offering costs for the period from July 31, 2012 through November 30, 2012.

(6) Not annualized for periods less than one full year.

(7) Total investment return is calculated assuming a purchase of common stock at the beginning of the period (or initial public offering price) and a sale at the closing price on the last day of the period reported (excluding brokerage commissions). The calculation also assumes reinvestment of distributions at actual prices pursuant to the Company's dividend reinvestment plan.

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

(9) Represents value of total assets less all liabilities and indebtedness not represented by credit facility borrowings at the end of the period divided by credit facility borrowings outstanding at the end of the period.

See accompanying Notes to Financial Statements.





## Notes to Financial Statements

November 30, 2014

### 1. Organization

Tortoise Energy Independence Fund, Inc. (the Company) was organized as a Maryland corporation on April 11, 2012, and is a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act). The Company's primary investment objective is to provide a high level of total return, with an emphasis on current distributions. The Company seeks to provide its stockholders an efficient vehicle to invest in a portfolio consisting primarily of equity securities of North American energy companies. The Company commenced operations on July 31, 2012. The Company's stock is listed on the New York Stock Exchange under the symbol NDP.

### 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 and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

#### B. Investment valuation

The Company primarily owns securities that are listed on a securities exchange or over-the-counter market. The Company 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 uses the price of 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.

The Company may invest up to 30 percent of its total assets in unregistered or otherwise restricted securities. Restricted securities are subject to statutory or contractual restrictions on their public resale, which may make it more difficult to obtain a valuation and may limit the Company's ability to dispose of them. Investments in restricted securities and other securities for which market quotations are not readily available will be valued in good faith by using fair value procedures approved by the Board of Directors.

Such fair value procedures consider factors such as discounts to publicly traded issues, time until conversion date, securities with similar yields, quality, type of issue, coupon, duration and rating. If events occur that will affect the value of the Company's portfolio securities before the net asset value has been calculated (a significant event), the portfolio securities so affected will generally be priced using fair value procedures. The Company did not hold any restricted securities at November 30, 2014.

An equity security of a publicly traded company acquired in a direct placement transaction may be subject to restrictions on resale that can affect the security's liquidity and fair value. Such securities that are convertible 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.

Exchange-traded options are valued at the last reported sale price on any exchange on which they trade. If no sales are reported on any exchange on the measurement date, exchange-traded options shall be valued at the mean between the highest bid and last lowest asked prices obtained as of the closing of the exchanges on which the option is traded.

The value of Flexible Exchange Options (FLEX Options) are determined (i) by an evaluated price as determined by a third-party valuation service; or (ii) by using a quotation provided by a broker-dealer.

The Company generally values debt securities at prices based on market quotations for such securities, except those securities purchased with 60 days or less to maturity are valued on the basis of amortized cost, which approximates market value.

**C. Security transactions and investment income**

Security transactions are accounted for on the date the securities are purchased or sold (trade date). Realized gains and losses are reported on an identified cost basis. Interest income is recognized on the accrual basis, including amortization of premiums and accretion of discounts. Dividend income and distributions are recorded on the ex-dividend date. Distributions received from investments generally are comprised of ordinary income and return of capital. The Company allocates distributions between investment income and return of capital based on estimates made at the time such distributions are received. Such estimates are based on information provided by each portfolio company and other industry sources. These

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**Notes to Financial Statements** (continued)

estimates may subsequently be revised based on actual allocations received from the portfolio companies 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.

During the year ended November 30, 2014, the Company reallocated the amount of 2013 investment income and return of capital it recognized based on the 2013 tax reporting information received from the individual Master Limited Partnerships ( MLPs ). This reclassification amounted to a decrease in net investment income of approximately \$959,000 or \$0.066 per share, an increase in unrealized appreciation of investments of approximately \$665,000 or \$0.046 per share, and an increase in realized gains of approximately \$294,000 or \$0.020 per share for the year ended November 30, 2014.

In addition, the Company may be subject to withholding taxes on foreign-sourced income. The Company accrues such taxes when the related income is earned.

