

TORTOISE CAPITAL RESOURCES CORP  
Form 10-K  
January 26, 2011

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended November 30, 2010

OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NUMBER: 001-33292

TORTOISE CAPITAL RESOURCES CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Maryland 20-3431375  
(State or Other Jurisdiction of Incorporation or Organization) (IRS Employer Identification No.)

11550 Ash Street, Suite 300  
Leawood, Kansas 66211  
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: (913) 981-1020

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name Of Each Exchange On Which Registered
Common Stock, par value \$0.001 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

The aggregate market value of common stock held by non-affiliates of the registrant on May 28, 2010 based on the closing price on that date of \$5.80 on the New York Stock Exchange was \$52,313,000. Common shares held by each executive officer and director and by each person who owns 10% or more of the outstanding common shares (as determined by information provided to the registrant) have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of December 31, 2010, the registrant had 9,146,506 common shares outstanding.

### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for its 2011 Annual Meeting of Stockholders to be filed not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K are incorporated by reference into Part III of this Form 10-K.

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**TORTOISE CAPITAL RESOURCES CORPORATION  
FORM 10-K**

FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2010

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PART I

ITEM 1. BUSINESS

General

We were organized as a Maryland corporation on September 8, 2005, commenced operations on December 8, 2005, and are a non-diversified closed-end management investment company focused on the U.S. energy infrastructure sector. We are regulated as a business development company (“BDC”) under the Investment Company Act of 1940 (the “1940 Act”). Our common shares began trading on the New York Stock Exchange (“NYSE”) under the symbol “TTO” on February 2, 2007. We invest primarily in privately-held and micro-cap public companies operating in the U.S. energy infrastructure sector. We seek to invest in companies in the energy infrastructure sector that generally produce stable cash flows as a result of their fee-based revenues and proactive hedging programs which help to limit direct commodity price risk.

Companies in the midstream segment of the energy infrastructure sector engage in the business of transporting, processing or storing natural gas, natural gas liquids, crude oil, refined petroleum products and renewable energy resources. Companies in the downstream segment of the energy infrastructure sector engage in distributing or marketing such commodities, and companies in the upstream segment of the energy infrastructure sector engage in exploring, developing, managing or producing such commodities. The energy infrastructure sector also includes producers and processors of coal and aggregates, two business segments that also are eligible for master limited partnership (“MLP”) status.

Unlike most investment companies, we have not elected, and do not intend to elect, to be treated as a regulated investment company (“RIC”) under the Internal Revenue Code of 1986, as amended (the “Code”). Therefore, we are, and intend to continue to be, obligated to pay federal and applicable state corporate income taxes on our taxable income.

Our Adviser

We are externally managed by Tortoise Capital Advisors, L.L.C. (our “Adviser”), a registered investment adviser specializing in listed energy infrastructure investments, such as pipeline and power companies, that had approximately \$6.1 billion of assets under management as of December 31, 2010, including the assets of five other publicly traded closed-end management investment companies and private accounts. Our Adviser’s aggregate managed capital is among the largest of investment advisers managing closed-end management investment companies focused on the energy sector.

Our Adviser currently has four investment professionals who are primarily responsible for the origination, structuring and managing of our investments:

- David J. Schulte — Mr. Schulte has been a Managing Director of our Adviser since 2002 and also serves as our Chief Executive Officer. In addition, Mr. Schulte serves as Chief Executive Officer and President of Tortoise Energy Infrastructure Corporation (NYSE: TYG), Tortoise Energy Capital Corporation (NYSE: TYY) and Tortoise Power and Energy Infrastructure Fund, Inc. (NYSE: TPZ), Chief Executive Officer of Tortoise North American Energy Corporation (NYSE: TYN), Senior Vice-President of Tortoise MLP Fund, Inc. (NYSE: NTG) and President of the privately held closed-end investment company managed by our Adviser. From 1993 to 2002, Mr. Schulte was a full-time Managing Director at Kansas City Equity Partners, L.C. (“KCEP”). While a partner at KCEP, Mr. Schulte led private financings for two growth MLPs in the energy infrastructure sector, Inergy, L.P., where he served as a director, and MarkWest Energy Partners, L.P., where he was a board observer. Prior to joining KCEP, Mr. Schulte had over five years of experience completing acquisition and public equity financings as an investment banker at the predecessor of Oppenheimer & Co., Inc.
- Edward Russell — Mr. Russell serves as our President. Prior to joining our Adviser in March 2006, Mr. Russell was at Stifel Nicolaus since 1999, where he headed the Energy and Power Group as a Managing Director from 2003 to March 2006, and served as Vice President-Investment Banking before that. While a Managing Director at Stifel, Nicolaus & Company, Incorporated (“Stifel Nicolaus”), Mr. Russell was responsible for all of the energy and power transactions, including debt and equity transactions for TYG, TYY and TYN and our first private placement transaction. Prior to joining Stifel Nicolaus, Mr. Russell worked for more than 15 years as an investment banker at Pauli & Company, Inc. and Arch Capital LLC and as a commercial banker with Magna Group and South Side National Bank.
- Terry Matlack — Mr. Matlack has been a Managing Director of our Adviser since 2002 and also serves as our Chief Financial Officer. Mr. Matlack is also the Chief Financial Officer of TYG, TYY, TYN, TPZ, and the privately held closed-end investment company managed by our Adviser, and serves as the Chief Executive Officer of NTG. From 2001 to 2002, Mr. Matlack was a full-time Managing Director at KCEP. Prior to joining KCEP, Mr. Matlack was President of GreenStreet Capital and its affiliates, which invested primarily in the telecommunications service industry. Prior to 1995, he was Executive Vice President and a member of the Board of Directors of W. K. Communications, Inc., a cable television acquisition company, and Chief Operating Officer of W. K. Cellular, a rural cellular service area operator.



- Lisa Marquard — Prior to joining our Adviser in June 2007, Ms. Marquard was with Stifel Nicolaus since 2002, where she worked in the Financial Institution Investment Banking Group. Her prior experience includes executing public and private capital offerings, merger and acquisition advisory services, as well as general advisory services including valuations, strategic alternatives and shareholder reduction transactions. As of January 1, 2011, Ms. Marquard is no longer an employee of the Adviser, but has instead assumed a consulting role with the Adviser, and is also serving as the Chief Financial Officer of Mowood, LLC.

Our Adviser has retained Kenmont Investments Management, L.P. (“Kenmont”) as a sub-adviser. Kenmont is a Houston, Texas based registered investment adviser with experience investing in privately-held and public companies in the U.S. energy and power sectors. Kenmont provides additional contacts to us and enhances our number and range of potential investment opportunities. The principals of Kenmont have collectively created and managed private equity portfolios in excess of \$1.5 billion and collectively have over 50 years of experience working for investment banks, accounting firms, operating companies and money management firms. Our Adviser compensates Kenmont for the services it provides to us. Our Adviser also indemnifies and holds us harmless from any obligation to pay or reimburse Kenmont for any fees or expenses incurred by Kenmont in providing such services to us. Entities managed by Kenmont own less than 1 percent of our outstanding common shares and warrants to purchase an additional 281,666 of our common shares.

#### Staffing

We do not currently have or expect to have any employees. Services necessary for our business are provided by individuals who are employees of our Adviser, pursuant to the terms of the Investment Advisory Agreement and the Administration Agreement. Our Adviser currently has 38 employees. Our executive officers and three of our investment professionals are employees of our Adviser, with the fourth investment professional working under a consulting agreement with the Adviser.

#### License Agreement

Pursuant to the Investment Advisory Agreement, our Adviser has consented to our use on a non-exclusive, royalty-free basis, of “Tortoise” in our name. We will have the right to use the “Tortoise” name so long as our Adviser or one of its approved affiliates remains our investment adviser. Other than with respect to this limited right, we will have no legal right to the “Tortoise” name. This right will remain in effect for so long as the Investment Advisory Agreement with our Adviser is in effect and will automatically terminate if the Investment Advisory Agreement were to terminate for any reason, including upon its assignment.

#### Our Investments

We have pursued our investment objective by investing principally in a portfolio of privately-held and micro-cap public companies in the U.S. energy infrastructure sector. The energy infrastructure sector can be broadly categorized as follows:

- Midstream — the gathering, processing, storing and transmission of energy resources and their byproducts in a form that is usable by wholesale power generation, utility, petrochemical, industrial and gasoline customers, including pipelines, gas processing plants, liquefied natural gas facilities and other energy infrastructure companies.
- Downstream — the refining of energy sources, and the marketing and distribution of such refined products, such as customer-ready natural gas, natural gas liquids, propane and gasoline, to end-user customers, and customers engaged in the generation, transmission and distribution of power and electricity.
- Upstream — the exploitation and extraction of energy resources, including natural gas and crude oil from onshore and offshore geological reservoirs as well as from renewable sources, including agricultural, thermal, solar, wind and biomass.
- Other — includes production and processing of coal and aggregates.

#### Targeted Investment Characteristics

Generally our targeted investments have the following characteristics:

- Long-Life Assets with Stable Cash Flows and Limited Commodity Price Sensitivity. Most of our investments have the potential to generate stable cash flows over long periods of time. We have invested a portion of our assets in companies that own and operate assets with long useful lives and that generate cash flows by providing critical services primarily to the producers or end-users of energy. We have attempted to limit the direct exposure to energy commodity price risk in our portfolio. We have targeted companies

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that have a majority of their cash flows generated by contractual obligations.

- **Experienced Management Teams with Energy Infrastructure Focus.** We have targeted investments in companies with management teams that have a track record of success and that often have substantial knowledge and focus in particular segments of the energy infrastructure sector or with certain types of assets. We believe that our management team's extensive experience and network of business relationships in the energy infrastructure sector will enable us to identify and attract portfolio company management teams that meet these criteria.
- **Fixed Asset-Intensive Investments.** Most of our investments have been made in companies with a relatively significant base of fixed assets. Compared to companies with lower relative fixed asset levels, fixed asset intensive companies often are characterized by economies of scale and barriers to entry.

