TORTOISE ENERGY INFRASTRUCTURE CORP
Form N-30B-2
April 20, 2010

Company at a Glance

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

Investment Goals: Yield, Growth and Quality

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

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

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

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

About Energy Infrastructure Master Limited Partnerships

MLPs are limited partnerships whose units trade on public exchanges such as the New York Stock Exchange (NYSE), the NYSE Alternext US and NASDAQ. Buying MLP units makes an investor a limited partner in the MLP. There are currently approximately 70 MLPs in the market, mostly in industries related to energy and natural resources.

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

A TYG Investment Versus a Direct Investment in MLPs

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

Additional features include:

- One Form 1099 per stockholder at the end of the year, thus avoiding multiple K-1s and multiple state filings for individual partnership investments;
- A professional management team, with nearly 100 years combined investment experience, to select and manage the portfolio on your behalf;

- The ability to access investment grade credit markets to enhance stockholder return; and
- Access to direct placements and other investments not available through the public markets.

March 31, 2010

Dear Fellow Stockholders,

Energy infrastructure companies continued to perform well in the first quarter of 2010. We believe the strong performance was a result of the improving U.S. economic outlook, steady business fundamentals and healthy access to capital for MLP companies. TYG's mix of portfolio companies is intended to minimize volatility and exposure to commodity prices and we believe its investments are positioned for continued strength in 2010.

Master Limited Partnership Sector Review and Outlook

The energy infrastructure sector's first quarter 2010 price performance overcame broader concerns about the economic recovery, and ended impressively. For our quarter ended Feb. 28, 2010, the Tortoise MLP Index™ achieved a total return of 12.8 percent, outperforming the broader U.S. equity market by 11.5 percent. The outperformance resulted from, in our view, favorable underlying business fundamentals. Demand for refined products stabilized, particularly for gasoline, as the improving economy returned more consumers to the roadways. Natural gas transmission operations benefited from their fee-based contract structure.

MLPs raised more than $2.5 billion in equity and more than $6 billion in debt in the first quarter, using the proceeds primarily for acquisitions and organic growth. We view this trend positively, as the capital raised was at increasingly attractive levels. We expect further issuances as MLPs are forecast to invest more than $15 billion through 2012 on new pipeline and storage construction projects to connect new areas of supply to demand centers. While distribution growth slowed in the past year given the uncertainty in the capital markets, we expect distribution growth of three to five percent in 2010 from TYG's portfolio companies.

Company Performance Review and Outlook

For the quarter ended Feb. 28, 2010, our total return based on market value, including the reinvestment of distributions, was 5.2 percent as compared to a total return of 16.5 percent for the prior quarter ended Nov. 30, 2009 and a return of 24.0 percent for the prior year's quarter ended Feb. 28, 2009. We completed a new equity offering in January which temporarily impacted stock price; however, our stock has rebounded since the end of the quarter.

We paid a distribution of $0.54 per common share ($2.16 annualized) to our stockholders on March 1, 2010, unchanged from the previous quarter. This represents an annualized yield of 7.1 percent based on the closing price of $30.46 on March 1, 2010, a dramatic change compared to a 12.1 percent yield based on the closing price of $17.91 on March 2, 2009. We expect to maintain a quarterly distribution of $0.54 per share this year.

Early in the quarter, we completed the refinancing of all our remaining auction rate leverage. Our longer-term leverage of approximately $243 million, excluding our bank credit facility, is comprised of 70 percent private placement debt and 30 percent publicly-traded preferred with a weighted average fixed rate of 5.92 percent and weighted average laddered maturity of approximately 6.5 years. We have also reduced our long-term leverage target to 25 percent of total assets at the time of incurrence from our previous target of 33 percent. Our leverage as of Feb. 28, 2010 was 21.2 percent of total assets.

As a result of our policy of reducing total leverage, and refinancing out of the auction rate market, our distributable cash flow coverage ratio has been reduced. We plan to resume growing our distributions when we have achieved adequate confidence that any such increase is sustainable. Additional information about our financial performance and use of leverage is available in the Management's Discussion of this report.