**D. Foreign currency translation**

For foreign currency, investments in foreign securities, and other assets and liabilities denominated in a foreign currency, the Company translates these amounts into U.S. dollars on the following basis: (i) market value of investment securities, assets and liabilities at the current rate of exchange on the valuation date, and (ii) purchases and sales of investment securities, income and expenses at the relevant rates of exchange on the respective dates of such transactions. The Company does not isolate that portion of gains and losses on investments that is due to changes in the foreign exchange rates from that which is due to changes in market prices of equity securities.

**E. Distributions to stockholders**

Distributions to common stockholders are recorded on the ex-dividend date. The Company intends to make quarterly cash distributions of its investment company taxable income to common stockholders. In addition, on an annual basis, the Company may distribute additional capital gains in the last calendar quarter if necessary to meet minimum distribution requirements and thus avoid being subject to excise taxes. The amount of any distributions will be determined by the Board of Directors. The character of distributions to common stockholders made during the year may differ from their ultimate characterization for federal income tax purposes. Distributions paid to stockholders in excess of investment company taxable income and net realized gains will be treated as return of capital to stockholders.

**F. Federal income taxation**

The Company qualifies as a regulated investment company ( RIC ) under the U.S. Internal Revenue Code of 1986, as amended (the Code ). As a result, the Company generally will not be subject to U.S. federal income tax on income and gains that it distributes each taxable year to stockholders if it meets certain minimum distribution requirements. The Company is required to distribute substantially all of its income, in addition to other asset diversification requirements. The Company is subject to a 4 percent non-deductible U.S. federal excise tax on certain undistributed income unless the Company makes sufficient distributions to satisfy the excise tax avoidance requirement. The Company invests in MLPs, which generally are treated as partnerships for federal income tax purposes. As a limited partner in the MLPs, the Company reports its allocable share of the MLP s taxable income in computing its own taxable income.

The Company recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained upon examination by the tax authorities based on the technical merits of the tax position. The Company s policy is to record interest and penalties on uncertain tax positions as part of tax expense. The Company has reviewed all open tax years and major jurisdictions and concluded that there is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken on a tax return. All tax years since inception remain open to examination by federal and state tax authorities.

**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. Derivative financial instruments**

The Company seeks to provide current income from gains earned through an option strategy which will normally consist of writing (selling) call options on selected equity securities in the portfolio ( covered calls ). The premium received on a written call option will initially be recorded as a liability and subsequently adjusted to the then current fair value of the option written. Premiums received

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from writing call options that expire unexercised will be recorded as a realized gain on the expiration date. Premiums received from writing call options that are exercised will be added to the proceeds from the sale of the underlying security to calculate the realized gain (loss). If a written call option is repurchased prior to its exercise or expiration, the realized gain (loss) will be the difference between the premium received and the amount paid to repurchase the option.

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**Notes to Financial Statements** (continued)**I. 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 risk**

Under normal circumstances, the Company will have at least 80 percent of its total assets (including any assets obtained through leverage) in equity securities of North American energy companies, including at least 70 percent of its total assets in equity securities of upstream energy companies. The Company considers a company to be a North American energy company if (i) it is organized under the laws of, or maintains its principal place of business in, North America and (ii) at least 50 percent of its assets, cash flow or revenue is associated with the exploration, development, drilling, completion or production of crude oil, condensate, natural gas and natural gas liquids ( NGLs ), or that provide associated transportation, processing, equipment, storage, and servicing. The Company considers a company to be an upstream energy company if (i) at least 50 percent of its assets, cash flow or revenue is associated with the exploration, development, drilling, completion or production of crude oil, condensate, natural gas and NGLs or (ii) its business is related to energy production or refining as defined by the Standard Industrial Classification ( SIC ) system. The Company may invest up to 30 percent of its total assets in restricted securities, primarily through direct investments in securities of listed companies. The Company may also invest up to 25 percent of its total assets in securities of MLPs. The Company will not invest in privately-held companies.