- Limited Technological Risk. We generally do not target investment opportunities involving the application of new technologies or significant geological, drilling or development risk.
- Exit Opportunities. We have focused our investments on prospective portfolio companies that we believe will generate a steady stream of cash flow to generate returns on our investments as well as allow such companies to reinvest in their respective businesses. We expect that such internally generated cash flow will lead to distributions or the repayment of the principal of our investments in portfolio companies and will be a key means by which we monetize our investments over time. In addition, we have sought to invest in companies whose business models and expected future cash flows offer attractive exit possibilities. These companies include candidates for strategic acquisition by other industry participants and companies that may repay, or provide liquidity for, our investments through an initial public offering of common stock or other capital markets transactions. We believe our Adviser's investment experience will help us identify such companies.

#### Investment Structure and Types of Investments

Once our Adviser's investment committee has determined that a prospective portfolio company is suitable for investment, for those transactions in which we buy securities in a private transaction, we work with the management of that company, its advisers, and its other capital providers, including other senior and junior debt and equity capital providers, if any, to structure an investment. As a BDC, we are subject to numerous regulations and restrictions. We may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, or "qualifying assets," unless at the time the acquisition is made qualifying assets represent at least 70 percent of our total assets. We may invest up to 30 percent of our total assets in assets that are non-qualifying assets in, among other things, high yield bonds, bridge loans, distressed debt, commercial loans, private equity and securities of public companies or secondary market purchases of securities of target portfolio companies.

The types of securities in which we may invest include, but are not limited to, the following:

#### Equity Investments

Our equity investments may consist of common or preferred equity (generally limited partner interests, including interests in MLPs, and limited liability company interests) that are expected to pay distributions on a current basis. Preferred equity generally has a preference over common equity as to distributions during operations and upon liquidation. In general, we expect that our equity investments will not be control-oriented investments and we may acquire equity securities as part of a group of private equity investors in which we are not the lead investor. In some cases, we also may obtain registration rights in connection with these equity interests, which may include demand and "piggyback" registration rights.

In addition to limited partner interests and limited liability company interests, we may also purchase, among others, general partner interests, common and preferred stock, convertible securities, warrants and depository receipts of companies that are organized as corporations, limited partnerships or limited liability companies. We may also invest in the securities of entities formed as joint ventures with companies in the energy infrastructure sector to spin off assets deemed to be better suited for ownership through a separate entity or to construct greenfield projects.

#### Debt Investments

Our debt investments may be secured or unsecured. In general, our debt investments will not be control-oriented investments and we may acquire debt securities as a part of a group of investors in which we are not the lead investor. We may structure our debt investments as mezzanine loans. Mezzanine loans typically are not secured by assets of the company, and usually rank subordinate in priority of payment to senior debt, such as senior bank debt, but senior to common and preferred equity, in a borrower's capital structure. We may invest in a range of debt investments generally having a term of five to ten years and bearing interest at either a fixed or floating rate. These loans may have interest-only payments in the early years, with amortization of principal deferred to the later years of the term of the loan.

In addition to bearing fixed or variable rates of interest, mezzanine loans also may provide an opportunity to participate in the capital appreciation of a borrower through an equity interest. We expect this equity interest will typically be in the form of a warrant. Due to the relatively higher risk profile and often less restrictive covenants, as compared to senior loans, mezzanine loans generally earn a higher return than senior loans. The warrants associated with mezzanine loans are typically detachable, which allows lenders to receive repayment of principal while retaining their equity interest in the borrower. In some cases, we anticipate that mezzanine loans may be collateralized by a subordinated lien on some or all of the assets of the borrower.

In some cases, our debt investments may provide for a portion of the interest payable to be payment-in-kind interest. To the extent interest is payment-in-kind, it will likely be payable through the increase of the principal amount of the loan by the amount of interest due on the then-outstanding aggregate principal amount of such loan.





We tailor the terms of our debt investments to the facts and circumstances of the transaction and the prospective portfolio company, creating a structure that aims to protect our rights and manage risk while creating incentives for the portfolio company to achieve its business plan and improve its profitability. For example, in addition to seeking a position senior to common and preferred equity in the capital structure of our portfolio companies, we will seek, where appropriate, to limit the downside potential of our debt investments by:

- requiring a total return on our investments (including both interest and potential equity appreciation) that compensates us for our credit risk;
- incorporating “put” rights and “call” protection into the investment structure; and
- structuring covenants in connection with our investments that afford portfolio companies as much flexibility in managing their businesses as possible, consistent with preservation of our capital. Such restrictions may include affirmative and negative covenants, default penalties, lien protection, change of control provisions and board rights, including either observation or participation rights.

### Warrants

Our investments may include warrants or options to establish or increase an equity interest in the portfolio company. Warrants we receive in connection with an investment may require only a nominal cost to exercise, and thus, as a portfolio company appreciates in value, we may achieve additional investment return from this equity interest. We may structure the warrants to provide provisions protecting our rights as a minority-interest holder, as well as puts, or rights to sell such securities back to the portfolio company, upon the occurrence of specified events. In certain cases, we also may obtain registration rights in connection with these equity interests, which may include demand and “piggyback” registration rights.

### Market Opportunity

We believe the environment for investing in privately-held and micro-cap public companies in the energy infrastructure sector has the potential to be attractive for the following reasons:

- **Increased Demand Among Small and Middle Market Private Companies for Capital.** We believe many private and micro-cap public companies have faced increased difficulty accessing the capital markets due to a continuing preference by investors for issuances in larger companies with more liquid securities. Such difficulties have been magnified in asset-focused and capital intensive industries such as the energy infrastructure sector. We believe that the U.S. energy infrastructure sector’s high level of projected capital expenditures and continuing acquisition and divestiture activity will provide us with attractive investment opportunities.
- **Finance Market for Small and Middle Market Energy Companies is Underserved by Many Capital Providers.** We believe that many lenders have, in recent years, de-emphasized their service and product offerings to small and middle market energy companies in favor of lending to large corporate clients and managing capital markets transactions. We believe, in addition, that many capital providers lack the necessary technical expertise to evaluate the quality of the underlying assets of small and middle market private companies and micro-cap public companies in the energy infrastructure sector and lack a network of relationships with such companies.
- **Attractive Companies with Limited Access to Other Capital.** We believe there are, and will continue to be, attractive companies that will benefit from private equity investments prior to a public offering of their equity, whether as an MLP or otherwise. We also believe that there are a number of companies in the midstream and downstream segments of the U.S. energy infrastructure sector with the same stable cash flow characteristics as those being acquired by MLPs or funded by private equity capital in anticipation of contribution to an MLP. We believe that many such companies are not being acquired by MLPs or attracting private equity capital because they do not produce income that qualifies for inclusion in an MLP pursuant to the applicable U.S. Federal income tax laws, are perceived by such investors as too small, or are in areas of the midstream energy infrastructure segment in which most MLPs do not have specific expertise. We believe that these companies represent attractive investment candidates for us.

### Competition

We compete with public and private funds, commercial and investment banks and commercial financing companies to make the types of investments that we plan to make in the U.S. energy infrastructure sector. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than us. For example, some competitors may have a lower cost of funds and access to funding sources that are not currently available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, allowing them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC. These competitive conditions may adversely affect our ability to make investments in the energy infrastructure sector and could adversely affect our distributions to stockholders.



## Competitive Advantages

We believe that we are well positioned to meet the financing needs of companies within the U.S. energy infrastructure sector for the following reasons:

- Existing Investment Platform and Focus on the Energy Infrastructure Sector. We believe that our Adviser's current investment platform provides us with significant advantages in sourcing, evaluating, executing and managing investments. Our Adviser is a registered investment adviser specializing in the energy sector and had approximately \$6.1 billion of assets under management as of December 31, 2010, including the assets of five other publicly traded closed-end management investment companies and private accounts. Our Adviser created the first publicly traded closed-end management investment company focused primarily on investing in MLPs involved in the energy infrastructure sector, and its aggregate managed capital is among the largest of those closed-end management investment company advisers focused on the energy sector.
- Experienced Management Team. The members of our Adviser's investment committee have an average of over 20 years of financial investment experience. Our Adviser's investment professionals responsible for the structuring and managing of our investments have vast experience in energy, investment banking, leveraged finance and private equity investing. We believe that the members of our Adviser's investment committee and the Adviser's investment professionals have developed strong reputations in the capital markets, particularly in the energy infrastructure sector, that we believe affords us a competitive advantage in identifying and investing in energy infrastructure companies.
- Disciplined Investment Philosophy. In making its investment decisions, our Adviser intends to continue the disciplined investment approach that it has used since its founding. That investment approach emphasizes current income with the potential for enhanced returns through distribution growth, capital appreciation, low volatility and minimization of downside risk. Our Adviser's investment process involves an assessment of the overall attractiveness of the specific subsector of the energy infrastructure sector in which a prospective portfolio company is involved; such company's specific competitive position within that subsector; potential commodity price, supply and demand and regulatory concerns; the stability and potential growth of the prospective portfolio company's cash flows; the prospective portfolio company's management track record and incentive structure and our Adviser's ability to structure an attractive investment.
- Flexible Transaction Structuring. We are not subject to many of the regulatory limitations that govern traditional lending institutions such as commercial banks. As a result, we can be flexible in structuring investments and selecting the types of securities in which we invest. Our Adviser's investment professionals have substantial experience in structuring investments that balance the needs of energy infrastructure companies with appropriate risk control.
- Extended Investment Horizon. Unlike private equity and venture capital funds, we are not subject to standard periodic capital return requirements. These provisions often force private equity and venture capital funds to seek quicker returns on their investments through mergers, public equity offerings or other liquidity events that may otherwise be desirable, potentially resulting in both a lower overall return to investors and an adverse impact on their portfolio companies. We believe our flexibility to make investments with a long-term view and without the capital return requirements of traditional private investment funds enhance our ability to generate attractive returns on invested capital.

## Investment Process and Due Diligence

In conducting due diligence, our Adviser uses available public information and information obtained from its relationships with former and current management teams, vendors and suppliers to prospective portfolio companies, investment bankers, consultants and other advisers. Although our Adviser uses research provided by third parties when available, primary emphasis is placed on proprietary analysis and valuation models conducted and maintained by our Adviser's in-house investment professionals.