Conclusion

We believe MLPs provide a compelling risk adjusted current yield relative to other asset classes. We expect the fee-based nature of cash flows, modest leverage and adequate distribution coverage to continue to drive steady returns.

Thank you for investing in TYG and please plan to join us for our annual stockholders' meeting on May 21, 2010 at 10 a.m. central time at our offices located at 11550 Ash St., Suite 300, in Leawood, Kan. If you are unable to attend the meeting, you can join us via our Web site at www.tortoiseadvisors.com.

Sincerely,

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

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

Key Financial Data (Supplemental Unaudited Information)

(dollar amounts in thousands unless otherwise indicated)

The information presented below regarding Distributable Cash Flow and Selected Operating Ratios is supplemental non-GAAP financial information, which we believe is meaningful to understanding our operating performance. The Selected Operating Ratios are 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. Supplemental non-GAAP measures should be read in conjunction with our full financial statements.

	2009				201
	Q1(1)	Q2(1)	Q3(1)	Q4(1)	Q1(
Total Distributions Received from Investments					
Distributions received from master limited partnerships	$ 16,271	$ 16,498	$ 16,554	$ 17,654	$ 1
Dividends paid in stock	2,860	2,767	2,836	1,843	
Dividends from common stock	—	—	—	—	
Short-term interest and dividend income	6	3	—	—	
Total from investments	19,137	19,268	19,390	19,497	2
Operating Expenses Before Leverage Costs and Current Taxes					
Advisory fees, net of expense reimbursement	1,413	1,769	2,083	2,253	
Other operating expenses	298	317	340	338	
	1,711	2,086	2,423	2,591	
Distributable cash flow before leverage costs and current taxes	17,426	17,182	16,967	16,906	1
Leverage costs(2)	3,962	4,019	4,058	4,028	
Current income tax expense	20	22	25	26	
Distributable Cash Flow(3)	$ 13,444	$ 13,141	$ 12,884	$ 12,852	$ 1
Distributions paid on common stock	$ 12,659	$ 12,659	$ 12,752	$ 12,947	$ 1
Distributions paid on common stock per share	0.54	0.54	0.54	0.54	
Payout percentage for period(4)	94.2%	96.3%	99.0%	100.7%	
Net realized gain (loss), net of income taxes	(7,777)	(451)	5,128	11,418	
Total assets, end of period	719,479	840,247	895,475	1,000,278	1,20
Average total assets during period(5)	699,809	762,040	878,521	948,734	1,11
Leverage (long-term debt obligations, preferred stock and short-term borrowings)(6)	260,250	247,500	244,400	250,400	25
Leverage as a percent of total assets	36.2%	29.5%	27.3%	25.0%	
Unrealized appreciation, net of income taxes, end of period	25,452	115,053	152,114	218,575	29
Net assets, end of period	433,698	510,535	542,223	613,601	75
Average net assets during period(7)	422,065	458,511	533,801	587,503	68
Net asset value per common share	18.50	21.78	22.92	25.53	
Market value per share	20.65	25.28	25.82	29.50	
Shares outstanding	23,442,791	23,442,791	23,659,394	24,037,087	26,84
Selected Operating Ratios(8)					
As a Percent of Average Total Assets					
Total distributions received from investments	11.09%	10.03%	8.76%	8.24%	
Operating expenses before leverage costs and current taxes	0.99%	1.09%	1.09%	1.10%	
Distributable cash flow before leverage costs and current taxes	10.10%	8.94%	7.67%	7.14%	
As a Percent of Average Net Assets					
Distributable cash flow(3)	12.92%	11.37%	9.58%	8.77%	

(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, other recurring leverage expenses and distributions to preferred stockholders.

(3) "Net investment income (loss), before income taxes" on the Statement of Operations is adjusted as follows to reconcile to Distributable Cash Flow (DCF): increased by the return of capital on MLP distributions and the value of paid-in-kind distributions, premium on redemption of long-term debt obligations, other non-recurring leverage expenses and amortization of debt issuance costs; and decreased by distributions to preferred stockholders and current taxes paid.