**4. Agreements**

The Company has entered into an Investment Advisory Agreement with the Adviser. Under the terms of the Agreement, the Company pays the Adviser a fee equal to an annual rate of 1.10 percent of the Company's average monthly total assets (including any assets attributable to leverage) minus accrued liabilities (other than debt entered into for purposes of leverage and the aggregate liquidation preference of outstanding preferred stock, if any) ( Managed Assets ), in exchange for the investment advisory services provided. The Adviser has contractually agreed to waive fees in an amount equal to 0.15 percent of average monthly Managed Assets for the period from the commencement of operations through December 31, 2014 and 0.10 percent of average monthly Managed Assets for the period from January 1, 2015 through December 31, 2016. The waived fees are not subject to recapture by the Adviser.

U.S. Bancorp Fund Services, LLC serves as the Company's administrator. The Company pays the administrator a monthly fee computed at an annual rate of 0.04 percent of the first \$1,000,000,000 of the Company's Managed Assets, 0.01 percent on the next \$500,000,000 of Managed Assets and 0.005 percent on the remaining balance of the Company's Managed Assets.

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 average daily market value of the Company's domestic assets and 0.015 percent of the average daily market value of the Company's Canadian Dollar-denominated assets, plus portfolio transaction fees.

**5. Income taxes**

It is the Company's intention to continue to qualify as a regulated investment company under Subchapter M of the Code and distribute all of its taxable income. Accordingly, no provision for federal income taxes is required in the financial statements.

The amount and character of income and capital gain distributions to be paid, if any, are determined in accordance with federal income tax regulations, which may differ from U.S. generally accepted accounting principles. These differences are primarily due to differences in the timing of recognition of gains or losses on investments. Permanent book and tax basis differences primarily

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related to return of capital distributions and character differences of realized gains on MLP investments resulted in the reclassification of \$3,942,070 to undistributed net investment income, \$(2,659,811) to accumulated net realized loss and \$(1,282,259) to additional paid-in capital.

Tortoise Energy Independence Fund, Inc.

[www.tortoiseadvisors.com](http://www.tortoiseadvisors.com)

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**Notes to Financial Statements** (continued)

The tax character of distributions paid to common stockholders for the years ending November 30, 2014 and November 30, 2013 was as follows:

	Year Ended November 30, 2014	Year Ended November 30, 2013
Ordinary income*	\$ 17,235,442	\$ 23,864,641
Long-term capital gain	6,885,314	877,427
Return of capital	1,282,368	855,296
Total distributions	\$ 25,403,124	\$ 25,597,364

\*For Federal income tax purposes, distributions of short-term capital gains are treated as ordinary income distributions.

As of November 30, 2014, the components of accumulated deficit on a tax basis were as follows:

Unrealized depreciation	\$ (9,392,242)
Other temporary differences*	(3,164,659)
Accumulated deficit	\$ (12,556,901)

\*Other temporary differences relate to losses deferred under straddle regulations per IRC Code Sec. 1092.

As of November 30, 2014, the aggregate cost of securities for federal income tax purposes was \$399,452,103. The aggregate gross unrealized appreciation for all securities in which there was an excess of fair value over tax cost was \$45,543,346, the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over fair value was \$52,086,254 and the net unrealized depreciation was \$6,542,908.

**6. Fair value of financial instruments**

Various inputs are used in determining the fair value of the Company's financial instruments. 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)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following table provides the fair value measurements of applicable Company assets and liabilities by level within the fair value hierarchy as of November 30, 2014. These assets and liabilities are measured on a recurring basis.

Description	Fair Value at			
	November 30, 2014	Level 1	Level 2	Level 3
<b>Assets</b>				
Equity Securities:				
Common Stock <sup>(a)</sup>	\$ 293,957,329	\$ 293,957,329	\$	\$
Master Limited Partnerships and Related Companies <sup>(a)</sup>	98,613,833	98,613,833		
Total Equity Securities	392,571,162	392,571,162		
Other Securities:				
Short-Term Investment <sup>(b)</sup>	338,033	338,033		



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Total Assets	\$ 392,909,195	\$ 392,909,195	\$	\$
<b>Liabilities</b>				
Written Call Options	\$ 369,817	\$ 369,817	\$	\$