The due diligence process followed by our Adviser's investment professionals is highly detailed and structured. Our Adviser exercises discipline with respect to company valuation and institutes appropriate structural protections in our investment agreements. After our Adviser's investment professionals undertake initial due diligence of a prospective portfolio company, if appropriate, more extensive due diligence will be undertaken. Our due diligence process may include the following as appropriate:

- review of historical and prospective financial information, as well as off-balance sheet and/or contingent assets or liabilities;
- review and analysis of financial models and projections;

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- for many midstream and upstream investments, review of third party engineering reserve reports and internal engineering reviews;
- on-site visits;
- review of the status of the potential portfolio company's title to any assets serving as collateral and liens on such assets;

- environmental diligence and assessments;
- interviews with management, and if accessible, employees, customers and vendors of the prospective portfolio company;
- research relating to the prospective portfolio company's industry, regulatory environment, products and services and competitors;
- review of financial, accounting and operating systems;
- review of relevant corporate, partnership and other loan documents; and
- research relating to the prospective portfolio company's management, including background and reference checks using our Adviser's industry contact base and commercial data bases and other investigative sources.

Additional due diligence with respect to any investment may be conducted on our behalf by our legal counsel and/or accountants, as well as by other outside advisers and consultants, as appropriate.

Upon the conclusion of the due diligence process, our Adviser's investment professionals present a detailed investment proposal to our Adviser's investment committee. All decisions to invest in a portfolio company must be approved by the unanimous decision of our Adviser's investment committee.

#### Ongoing Relationships with Portfolio Companies

##### Monitoring

The investment professionals of our Adviser monitor each portfolio company to determine progress relative to meeting the company's business plan and to assess the company's strategic and tactical courses of action. This monitoring may be accomplished by attendance at Board of Directors meetings, the review of periodic operating and financial reports, an analysis of relevant reserve information and capital expenditure plans, and periodic consultations with engineers, geologists, and other experts. The performance of each portfolio company is also periodically compared to performance of similarly sized companies with comparable assets and businesses to assess performance relative to peers. Our Adviser's monitoring activities are expected to provide it with the necessary access to monitor compliance with existing covenants, to enhance its ability to make qualified valuation decisions, and to assist its evaluation of the nature of the risks involved in each individual investment. In addition, these monitoring activities should permit our Adviser to diagnose and manage the common risk factors held by our total portfolio, such as sector concentration, exposure to a single financial sponsor, or sensitivity to a particular geography.

##### Significant Managerial Assistance

A BDC must be organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities described below. However, in order to count portfolio securities as qualifying assets for the purpose of the 70 percent test, a BDC must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than small and solvent companies described above) significant managerial assistance. Making available significant managerial assistance means, among other things, any arrangement whereby a BDC, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company through monitoring of portfolio company operations, selective participation in board and management meetings, consulting with and advising a portfolio company's officers, or other organizational or financial guidance.

##### Operating and Regulatory Structure

We are regulated as a BDC under the 1940 Act and classified as a non-diversified closed-end management investment company under the 1940 Act. We are, and currently intend to be, taxed as a general business corporation under the Code.

As a BDC, we are subject to numerous regulations and restrictions. We may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, or "qualifying assets," unless at the time the acquisition is made qualifying assets represent at least 70 percent of our total assets. We may invest up to 30 percent of our total assets in assets that are non-qualifying assets and are not subject to the limitations referenced above. These investments may include, among other things, investments in high yield bonds, bridge loans, distressed debt, commercial loans, private equity, and securities of public companies or secondary market purchases of otherwise qualifying assets. If the value of non-qualifying assets should at any time exceed 30 percent of our total assets, we will be precluded from acquiring any additional non-qualifying assets until such time as the value of our qualifying assets again equals at least 70 percent of our total assets.



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Unlike most investment companies, we have not elected, and do not intend to elect, to be treated as a RIC under the Code. Therefore, we are, and currently intend to be, obligated to pay federal and applicable state corporate income taxes on our taxable income. As a result of not electing to be treated as a RIC, we are not subject to the Code's diversification rules limiting the assets in which a RIC can invest. In addition, we are not subject to the Code's restrictions on the types of income that a RIC can recognize without adversely affecting its election to be treated as a RIC, allowing us the ability to invest in operating entities treated as partnerships under the Code, which we believe provide attractive investment opportunities. Finally, unlike RICs, we are not effectively required by the Code to distribute substantially all of our income and capital gains. Distributions on the common shares will be treated first as taxable dividend income to the extent of our current or accumulated earnings and profits, then as a tax free return of capital to the extent of a stockholder's tax basis in the common shares, and last as capital gain. We anticipate that the distributed cash from our portfolio investments in entities treated as partnerships for tax purposes will exceed our share of taxable income from those portfolio investments. Thus, we anticipate that only a portion of distributions we make on the common shares will be treated as taxable dividend income to our stockholders.

### Codes of Ethics

We have adopted a code of ethics which applies to our principal executive officer and principal financial officer. We have also adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to the code of ethics may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code of ethics. This information may be obtained, without charge, upon request by calling us at (913) 981-1020 or toll-free at (866) 362-9331 and on our Web site at [www.tortoiseadvisors.com/tto.cfm](http://www.tortoiseadvisors.com/tto.cfm).

You may also read and copy the codes of ethics at the Securities and Exchange Commission's Public Reference Room in Washington, D.C. You may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at (800) SEC-0330. In addition, the codes of ethics are available on the EDGAR Database on the Securities and Exchange Commission's Internet site at <http://www.sec.gov>. You may obtain copies of the codes of ethics, after paying a duplicating fee, by electronic request at the following email address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the Securities and Exchange Commission's Public Reference Section, Washington, D.C. 20549.

### Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") imposes a wide variety of regulatory requirements on publicly-held companies and their insiders. The Sarbanes-Oxley Act requires us to review our policies and procedures to determine whether we comply with the Sarbanes-Oxley Act and the regulations promulgated thereunder. We will continue to monitor our compliance with all future regulations that are adopted under the Sarbanes-Oxley Act and will take actions necessary to ensure that we are in compliance therewith. As of November 30, 2010, we are a non-accelerated filer. This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to Section 989G of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

### Available Information

Our principal executive offices are located at 11550 Ash Street, Suite 300, Leawood, Kansas 66211, our telephone number is (913) 981-1020, or toll-free (866) 362-9331, and our Web site is [www.tortoiseadvisors.com/tto.cfm](http://www.tortoiseadvisors.com/tto.cfm). We will make available free of charge our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports when we electronically file such material with, or furnish it to, the SEC. This information may be obtained, without charge, upon request by calling us at (913) 981-1020 or toll-free at (866) 362-9331 and on our Web site at [www.tortoiseadvisors.com/tto.cfm](http://www.tortoiseadvisors.com/tto.cfm). This information will also be available at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information filed by us with the SEC which is available on the SEC's internet site at [www.sec.gov](http://www.sec.gov). Please note that any internet addresses provided in this Form 10-K are for informational purposes only and are not intended to be hyperlinks. Accordingly, no information found and/or provided at such internet address is intended or deemed to be included by reference herein.

## ITEM 1A. RISK FACTORS

### Risks Related to Our Operations

Our Adviser serves as investment adviser to other funds, which may create conflicts of interest not in the best interest of us or our stockholders.



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Our Adviser was formed in October 2002 and has been managing investments in portfolios of MLPs and other issuers in the energy sector since that time, including management of the investments of TYG since February 27, 2004, TYY since May 31, 2005, TYN since October 31, 2005, TPZ since July 31, 2009, NTG since July 30, 2010 and one privately-held closed-end management investment company since June 29, 2007. From time to time the Adviser may pursue areas of investments in which the Adviser has more limited experience.

Our investment committee is the same for, and all of our Adviser's employees provide services for, other funds managed by our Adviser. Our Adviser's services under the investment advisory agreement are not exclusive, and it is not prohibited from furnishing the same or similar services to other entities, including businesses that may directly or indirectly compete with us so long as its services to us are not impaired by the provision of such services to others. In addition, the publicly-traded funds and private accounts managed by our Adviser may make investments similar to investments that we may pursue. Unlike the other funds managed by our Adviser, we have generally targeted investments in companies that are privately-held or have market capitalizations of less than \$250,000,000, and that are earlier in their stage of development. We have also focused on privately-held and micro-cap public energy companies operating in the midstream and downstream segment, and to a lesser extent the upstream and coal/aggregates segments, of the U.S energy infrastructure sector.

Our Adviser and the members of its investment committee may have obligations to other investors, the fulfillment of which might not be in the best interests of us or our stockholders, and it is possible that our Adviser might allocate investment opportunities to other entities, limiting attractive investment opportunities available to us. However, our Adviser intends to allocate investment opportunities in a fair and equitable manner consistent with our investment objectives and strategies, and in accordance with written allocation policies and procedures of our Adviser, so that we will not be disadvantaged in relation to any other client.

We are dependent upon our Adviser's key personnel for our future success.

We depend on the diligence, expertise and business relationships of the senior management of our Adviser. Our Adviser's investment professionals and senior management will evaluate, structure, close and monitor our investments. Our future success will depend on the continued service of the senior management team of our Adviser. The departure of one or more investment professionals of our Adviser could have a material adverse effect on our ability to achieve our investment objective and on the value of our common shares. We will rely on certain employees of the Adviser who will be devoting significant amounts of their time to other activities of the Adviser. To the extent the Adviser's investment professionals and senior management are unable to, or do not, devote sufficient amounts of their time and energy to our affairs, our performance may suffer.

The incentive fee payable to our Adviser may create conflicting incentives.