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

(5) Computed by averaging month-end values within each period.
(6) The balance on the short-term credit facility was $12,400,000 as of February 28, 2010.
(7) Computed by averaging daily values within each period.
(8) Annualized for periods less than one full year. Operating ratios contained in our Financial Highlights are based on net assets and include current and deferred income tax expense and leverage costs.

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

Company Update

Market values of our MLP investments increased during 1st quarter 2010 from their levels at November 30, 2009. This contributed to an increase of $73 million in unrealized appreciation (net of income taxes) during the quarter but also increased asset-based expenses. During the quarter we completed the redemption of all our remaining auction rate securities, issued private placement notes and completed public offerings of Mandatory Redeemable Preferred ("MRP") stock and common stock. In addition, we reduced our long-term leverage target to 25 percent of total assets at the time of incurrence and provided guidance that we expect to maintain a $0.54 quarterly distribution for fiscal year 2010. Additional information on these events and results of our operations are discussed in more detail below.

Critical Accounting Policies

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

Determining Distributions to Stockholders

Our portfolio generates cash flow from which we pay distributions to stockholders. Our Board of Directors considers our distributable cash flow ("DCF") in determining distributions to stockholders. Our Board of Directors reviews the distribution rate quarterly, and may adjust the quarterly distribution throughout the year. Our goal is to declare what we believe to be sustainable increases in our regular quarterly distributions. We have targeted to pay at least 95 percent of DCF on an annualized basis.

Determining DCF

DCF is simply distributions received from investments less expenses. The total distributions received from our investments include the amount received by us as cash distributions from MLPs, paid-in-kind distributions, and dividend and interest payments. The total expenses include current or anticipated operating expenses, leverage costs and current income taxes. Each are summarized for you in the table on page 2 and are discussed in more detail below.

The Key Financial Data table discloses the calculation of DCF and should be read in conjunction with this discussion. The difference between distributions received from investments in the DCF calculation and total investment income as reported in the Statement of Operations, is reconciled as follows: GAAP recognizes that a significant portion of the cash distributions received from MLPs are characterized as a return of capital and therefore excluded from investment income, whereas the DCF calculation includes the return of capital; and distributions received from investments in the DCF calculation include the value of dividends paid-in-kind (additional stock or MLP units), whereas such amounts are not included as income for GAAP purposes. The treatment of expenses in the DCF calculation also differs from what is reported in the

Statement of Operations. In addition to the total operating expenses as disclosed in the Statement of Operations, the DCF calculation reflects interest expense, other recurring leverage expenses, distributions to preferred stockholders as well as current taxes paid. A reconciliation of Net Investment Loss, before Income Taxes to DCF is included below.

Distributions Received from Investments

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

We concentrate on MLPs we believe can expect an increasing demand for services from economic and population growth. We seek well-managed businesses with hard assets and stable recurring revenue streams. Our focus remains primarily on investing in fee-based service providers that operate long-haul, interstate pipelines. We further diversify among issuers, geographies and energy commodities to seek a distribution payment which approximates an investment directly in energy infrastructure MLPs. In addition, most energy infrastructure companies are regulated and utilize an inflation escalator index that factors in inflation as a cost pass-through. So, over the long-term, we believe MLPs' distributions will outpace inflation and interest rate increases, and produce positive real returns.

Total distributions received from our investments for the 1st quarter 2010 was approximately $21.5 million, representing a 12 percent increase as compared to 1st quarter 2009 and a 10 percent increase or approximately $2 million as compared to 4th quarter 2009. Of the $2 million increase, approximately $1.8 million was due to distributions received from the investment of the net proceeds from our common stock issuance and incremental leverage, with the remainder reflecting distribution increases from our MLP investments.