The incentive fee payable by us to our Adviser may create an incentive for our Adviser to make investments on our behalf that are riskier or more speculative than would be the case in the absence of such a compensation arrangement. Because a portion of the incentive fee payable to our Adviser is calculated as a percentage of the amount of our net investment income that exceeds a hurdle rate, our Adviser may imprudently use leverage to increase the return on our investments. Under some circumstances, the use of leverage may increase the likelihood of default, which would disfavor the holders of our common shares. In addition, our Adviser will receive an incentive fee based, in part, upon net realized capital gains on our investments. Unlike the portion of the incentive fee based on net investment income, there is no hurdle rate applicable to the portion of the incentive fee based on net capital gains. As a result, our Adviser may have an incentive to pursue investments that are likely to result in capital gains as compared to income producing securities. Such a practice could result in our investing in more speculative or long term securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns or longer return cycles.

We may be required to pay an incentive fee even in a fiscal quarter in which we have incurred a loss. For example, if we have pre-incentive fee net investment income above the hurdle rate and realized capital losses, we will be required to pay the investment income portion of the incentive fee.

The investment income portion of the incentive fee payable by us will be computed and paid on income that may include interest that has been accrued but not yet received in cash, and the collection of which is uncertain or deferred. If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously used in the calculation of the investment income portion of the incentive fee will become uncollectible. Our Adviser will not be required to reimburse us for any such incentive fee payments.

Because we expect to distribute substantially all of our income to our stockholders, we will continue to need additional capital to make new investments. If additional funds are unavailable or not available on favorable terms, our ability to make new investments will be impaired. If we distribute substantially all of our income to our stockholders and desire to make new investments, our business will require a substantial amount of capital. We may acquire additional capital from the issuance of securities senior to our common shares, including additional borrowings or other indebtedness or the issuance of additional securities. We may also acquire additional capital through the issuance of additional equity. However, we may not be able to raise additional capital in the future on favorable terms or at all. Unfavorable economic conditions could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. We may issue debt securities, other instruments of indebtedness or preferred stock, and borrow money from banks or other financial institutions, which we refer to collectively as "senior securities," up to the maximum amount permitted by the 1940 Act. The 1940 Act permits us to issue senior securities in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200 percent after each issuance of senior securities. Our ability to pay distributions or issue additional senior securities is restricted if our asset coverage ratio is not at least 200 percent, or put another way, the value of our assets (less all liabilities and indebtedness not represented by senior securities) must be at least twice that of any outstanding senior securities (plus the aggregate involuntary liquidation preference of any preferred stock). If the value of our assets

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declines, we may be unable to satisfy this test. If that happens, we may be required to liquidate a portion of our investments and repay a portion of our indebtedness at a time when such sales may be disadvantageous. As a result of issuing senior securities, we will also be exposed to typical risks associated with leverage, including increased risk of loss. If we issue preferred securities which will rank “senior” to our common shares in our capital structure, the holders of such preferred securities may have separate voting rights and other rights, preferences or privileges more favorable than those of our common shares, and the issuance of such preferred securities could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for security holders or otherwise be in our best interest.

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To the extent our ability to issue debt or other senior securities is constrained, we will depend on issuances of additional common shares to finance new investments. As a BDC, we generally are not able to issue additional common shares at a price below NAV (net of any sales load (underwriting discount)) without first obtaining required approvals of our stockholders and our independent directors, which could constrain our ability to issue additional equity. If we raise additional funds by issuing more of our common shares or senior securities convertible into, or exchangeable for, our common shares, the percentage ownership of our stockholders at that time would decrease, and you may experience dilution.

As a BDC, we are subject to limitations on our ability to engage in certain transactions with affiliates.

As a BDC, we are prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our independent directors or the SEC. Any person that owns, directly or indirectly, 5 percent or more of our outstanding voting securities is our affiliate for purposes of the 1940 Act and we are generally prohibited from buying or selling any security from or to such affiliate, absent the prior approval of our independent directors. The 1940 Act also prohibits “joint” transactions with an affiliate, which could include investments in the same portfolio company (whether at the same or different times), without prior approval of our independent directors. If a person acquires more than 25 percent of our voting securities, we will be prohibited from buying or selling any security from or to such person, or entering into joint transactions with such person, absent prior approval of the SEC.

We may choose to invest a portion of our portfolio in investments that may be considered highly speculative and that could negatively impact our ability to pay distributions and cause you to lose part of your investment.

The 1940 Act permits a BDC to invest up to 30 percent of its assets in investments that do not meet the test for “qualifying assets.” Such investments may be made by us with the expectation of achieving a higher rate of return or increased cash flow with a portion of our portfolio and may fall outside of our targeted investment criteria. These investments may be made even though they may expose us to greater risks than our other investments and may consequently expose our portfolio to more significant losses than may arise from our other investments. We may invest up to 30 percent of our total assets in assets that are non-qualifying assets in among other things, high yield bonds, bridge loans, distressed debt, commercial loans, private equity, and securities of public companies or secondary market purchases of securities of target portfolio companies. Such investments could impact negatively our ability to pay you distributions and cause you to lose part of your investment.

We may utilize leverage within our portfolio.

Lenders from whom we may borrow money or holders of our debt securities may have fixed dollar claims on our assets that are superior to the claims of our stockholders, and we have, and may in the future, grant a security interest in our assets in connection with our debt. In the case of a liquidation event, those lenders or note holders would receive proceeds before our stockholders. In addition, debt, also known as leverage, magnifies the potential for gain or loss on amounts invested and, therefore, increases the risks associated with investing in our securities. Leverage is generally considered a speculative investment technique and the costs of any leverage transactions will be borne by our stockholders. In addition, because the base management fees we pay to our Adviser are based on Managed Assets (which includes any assets purchased with borrowed funds); our Adviser may imprudently borrow funds in an attempt to increase our managed assets and in conflict with our or our stockholders’ best interests. If the value of our assets increases, then leveraging would cause the net asset value attributable to our common shares to increase more than it otherwise would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause the net asset value attributable to our common shares to decline more than it otherwise would have had we not leveraged. Similarly, any increase in our revenue in excess of interest expense on our borrowed funds would cause our net income to increase more than it would without the leverage. Any decrease in our revenue would cause our net income to decline more than it would have had we not borrowed funds and could negatively affect our ability to make distributions on our common shares. Our ability to service any debt that we incur will depend largely on our financial performance and the performance of our portfolio companies and will be subject to prevailing economic conditions and competitive pressures. We must maintain the asset coverage ratio required under the 1940 Act for any leverage that may be outstanding. If we fail to maintain the required coverage, we may be required to repay a portion of any outstanding balance until the asset coverage requirement has been met. This may require us to sell assets. The illiquid nature of most of our investments may make it difficult to dispose of such assets at a favorable price, and as a result, we may suffer losses.

We operate in a highly competitive market for investment opportunities.

We compete with public and private funds, commercial and investment banks and commercial financing companies to make the types of investments that we plan to make in the U.S. energy infrastructure sector. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than us. For example, some competitors may have a lower cost of funds and access to funding sources that are not currently available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, allowing them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC. These competitive conditions may adversely affect our ability to make investments in the energy infrastructure sector and could adversely affect our distributions to stockholders.

Our quarterly results may fluctuate.

We could experience fluctuations in our quarterly operating results due to a number of factors, including the return on our equity investments, the interest rates payable on our debt investments, the default rates on such investments, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

Our portfolio may be concentrated in a limited number of portfolio companies.

We currently have investments in a limited number of portfolio companies. An inherent risk associated with this investment concentration is that we may be adversely affected if one or two of our investments perform poorly or if the fair value of any one investment decreases. Financial difficulty on the part of any single portfolio company or the failure of a portfolio company to make distributions will expose us to a greater risk of loss than would be the case if we were a "diversified" company holding numerous investments.

Our investments in privately-held companies present certain challenges, including the lack of available information about these companies and a greater inability to liquidate our investments in an advantageous manner.

We primarily make investments in privately-held companies. Generally, little public information will exist about these companies, and we will be required to rely on the ability of our Adviser to obtain adequate information to evaluate the potential risks and returns involved in investing in these companies. If our Adviser is unable to obtain all material information about these companies, including with respect to operational, regulatory, environmental, litigation and managerial risks, our Adviser may not make a fully-informed investment decision, and we may lose some or all of the money invested in these companies. In addition, our Adviser may inappropriately value the prospects of an investment, causing us to overpay for such investment and fail to receive an expected or projected return on its investment. Substantially all of these securities will be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly-traded securities. The illiquidity of these investments may make it difficult for us to sell such investments at advantageous times and prices or in a timely manner. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we previously have recorded our investments. We also may face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we or one of our affiliates have material non-public information regarding such portfolio company.

Most of our portfolio investments are, and will continue to be, recorded at fair value as determined in good faith by our Board of Directors. As a result, there is, and will continue to be, uncertainty as to the fair value of our portfolio investments.

Most of our investments are in the form of securities or loans that are not publicly-traded. The fair value of these investments may not be readily determinable. We will value these investments quarterly at fair value as determined in good faith by our Board of Directors. We have retained Lincoln Partners Advisors LLC (an independent valuation firm) to provide third party valuation consulting services which consist of certain procedures that the Board of Directors has identified and requested they perform. For the period ended November 30, 2010, the Board of Directors requested Lincoln Partners Advisors LLC to perform positive assurance valuation procedures on investments in five portfolio companies comprising approximately 99.7 percent of our restricted investments at fair value as of November 30, 2010. The Board of Directors is ultimately responsible for determining the fair value of the investments in good faith. The types of factors that may be considered in fair value pricing of an investment include the nature and realizable value of any collateral, the portfolio company's earnings and ability to make payments, the markets in which the portfolio company does business, comparison to publicly traded companies, discounted cash flow and other relevant factors. Because such valuations are inherently uncertain, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. As a result, we may not be able to dispose of our holdings at a price equal to or greater than the determined fair value, which could have a negative impact on our net asset value.

Our equity investments may decline in value.

The equity securities in which we invest may not appreciate or may decline in value. We may thus not be able to realize gains from our equity securities, and any gains that we do realize on the disposition of any equity securities may not be sufficient to offset any other losses we experience. As a result, the equity securities in which we invest may decline in value, which may negatively impact our ability to pay distributions and cause you to lose all or part of your investment.



An investment in MLPs will pose risks unique from other equity investments.

An investment in MLP securities involves some risks that differ from an investment in the common stock of a corporation. Holders of MLP units have limited control and voting rights on matters affecting the partnership. Holders of units issued by an MLP are exposed to a remote possibility of liability for all of the obligations of that MLP in the event that a court determines that the rights of the holders of MLP units to vote to remove or replace the general partner of that MLP, to approve amendments to that MLP's partnership agreement, or to take other action under the partnership agreement of that MLP would constitute "control" of the business of that MLP, or a court or governmental agency determines that the MLP is conducting business in a state without complying with the partnership statute of that state.

Holders of MLP units are also exposed to the risk that they be required to repay amounts to the MLP that are wrongfully distributed to them. In addition, the value of our investment in an MLP will depend largely on the MLP's treatment as a partnership for U.S. federal income tax purposes. If an MLP does not meet current legal requirements to maintain partnership status, or if it is unable to do so because of tax law changes, it would be treated as a corporation for U.S. federal income tax purposes. In that case, the MLP would be obligated to pay income tax at the entity level and distributions received by us generally would be taxed as dividend income. As a result, there could be a material reduction in our cash flow and there could be a material decrease in the value of our common shares.

Unrealized decreases in the value of debt investments in our portfolio may impact the value of our common shares and may reduce our income for distribution.

We are required to carry our investments at fair value. Decreases in the fair values of our debt investments will be recorded as unrealized depreciation. Any unrealized depreciation in our investment portfolio could be an indication of a portfolio company's inability to meet its obligations to us with respect to the loans whose fair values decreased. This could result in realized losses in the future and ultimately in reductions of our income available for distribution in future periods.

When we are a minority equity or a debt investor in a portfolio company, we may not be in a position to control that portfolio company. When we make minority equity investments or invest in debt, we will be subject to the risk that a portfolio company may make business decisions with which we may disagree, and that the stockholders and management of such company may take risks or otherwise act in ways that do not serve our interests. As a result, a portfolio company may make decisions that could decrease the value of our investments.

Our portfolio companies can incur debt that ranks senior to our equity investments in such companies.

Portfolio companies in which we invest usually will have, or may be permitted to incur, debt that ranks senior to our equity investments. As a result, payments on such securities may have to be made before we receive any payments on our investments. For example, these debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which we are entitled to receive payments with respect to our investments. These debt instruments will usually prohibit the portfolio companies from paying interest on or repaying our investments in the event and during the continuance of a default under such debt. In the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying its senior creditors, a portfolio company may not have any remaining assets to use to repay its obligation to us or provide a full or even partial return of capital on an equity investment made by us.

If our investments do not meet our performance expectations, you may not receive distributions.

We intend to make distributions on a quarterly basis to our stockholders out of assets legally available for distribution. We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of these distributions from time to time. In addition, due to the asset coverage test applicable to us as a BDC, we may be limited in our ability to make distributions. Also, restrictions and provisions in any credit facilities and debt securities may limit our ability to make distributions. We cannot assure you that you will receive distributions at a particular level or at all.

The lack of liquidity in our investments may adversely affect our business, and if we need to sell any of our investments, we may not be able to do so at a favorable price. As a result, we may suffer losses.

We have invested in the equity of companies whose securities are not publicly-traded, and whose securities will be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly-traded securities. We also have invested in debt securities with terms of five to ten years and may hold such investments until maturity. The illiquidity of these investments may make it difficult for us to sell these investments when desired. In addition, if we are required to liquidate all or a portion of our portfolio quickly (to meet debt covenants in our credit facility, for example), we may realize significantly less than the value at which we had previously recorded these investments. Our investments are usually subject to contractual or legal restrictions on resale or are otherwise illiquid because there is usually no established trading market for such investments. The illiquidity of most of our investments may make it difficult for us to dispose of them at a favorable price, and, as a result, we may suffer losses.





We will be exposed to risks associated with changes in interest rates.

Equity securities may be particularly sensitive to rising interest rates, which generally increase borrowing costs and the cost of capital and may reduce the ability of portfolio companies in which we own equity securities to either execute acquisitions or expansion projects in a cost-effective manner or provide us liquidity by completing an initial public offering or completing a sale. Fluctuations in interest rates will also impact any debt investments we make. Changes in interest rates may also negatively impact the costs of our outstanding borrowings, if any.

We may not have the funds to make additional investments in our portfolio companies.

After our initial investment in a portfolio company, we may be called upon from time to time to provide additional funds to such company or have the opportunity to increase our investment through the exercise of a warrant to purchase common stock. There is no assurance that we will make, or will have sufficient funds to make, follow-on investments. Any decisions not to make a follow-on investment or any inability on our part to make such an investment may have a negative impact on a portfolio company in need of such an investment, may result in a missed opportunity for us to increase our participation in a successful operation or may reduce the expected yield on the investment.

Changes in laws or regulations or in the interpretations of laws or regulations could significantly affect our operations and cost of doing business.

We are subject to federal, state and local laws and regulations and are subject to judicial and administrative decisions that affect our operations, including loan originations, maximum interest rates, fees and other charges, disclosures to portfolio companies, the terms of secured transactions, collection and foreclosure procedures and other trade practices. If these laws, regulations or decisions change, we may have to incur significant expenses in order to comply, or we may have to restrict our operations. In addition, if we do not comply with applicable laws, regulations and decisions, or fail to obtain licenses that may become necessary for the conduct of our business; we may be subject to civil fines and criminal penalties, any of which could have a material adverse effect upon our business, results of operations or financial condition.

Our internal controls over financial reporting may not be adequate, which could have a significant and adverse effect on our business and reputation.

We are required to review on an annual basis our internal controls over financial reporting, and to disclose on a quarterly basis changes that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. There can be no assurance that our quarterly reviews will not identify material weaknesses.

Provisions of the Maryland General Corporation Law and our charter and bylaws could deter takeover attempts and have an adverse impact on the price of our common shares.

The Maryland General Corporation Law and our charter and bylaws contain provisions that may have the effect of discouraging, delaying or making difficult a change in control of our company or the removal of our incumbent directors. We will be covered by the Business Combination Act of the Maryland General Corporation Law to the extent that such statute is not superseded by applicable requirements of the 1940 Act. However, our Board of Directors has adopted a resolution exempting us from the Business Combination Act for any business combination between us and any person to the extent that such business combination receives the prior approval of our board, including a majority of our directors who are not interested persons as defined in the 1940 Act.

Under our charter, our Board of Directors is divided into three classes serving staggered terms, which will make it more difficult for a hostile bidder to acquire control of us. In addition, our Board of Directors may, without stockholder action, authorize the issuance of shares of stock in one or more classes or series, including preferred stock. Subject to compliance with the 1940 Act, our Board of Directors may, without stockholder action, amend our charter to increase the number of shares of stock of any class or series that we have authority to issue. The existence of these provisions, among others, may have a negative impact on the price of our common shares and may discourage third party bids for ownership of our company. These provisions may prevent any premiums being offered to you for our common shares.

#### Risks Related to an Investment in the U.S. Energy Infrastructure Sector

Our portfolio is, and will continue to be, concentrated in the energy infrastructure sector, which will subject us to more risks than if we were broadly diversified.

We have invested primarily in privately-held and micro-cap public energy companies. Because we have been specifically focused on the energy infrastructure sector, investments in our common shares may present more risks than if we were broadly diversified over numerous sectors of the economy. Therefore, a downturn in the U.S. energy infrastructure sector would have a larger impact on us than on an investment company that does not concentrate in one sector of the economy. The energy infrastructure sector can be significantly affected by the supply of and demand for specific products and services; the supply and demand for crude oil, natural gas, and other energy commodities; the price of crude oil, natural gas, and other energy commodities; exploration, production and other capital expenditures; government regulation; world and regional events and economic conditions. At times, the performance of securities of companies in the energy infrastructure sector may lag the performance of securities of companies in other sectors or the broader market as a whole.



The portfolio companies in which we have invested are subject to variations in the supply and demand of various energy commodities. A decrease in the production of natural gas, natural gas liquids, crude oil, coal, aggregates, refined petroleum products or other such commodities, or a decrease in the volume of such commodities available for transportation, mining, processing, storage or distribution, may adversely impact the financial performance of companies in the energy infrastructure sector. Production declines and volume decreases could be caused by various factors, including catastrophic events affecting production, depletion of resources, labor difficulties, political events, OPEC actions, environmental proceedings, increased regulations, equipment failures and unexpected maintenance problems, failure to obtain necessary permits, unscheduled outages, unanticipated expenses, inability to successfully carry out new construction or acquisitions, import supply disruption, increased competition from alternative energy sources or related commodity prices. Alternatively, a sustained decline in demand for such commodities could also adversely affect the financial performance of companies in the energy infrastructure sector. Factors that could lead to a decline in demand include economic recession or other adverse economic conditions, higher fuel taxes or governmental regulations, increases in fuel economy, consumer shifts to the use of alternative fuel sources, changes in commodity prices or weather. A sustained decline in demand for natural gas, crude oil, and refined petroleum products could adversely affect MLP revenues and cash flows. Factors that could lead to a decrease in market demand include a recession or other adverse economic conditions, an increase in the market price of the underlying commodity, higher taxes or other regulatory actions that increase costs, or a shift in consumer demand for such products. Demand may also be adversely impacted by consumer sentiment with respect to global warming and/or by any state or federal legislation intended to promote the use of alternative energy sources such as bio-fuels, solar and wind.

Many companies in the energy infrastructure sector are subject to the risk that they, or their customers, will be unable to replace depleted reserves of energy commodities.

Many companies in the energy infrastructure sector are either engaged in the production of natural gas, natural gas liquids, crude oil, refined petroleum products, coal, or aggregates or are engaged in transporting, storing, distributing and processing these items on behalf of producers. To maintain or grow their revenues, many customers of these companies need to maintain or expand their reserves through exploration of new sources of supply, through the development of existing sources, through acquisitions, or through long-term contracts to acquire reserves. The financial performance of companies in the energy infrastructure sector may be adversely affected if the companies to which they provide service are unable to cost-effectively acquire additional reserves sufficient to replace the natural decline.