Expenses

We incur two types of expenses: (1) operating expenses, consisting primarily of the advisory fee; and (2) leverage costs. On a percentage basis, operating expenses before leverage costs and current taxes were an annualized 1.08 percent of average total assets for the 1st quarter 2010 as compared to 0.99 percent for the 1st quarter 2009 and 1.10 percent for the 4th quarter 2009. The increase of 0.09 percent from 2009 is primarily due to the expiration of the 0.10 percent expense reimbursement in February 2009. Advisory fees for the 1st quarter 2010 increased 15 percent from 4th quarter 2009 as a result of increased average managed assets. Average managed assets increased primarily as a result of increasing MLP asset values and the net proceeds from our common stock issuance and incremental leverage. Yields on our MLP investments have generally reverted to their long-term historical average. All else being equal, if MLP yields continue to tighten, MLP asset values will increase as will our managed assets and advisory fees. Other operating expenses for the 1st quarter 2010 increased as compared to 4th quarter 2009 as a result of increased franchise payments to various states.

Leverage costs consist of two major components: (1) the direct interest expense on our Tortoise Notes and short-term credit facility; and (2) distributions to preferred stockholders. Other leverage expenses include rating agency fees and commitment fees. Total leverage costs for DCF purposes were approximately $4.0 million for the 1st quarter 2010, relatively unchanged as compared to the 1st quarter 2009 and 4th quarter 2009.

The weighted average annual rate of our longer-term fixed-rate leverage is 5.92 percent. This rate does not include balances on our bank line of credit which accrue interest at a variable rate equal to one-month LIBOR plus 2.00 percent. Our weighted average rate may vary in

Management's Discussion (Unaudited)
(Continued)

future periods as our leverage matures or is redeemed. Additional information on our leverage and refinancing activity is disclosed below in Liquidity and Capital Resources and in our Notes to Financial Statements.

Distributable Cash Flow

For 1st quarter 2010, our DCF was approximately $14.4 million, an increase of 7.4 percent as compared to 1st quarter 2009 and 12.3 percent as compared to 4th quarter 2009. The increases are the net result of increased distributions and expenses as outlined above. We declared and paid a distribution of $14.5 million, or 100.4 percent of DCF, during the quarter. On a per share basis, we declared a $0.54 distribution on February 8, 2010. This is unchanged as compared to 1st quarter 2009 and 4th quarter 2009.

Market values of our assets and asset-based expenses have increased more than the distributions from our MLPs over the last year, eroding the cushion we built into our distribution payout percentage in early 2009. Factoring in moderate increases in projected distributions we receive from MLPs, projected expenses and our desire to reestablish a cushion in our distribution payout percentage, we expect to maintain quarterly distributions to our stockholders of $0.54 per share during 2010.

Net investment loss before income taxes on the Statement of Operations is adjusted as follows to reconcile to DCF for 1st quarter 2010 (in thousands):

Net Investment Loss, before Income Taxes	$ (5,271)
Adjustments to reconcile to DCF:	
Dividends paid in stock	2,044
Return of capital on distributions	16,932
Amortization of debt issuance costs	771
Amortization of other leverage expenses	224
Distributions to auction preferred stockholders	(243)
Current income tax expense	(24)
DCF	$ 14,433

Liquidity and Capital Resources

We had total assets of $1.2 billion 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 other receivables and any expenses that may have been prepaid. During 1st quarter 2010, total assets increased $205 million from $1 billion to approximately $1.2 billion. This change was primarily the result of an increase in realized and unrealized gain on investments of approximately $106 million during the quarter (excluding return of capital on distributions received during the quarter), the receipt of net proceeds of approximately $82 million from the issuance of 2.8 million shares of our common stock and the increase of approximately $18 million in incremental leverage supported by the common stock issuance.

Total leverage outstanding at February 28, 2010 of $255.4 million is comprised of approximately $170 million in senior notes, $73 million in preferred shares and $12.4 million outstanding under the credit facility. Total leverage represented 21.2 percent of total assets at February 28, 2010, as compared to 25.0 percent as of November 30, 2009 and 36.2 percent as of February 28, 2009. We established a new long-term leverage target ratio of 25 percent of total assets at time of incurrence, a reduction from our previous target ratio of 33 percent. Further, temporary increases of up to 30 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 MLP values, issuance of equity and/or the sale of securities where proceeds are used to reduce leverage.