Our portfolio companies are and will be subject to extensive regulation because of their participation in the energy infrastructure sector. Companies in the energy infrastructure sector are subject to significant federal, state and local government regulation in virtually every aspect of their operations, including how facilities are constructed, maintained and operated, environmental and safety controls, and the prices they may charge for the products and services they provide. Various governmental authorities have the power to enforce compliance with these regulations and the permits issued under them, and violators are subject to administrative, civil and criminal penalties, including civil fines, injunctions or both. Stricter laws, regulations or enforcement policies could be enacted in the future that likely would increase compliance costs and may adversely affect the financial performance of companies in the energy infrastructure sector and the value of our investments in those companies.

Energy infrastructure companies are and will be subject to the risk of fluctuations in commodity prices.

The operations and financial performance of companies in the energy infrastructure sector may be directly affected by energy commodity prices, especially those companies in the energy infrastructure sector owning the underlying energy commodity. Commodity prices fluctuate for several reasons, including changes in market and economic conditions, the impact of weather on demand or supply, levels of domestic production and imported commodities, energy conservation, domestic and foreign governmental regulation and taxation and the availability of local, intrastate and interstate transportation systems. Volatility of commodity prices, which may lead to a reduction in production or supply, may also negatively impact the performance of companies in the energy infrastructure sector that are solely involved in the transportation, processing, storing, distribution or marketing of commodities. Volatility of commodity prices may also make it more difficult for companies in the energy infrastructure sector to raise capital to the extent the market perceives that their performance may be tied directly or indirectly to commodity prices. Historically, energy commodity prices have been cyclical and exhibited significant volatility.

Our portfolio companies are and will be subject to the risk of extreme weather patterns.

Extreme weather patterns, such as prolonged or abnormal seasons, or specific events, such as hurricanes, could result in significant volatility in the supply of energy and power. This volatility may create fluctuations in commodity prices and earnings of companies in the energy infrastructure sector. Moreover, any extreme weather events, such as hurricanes, could adversely impact the assets and valuation of our portfolio companies.

Acts of terrorism may adversely affect us.

The value of our common shares and our investments could be significantly and negatively impacted as a result of terrorist activities, such as the terrorist attacks on the World Trade Center on September 11, 2001; war, such as the war in Iraq and its aftermath; and other geopolitical events, including upheaval in the Middle East or other energy producing regions. The U.S. government has issued warnings that energy assets, specifically those related to pipeline infrastructure, production facilities and transmission and distribution facilities, might be specific targets of terrorist activity. Such events have led, and in the future may lead, to short-term market volatility and may have long-term effects on the U.S. economy and markets. Such events may also adversely affect our business and financial condition.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We do not own any real estate or other physical properties. Our Adviser is the current leaseholder for all properties in which we operate. We occupy these premises pursuant to our Investment Advisory Agreement and the Administration Agreement with our Adviser. Our principal executive office is located in Leawood, Kansas.

ITEM 3. LEGAL PROCEEDINGS

Neither we nor our Adviser are currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us.

ITEM 4. [REMOVED AND RESERVED]

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Price Range of Common Stock

Our common shares began trading on the NYSE under the symbol "TTO" on February 2, 2007 at a price of \$15.00 per share. Prior to our initial public offering, there was no public market for our common shares.

The following table sets forth the range of high and low sales prices of our common shares and the distributions declared by us for each fiscal quarter for our two most recent fiscal years:

2009	NAV(1)	Price Range		Cash Distribution per Share(2)
		High	Low	
First quarter	\$ 8.67	\$ 8.28	\$ 3.92	\$0.2300
Second quarter	\$ 8.91	\$ 6.93	\$ 4.11	\$0.1300
Third quarter	\$ 8.76	\$ 6.67	\$ 3.78	\$0.1300
Fourth quarter	\$ 9.29	\$ 6.82	\$ 5.33	\$0.1300
2010				
First quarter	\$ 9.60	\$ 7.58	\$ 6.00	\$0.1300
Second quarter	\$ 8.69	\$ 7.93	\$ 5.27	\$0.1000
Third quarter	\$ 9.74	\$ 6.44	\$ 5.10	\$0.1000
Fourth quarter	\$ 10.44	\$ 7.42	\$ 5.40	\$0.1000

(1) Net asset value per share is generally determined as of the last day in the

relevant period and therefore may not reflect the net asset value per share on the date of the high and low sales prices. The net asset values shown are based on outstanding shares at the end of each period.

- (2) Represents the distribution declared in the specified period.

The last reported price for our common stock as of December 31, 2010 was \$7.30 per share. As of December 31, 2010, we had 27 stockholders of record.

#### Distributions Policy

Our portfolio generates cash flow to us from which we pay distributions to stockholders. When our Board of Directors determines the amount of any distribution we expect to pay our stockholders, it will review distributable cash flow ("DCF"). DCF is distributions received from investments less our total expenses. Total distributions received from our investments include the amount received by us as cash distributions from equity investments, paid-in-kind distributions, and dividend and interest payments. Total expenses include current or anticipated operating expenses, leverage costs and current income taxes on our operating income. Total expenses do not include deferred income taxes or accrued capital gain incentive fees. We do not include in distributable cash flow the value of distributions received from portfolio companies which are paid in stock as a result of credit constraints, market dislocation or other similar issues.

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We intend, subject to adjustment at the discretion of our Board of Directors, to pay out to our stockholders substantially all of the amounts we receive as cash or paid-in-kind distributions on equity securities we own and interest payments on debt securities we own, less current or anticipated operating expenses, current income taxes on our income and our leverage costs. We do not include in distributable cash flow the value of distributions received from portfolio companies which are paid in stock as a result of credit constraints, market dislocation or other similar issues.

We have an “opt out” dividend reinvestment plan. As a result, if we declare a distribution, stockholders’ cash distributions will be automatically reinvested in additional common shares, unless the stockholders specifically “opt out” of the dividend reinvestment plan so as to receive cash distributions. Stockholders who receive distributions in the form of common shares will generally be subject to the same federal, state and local tax consequences as stockholders who elect to receive their distributions in cash.

As a BDC, we are prohibited from paying distributions if doing so would cause us to fail to maintain the asset coverage ratios stipulated by the 1940 Act. Distributions also may be limited by the terms of our borrowings. It is our objective to invest our assets and structure our borrowings so as to permit stable and consistently growing distributions. However, there can be no assurances that we will achieve that objective or that our results will permit the payment of any cash distributions.

### Taxation of our Distributions

We have invested primarily in partnerships and limited liability companies treated as partnerships for tax purposes, which generally have larger distributions of cash than the taxable income which they generate. Accordingly, we anticipate that the distributions we receive typically will include a return of capital component for accounting and tax purposes. Distributions declared and paid by us in any year generally will differ from our taxable income for that year; as such distributions may include the distribution of current year taxable income and returns of capital.

### Performance Graph

The following graph compares the return on our common stock (“TTO”) with that of the Wachovia MLP Total Return Index (“WMLPT”), the Standard & Poor’s 500 Stock Index (“SPX”) and a BDC Peer Group (“BDC Peers”)(2), for the period February 2, 2007 to November 30, 2010. The graph assumes that, on February 2, 2007, a \$100 investment was made in each of our common stock, WMLPT, SPX and the BDC Peers, and assumes the reinvestment of all cash dividends. The comparisons in the graph below are based on historical data and are not intended to forecast future performance of our common stock.

Shareholder Return Performance Graph  
Cumulative Total Return Since Initial Public Offering (1)  
Through November 30, 2010

- (1) Our shares began trading on the NYSE on February 2, 2007.
- (2) The BDC Peer Group consists of the following closed-end investment companies that have elected to be regulated as business development companies under the 1940 Act:

American Capital Strategies	Fifth Street Finance Corp.	Horizon Technology Finance	PennantPark Investment Corp
Ameritrans Capital Corp.	Full Circle Capital Corp.	Kohlberg Capital Corp.	Prospect Capital Corp.
Apollo Investment Corp.	Gladstone Capital Corp.	Main Street Capital Corp.	Saratoga Investment Corp.
Ares Capital Corporation	Gladstone Investment Corp.	MCG Capital Corp.	Solar Capital Ltd.
Blackrock Kelso Capital Corp.	Golub Capital BDC Inc.	Medallion Financial Corp.	THL Credit Inc.
Capital Southwest Corp.	Harris & Harris Group Inc.	MVC Capital	TICC Capital
Equus Total Return	Hercules Tech Growth Capital	NGP Capital Resources Co.	Triangle Capital Corp.

### Recent Sales of Unregistered Securities

We did not sell any securities during the year ended November 30, 2010 that were not registered under the Securities Act of 1933.

### Issuer Purchases of Equity Securities

We did not repurchase any shares of our common stock during the year ended November 30, 2010.



## ITEM 6. SELECTED FINANCIAL DATA

The selected financial data set forth below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and the financial statements and related notes included in this Annual Report on Form 10-K. Financial information presented below for the years ended November 30, 2010, November 30, 2009, November 30, 2008, November 30, 2007 and for the period from December 8, 2005 to November 30, 2006 has been derived from our financial statements audited by Ernst & Young LLP, our independent registered public accounting firm. The historical data is not necessarily indicative of results to be expected for any future period.

	Year Ended November 30, 2010	Year Ended November 30, 2009	Year Ended November 30, 2008	Year Ended November 30, 2007	Period from December 8, 2005 to November 30, 2006(1)
<b>Statements of operations data:</b>					
Investment income	\$ 1,891,827	\$ 1,804,531	\$ 2,943,953	\$ 3,034,944	\$ 2,119,843
Base management fees(2)	1,233,823	1,351,593	2,006,120	2,233,670	634,989
All other expenses(3)	972,556	1,539,486	2,688,550	2,902,561	360,156
Total expenses	\$ 2,206,379	\$ 2,891,079	\$ 4,694,670	\$ 5,136,231	\$ 995,145
Less expense reimbursement by Adviser	308,003	225,266	385,622	94,181	—
Current and deferred tax benefit (expense), net	(4,772,648)	(254,356)	9,859,785	(3,671,096)	(516,055)
Net realized gain (loss) on investments before income taxes	(11,118,519)	(23,120,748)	8,716,197	260,290	(1,462)
Unrealized appreciation (depreciation) of investments before income taxes	30,564,590	24,247,380	(41,581,120)	10,561,888	328,858
Increase (decrease) in net assets resulting from operations	\$ 14,666,874	\$ 10,994	\$ (24,370,233)	\$ 5,143,976	\$ 936,039
<b>Per common share data:</b>					
Distributions to common stockholders(4)	\$ 0.43	\$ 0.62	\$ 1.04	\$ 0.67	\$ 0.34
<b>Net increase (decrease) in stockholder’s equity resulting from operations:</b>					
Basic and diluted	\$ 1.61	\$ 0.00	\$ (2.74 )	\$ 0.66	\$ 0.30
Net asset value	\$ 10.44	\$ 9.29	\$ 9.96	\$ 13.76	\$ 13.70
	November 30, 2010	November 30, 2009	November 30, 2008	November 30, 2007	November 30, 2006
<b>Statements of assets and liabilities data:</b>					
Short-term investments	\$ 1,466,193	\$ 1,498,846	\$ 360,372	\$ 219,502	\$ 5,431,414
Long-term investments	93,736,230	82,483,094	105,790,858	158,416,831	37,144,100
Other assets	838,970	5,496,113	6,169,827	537,987	357,498
Total assets	\$ 96,041,393	\$ 89,478,053	\$ 112,321,057	\$ 159,174,320	\$ 42,933,012
Total liabilities	562,220	5,181,468	23,095,757	37,261,354	604,610
Total net assets	\$ 95,479,173	\$ 84,296,585	\$ 89,225,300	\$ 121,912,966	\$ 42,328,402

(1) We were incorporated on September 8, 2005, but did not commence operations until December 8, 2005.

(2) For the year ended November 30, 2010, base management fees include \$1,233,823 accrued as base management fees payable to the Adviser under the Investment Advisory Agreement. For the year ended November 30, 2009, base management fees include \$1,351,593 accrued as base management fees payable to the Adviser under the Investment Advisory Agreement. For the year ended November 30, 2008, base management fees include \$2,313,731 accrued as base management fees payable to the Adviser under the Investment Advisory Agreement, and \$307,611 as a reduction in the provision for capital gain incentive fees payable to the Adviser. For the year ended November 30, 2007, base management fees include \$1,926,059 accrued as base management fees payable to the Adviser under the Investment Advisory Agreement and \$307,611 as an increase in the provision for capital gain incentive fees payable to the Adviser. For the period from December 8, 2005 to November 30, 2006, base management fees include \$634,989 accrued as base management fees payable to the Adviser under the Investment Advisory Agreement. The payable for capital gain incentive fees is a result of the increase or decrease in the fair value of investments and realized gains or losses from investments. Pursuant to the Investment Advisory Agreement, the capital gain incentive fee is paid annually only if there are realization events and only if the calculation defined in the agreement results in an amount due. No capital gain incentive fees have been due



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or payable since the commencement of operations.

- (3) For the year ended November 30, 2010, other expenses include \$926,937 in operating expenses and \$45,619 in interest expense on the credit facility. For the year ended November 30, 2009, other expenses include \$911,779 in operating expenses and \$627,707 in interest expense on the credit facility. For the year ended November 30, 2008, other expenses include \$1,037,624 in operating expenses and \$1,650,926 in interest expense on the credit facility. For the year ended November 30, 2007, other expenses include \$1,094,677 in operating expenses, \$847,421 of interest expense on the credit facility, \$228,750 in preferred stock dividends, and \$731,713 of non-recurring expenses related to the loss on redemption of the previously outstanding Series A Redeemable Preferred Stock. The Series A Redeemable Preferred Stock issuance in December 2006 was utilized as bridge financing to fund portfolio investments and was fully redeemed upon completion of our initial public offering in February 2007. For the period from December 8, 2005 to November 30, 2006, other expenses include \$360,156 in operating expenses. Other expenses do not include current and deferred income taxes.

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- (4) The character of distributions made during the year may differ from the ultimate characterization for federal income tax purposes. For the year ended November 30, 2010, the company's distributions, for book and tax purposes, were comprised of 100 percent return of capital. For the year ended November 30, 2009, the company's distributions, for book and tax purposes, were comprised of 100 percent return of capital. For the year ended November 30, 2008, the company's distributions, for book purposes, were comprised of 100 percent return of capital, and for tax purposes were comprised of 3.2 percent investment income and 96.8 percent return of capital. For the year ended November 30, 2007, the company's distributions, for book and tax purposes, were comprised of 100 percent return of capital. For the period ended December 8, 2005 to November 30, 2006, the company's distributions, for book purposes, were comprised of 87.3 percent investment income and 12.7 percent return of capital, and for tax purposes were comprised of 41.7 percent investment income and 58.3 percent return of capital.

#### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

All statements contained herein, other than historical facts, constitute "forward-looking statements." These statements may relate to, among other things, future events or our future performance or financial condition. In some cases, you can identify forward-looking statements by terminology such as "may," "might," "believe," "will," "provided," "anticipate," "future," "could," "growth," "plan," "intend," "expect," "should," "would," "potential," "likely" or the negative of such terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any anticipated results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. For a discussion of factors that could cause our actual results to differ from forward-looking statements contained herein, please see the discussion under the heading "Risk Factors" in Part I, Item 1A. of this report.

We may experience fluctuations in our operating results due to a number of factors, including the return on our equity investments, the interest rates payable on our debt investments, the default rates on such investments, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

#### Overview

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

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

#### Performance Review and Investment Outlook

Our net asset value was \$10.44 as of November 30, 2010, compared to \$9.29 a year ago at November 30, 2009. Total investment return, based on net asset value and assuming reinvestment of distributions, was approximately 20.3 percent for the year ended November 30, 2010. Our stock price also increased significantly this past year, closing at \$7.28 on November 30, 2010 compared to \$6.23 on November 30, 2009. The fair value of our investment portfolio, excluding short-term investments at November 30, 2010, our most recent year end, was approximately \$93.7 million, with approximately 78 percent of the portfolio in private investments totaling \$72.9 million and approximately 22 percent in publicly-traded investments totaling \$20.8 million. Our portfolio is diversified among approximately 43 percent midstream and downstream investments, 12 percent upstream, and 45 percent in aggregates and coal. The weighted average yield (to cost) on our investment portfolio (excluding short-term investments) as of November 30, 2010 was 5.7 percent. In comparison to last year end, the fair value of our investment portfolio, excluding short-term investments, was approximately \$82.5 million, with approximately 93 percent of the portfolio in private investments totaling \$76.9 million and 7 percent of the portfolio in publicly-traded investments totaling \$5.6 million.

The fair value of International Resource Partners ("IRP") increased approximately \$18 million this past year. Over the last twelve months, there have been significant increases in comparable company valuations, two coal MLP IPOs and renewed M&A activity which, combined with IRP's improved financial performance, supported the significant increase in valuation. IRP also steadily increased its quarterly distribution this year, from \$0.40 per unit in our first quarter to \$0.55 per unit in our fourth quarter.

In February 2010, Mowood, LLC ("Mowood") closed the sale of Timberline to Landfill Energy Systems. We received \$9.0 million in cash distributions from the sale and used the proceeds to pay off our credit facility and invest in publicly-traded securities. In May 2010, we received additional capital gain proceeds of \$585,000 as a result of a contingent payment from the sale and in November 2010, we received \$193,403 in carbon credit reimbursements. We may also receive additional contingent and escrow payments from the sale currently expected to total up to \$1.4 million. Mowood's subsidiary, Omega Pipeline, continues to perform near budget. We invested an additional \$750,000 in February in the form of subordinated debt to fund growth projects at Omega. In July 2010, the term note of \$5.3 million was converted to a revolving line of credit with a maximum principal balance of \$5.3 million. The line of credit allows Mowood greater flexibility related to seasonal fluctuations in

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working capital. Mowood subsequently repaid \$1.5 million, and at November 30, 2010, the principal balance outstanding was \$3.8 million. The fair value of our Mowood investment, including debt and equity, was approximately \$9.3 million as of November 30, 2010.

The fair value of VantaCore Partners LP (“VantaCore”) decreased approximately \$2.4 million over this past year. VantaCore has struggled with lower than anticipated operating results, primarily attributed to its Southern Aggregates subsidiary, which has experienced a decrease in demand and pricing, and higher than expected costs, partially offset by better results from its Winn Materials and McIntosh operations. VantaCore was unable to meet its minimum quarterly distribution (“MQD”) for the past two quarters. Common unit holders received a cash distribution equal to MQD of \$0.475 for each of those two quarters, due to preferred unit holders’ acceptance of a paid-in-kind distribution, and no distributions were made to the holders of subordinated units.

The fair value of High Sierra Energy, LP (“High Sierra”) decreased by approximately \$5 million over this past year. High Sierra’s board elected not to declare a cash distribution for our second, third and fourth quarters, decreasing our distributable cash flow by approximately \$0.07 per share. High Sierra extended its existing credit facility through March 31, 2011. High Sierra reported year-to-date operating results through September 2010 below budget, primarily attributable to Monroe Gas Storage, the Crude Oil business, and Centennial Energy.

Quest Midstream Partners completed its transformation into a publicly traded C-corp, PostRock Energy Corp. (NASDAQ: PSTR) in March 2010. PSTR was a new corporation formed for the purpose of wholly owning all three Quest entities. Upon closing of the merger, we received 490,769 freely tradable common units of PSTR in exchange for our 1,216,881 common units of Quest Midstream. Subsequently, the stock price declined significantly and we began selling our units in an orderly liquidation. We held 260,500 common units of PostRock as of November 30, 2010 at a fair value of \$3.65 per unit, the NASDAQ closing price on that date.

#### Recent Developments

On January 12, 2011, we filed a preliminary proxy statement with the SEC with respect to our annual meeting. Included within the proxy is a proposal unanimously approved by our Board of Directors to withdraw our election to be treated as a BDC as defined in the Investment Company Act of 1940.