During the quarter we completed the refinancing of all our remaining auction rate leverage by issuing a total of $73 million liquidation value of MRP stock. The MRP stock is mandatorily redeemable on December 31, 2019 and pays a monthly distribution at an annual rate of 6.25 percent. The MRP stock is listed on the NYSE under the symbol TYG Pr A and is rated AA and A1 by Fitch Ratings and Moody's Investor Services, Inc., respectively. On December 21, 2009, we used the proceeds from the MRP stock issuance to redeem our $70 million of auction rate preferred shares. The auction rate preferred shares had been in a special rate period since September 2007.

On December 21, 2009, we issued $59,975,000 aggregate amount of private placement notes. The $29,975,000 Series F Notes carry a fixed interest rate of 4.50 percent and mature on December 21, 2012. The $30,000,000 Series G Notes carry a fixed interest rate of 5.85 percent and mature on December 21, 2016. Proceeds from these issuances were used to redeem the $60,000,000 Series A auction rate notes on December 21, 2009. The Series A Notes had been in a special rate period since September 2007.

As a result of these transactions, we no longer have any outstanding auction rate securities. Our longer-term leverage (excluding our bank credit facility) of $242,975,000 is comprised of 70 percent private placement debt and 30 percent publicly traded preferred equity with a weighted average fixed rate of 5.92 percent and remaining weighted average laddered maturity of approximately 6.5 years.

We have used leverage to acquire MLPs 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 8 and Note 9 in the Notes to Financial Statements. Our coverage ratios are updated each week and available on our web site at www.tortoiseadvisors.com.

Taxation of our Distributions and Deferred Taxes

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

The taxability of the distribution you receive depends on whether we have annual earnings and profits. If so, those earnings and profits are first allocated to the preferred shares and then to the common shares.

In the event we have earnings and profits allocated to our common shares, all or a portion of our distribution will be taxable at the 15 percent Qualified Dividend Income (“QDI”) rate, assuming various holding requirements are met by the stockholder. The 15 percent QDI rate is currently effective through 2010. The portion of our distribution that is taxable may vary for either of two reasons: first, the characterization of the distributions we receive from MLPs could change annually based upon the K-1 allocations and result in less return of capital and more in the form of income. Second, we could sell an MLP investment and realize a gain or loss at any time. It is for these reasons that we inform you of the tax treatment after the close of each year as the ultimate characterization of our distributions is undeterminable until the year is over.

For book and tax purposes, distributions to stockholders for the fiscal year ended 2009 were comprised of 100 percent return of capital. A holder of our common stock would reduce their cost basis for income tax purposes by the entire amount of the 2009 distribution. This information is reported to stockholders on Form 1099-DIV and is available on our web site at www.tortoiseadvisors.com.

The unrealized gain or loss we have in the portfolio is reflected in the Statement of Assets and Liabilities. At February 28, 2010, our investments are valued at $1.2 billion, with an adjusted cost of $735 million. The $465 million difference reflects unrealized appreciation that would be realized for financial statement purposes if those investments were sold at those values. The Statement of Assets and Liabilities also reflects either a deferred tax liability or deferred tax asset depending upon unrealized gains (losses) on investments, realized gains (losses) on investments and net operating losses. At February 28, 2010, the balance sheet reflects a deferred tax liability of approximately $178 million or $6.65 per share. Accordingly, our net asset value per share represents the amount which would be available for distribution to stockholders after payment of taxes. Details of our deferred taxes are disclosed in Note 5 in our Notes to Financial Statements.

Schedule of Investments

February 28, 2010

(Unaudited)

	Shares	Fair Value
Master Limited Partnerships and Related Companies — 159.7%(1)		
Crude/Refined Products Pipelines — 68.4%(1)		