On January 18, 2011, Abraxas Petroleum Corporation (NASDAQ: AXAS) (“Abraxas”) announced that it intends to offer 10,000,000 shares of common stock and certain selling stockholders intend to offer 8,503,347 shares of common stock, both subject to market conditions, in an underwritten offering. The selling stockholders received their shares of common stock in the merger of Abraxas Energy Partners, L.P. into a wholly-owned subsidiary of Abraxas in October 2009. TTO has elected to participate as a selling unit holder and include up to 1,646,376 common units in the offering. The offering is being made pursuant to two effective shelf registration statements filed with the U.S. Securities and Exchange Commission. Abraxas has stated that it intends to use the net proceeds from the offering to repay indebtedness outstanding under its credit facility, to increase its 2011 capital expenditure budget and for general corporate purposes.

#### Portfolio Company Monitoring

Our Adviser monitors each portfolio company to determine progress relative to meeting the company’s business plan and to assess the company’s strategic and tactical courses of action. This monitoring may be accomplished by attendance at Board of Directors meetings, ad hoc communications with company management, the review of periodic operating and financial reports, an analysis of relevant reserve information and capital expenditure plans, and periodic consultations with engineers, geologists, and other experts. The performance of each private portfolio company is also periodically compared to performance of similarly sized companies with comparable assets and businesses to assess performance relative to peers. Our Adviser’s monitoring activities are expected to provide it with information that will enable us to monitor compliance with existing covenants, to enhance our ability to make qualified valuation decisions, and to assist our evaluation of the nature of the risks involved in each individual investment. In addition, these monitoring activities should enable our Adviser to diagnose and manage the common risk factors held by our total portfolio, such as sector concentration, exposure to a single financial sponsor, or sensitivity to a particular geography.

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

#### Results of Operations

Set forth are the results of operations for the year ended November 30, 2010 as compared to the years ended November 30, 2009 and November 30, 2008.

**Investment Income:** Total investment income for the year ended November 30, 2010 was \$1,891,827 as compared to \$1,804,531 for the year ended November 30, 2009 and \$2,943,953 for the year ended November 30, 2008. Total distributions from investments decreased for the year ended November 30, 2010, primarily resulting from the sale of investments in order to eliminate outstanding leverage, as well as a decrease in distribution rates from a few of our investments. However, total investment income for the year ended November 30, 2010 increased as compared to the year ended November 30, 2009 and decreased as compared to the year ended November 30, 2008 due in large part to the portion of distributions classified as return of capital.

The weighted average yield (to cost) on our investment portfolio (excluding short-term investments) as of November 30, 2010 was 5.7 percent as compared to 6.9 percent at November 30, 2009 and 8.0 percent at November 30, 2008. The decrease in the weighted average yield to cost is generally related to the sale of investments in order to eliminate outstanding leverage, as well as a decrease in distribution rates from a few of our investments.

**Net Expenses:** Net expenses for the year ended November 30, 2010 were \$1,898,376 as compared to \$2,665,813 for the year ended November 30, 2009 and \$4,309,048 for the year ended November 30, 2008. The decrease for the year ended November 30, 2010 is primarily attributed to lower base management fees due to a decrease in the fair value of our portfolio, an increase in the expense reimbursement by the Adviser, and significantly lower leverage costs. The provision for capital gain incentive fees is adjusted based on the increase or decrease in fair value and unrealized appreciation or depreciation on investments. During the year ended November 30, 2010, we accrued no capital gain incentive fees. Pursuant to the Investment Advisory Agreement, the capital gain incentive fee is paid annually only if there are realization events and only if the calculation defined in the agreement results in an amount due. No capital gains fees have been due or payable since the commencement of operations.

**Distributable Cash Flow:** Our portfolio generates cash flow to us from which we pay distributions to stockholders. When our Board of Directors determines the amount of any distribution we expect to pay our stockholders, it will review distributable cash flow ("DCF"). DCF is distributions received from investments less our total expenses. The total distributions received from our investments include the amount received by us as cash distributions from equity investments, paid-in-kind distributions, and dividend and interest payments. Total expenses include current or anticipated operating expenses, leverage costs and current income taxes on our operating income. Total expenses do not include deferred income taxes, taxes generated from realized gains or accrued capital gain incentive fees. Distributions paid to stockholders may exceed distributable cash flow for the period. We do not include in distributable cash flow the value of distributions received from portfolio companies which are paid in stock as a result of credit constraints, market dislocation or other similar issues.

We disclose DCF in order to provide supplemental information regarding our results of operations and to enhance our investors' overall understanding of our core financial performance and our prospects for the future. We believe that our investors benefit from seeing the results of DCF in addition to U.S. generally accepted accounting principles ("GAAP") information. This non-GAAP information facilitates management's comparison of current results with historical results of operations and with those of our peers. This information is not in accordance with, or an alternative to, GAAP and may not be comparable to similarly titled measures reported by other companies.

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The following table represents DCF for the years ended November 30, 2010, November 30, 2009 and November 30, 2008:

	Year Ended November 30, 2010	Year Ended November 30, 2009	Year Ended November 30, 2008
<b>Distributable Cash Flow</b>			
<b>Total from Investments</b>			
Distributions from investments	\$ 4,196,269	\$ 7,724,577	\$ 9,688,521
Distributions paid in stock	65,268	—	2,186,767
Interest income from investments	720,323	807,848	1,103,059
Dividends from money market mutual funds	859	1,986	18,205
Other income	38,580	61,514	28,987
<b>Total from Investments</b>	<b>5,021,299</b>	<b>8,595,925</b>	<b>13,025,539</b>
<b>Operating Expenses Before Leverage Costs</b>			
Advisory fees (net of expense reimbursement by Adviser)	925,820	1,126,327	1,928,109
Other operating expenses	684,739	911,779	1,037,624
<b>Total Operating Expenses, before leverage costs</b>	<b>1,610,559</b>	<b>2,038,106</b>	<b>2,965,733</b>
Distributable cash flow before leverage costs	3,410,740	6,557,819	10,059,806
<b>Leverage Costs</b>			
	45,619	627,707	1,650,926
Distributable Cash Flow	\$ 3,365,121	\$ 5,930,112	\$ 8,408,880
Capital gain proceeds	882,212	—	—
<b>Cash Available for Distribution</b>	<b>\$ 4,247,333</b>	<b>\$ 5,930,112</b>	<b>\$ 8,408,880</b>
Distributions paid on common stock	\$ 3,915,124	\$ 5,582,473	\$ 9,265,351
Payout percentage of period(1)	92%	94%	110%
<b>DCF/GAAP Reconciliation</b>			
Distributable Cash Flow	\$ 3,365,121	\$ 5,930,112	\$ 8,408,880
<b>Adjustments to reconcile to Net Investment Loss, before Income Taxes:</b>			
Distributions paid in stock(2)	(65,268)	—	(2,186,767)
Return of capital on distributions received from equity investments	(3,064,204)	(6,791,394)	(7,894,819)
Capital gain incentive fees	—	—	307,611
Non-recurring professional fees	(242,198)	—	—
<b>Net Investment loss, before Income Taxes</b>	<b>\$ (6,549)</b>	<b>\$ (861,282)</b>	<b>\$ (1,365,095)</b>

(1) Distributions paid as a percentage of Cash Available for Distribution.

(2) Distributions paid in stock for the years ended November 30, 2010 and November 30, 2008 were paid as part of normal operations and are included in DCF.

Distributions: The following table sets forth distributions for the three years ended November 30, 2010, November 30, 2009 and November 30, 2008.

Record Date	Payment Date	Amount
November 22, 2010	November 30, 2010	\$ 0.1000
August 23, 2010	September 1, 2010	\$ 0.1000
May 21, 2010	June 1, 2010	\$ 0.1000
February 19, 2010	March 1, 2010	\$ 0.1300
November 23, 2009	November 30, 2009	\$ 0.1300
August 24, 2009	September 1, 2009	\$ 0.1300

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May 22, 2009	June 1, 2009	\$ 0.1300
February 23, 2009	March 2, 2009	\$ 0.2300
November 20, 2008	November 28, 2008	\$ 0.2650
August 21, 2008	September 2, 2008	\$ 0.2650
May 22, 2008	June 2, 2008	\$ 0.2625
February 21, 2008	March 3, 2008	\$ 0.2500

Net Investment Loss: Net investment loss for the year ended November 30, 2010 was \$4,106 as compared to a net investment loss of \$760,149 for the year ended November 30, 2009 and net investment loss of \$978,493 for the year ended November 30, 2008. The decreased loss is primarily related to the decrease in the proportion of distributions received from investments that were classified as return of capital and the decrease in net expenses described above.

Net Realized and Unrealized Gain (Loss): We had unrealized appreciation of \$19,162,014 (after deferred taxes) for the year ended November 30, 2010 as compared to unrealized appreciation of \$21,177,019 (after deferred taxes) for the year ended November 30, 2009 and \$29,595,528 in unrealized depreciation (after deferred taxes) for the year ended November 30, 2008. We had realized losses this year of \$4,491,034 (after deferred taxes) as compared to realized losses last year of \$20,405,876 (after deferred taxes) and realized gains of \$6,203,788 (after deferred taxes) for the year ended November 30, 2008. The realized losses for the year ended November 30, 2010 are primarily attributable to the losses on sales of publicly-traded securities.

#### Liquidity and Capital Resources

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

#### Contractual Obligations

We do not have any known contractual payment obligations as of November 30, 2010.

#### Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

#### Borrowings

For the year ended November 30, 2010, the average principal balance and interest rate for the period during which the credit facility was utilized were \$4,205,634 and 5.50 percent, respectively. We used proceeds from the sale of portfolio investments to pay off and terminate the credit facility on February 10, 2010.

#### Critical Accounting Policies

The financial statements included in this report are based on the selection and application of critical accounting policies, which require management to make significant estimates and assumptions. Critical accounting policies are those that are both important to the presentation of our financial condition and results of operations and require management's most difficult, complex or subjective judgments. While our critical accounting policies are discussed below, Note 2 in the Notes to Financial Statements included in this report provides more detailed disclosure of all of our significant accounting policies.

#### Valuation of Portfolio Investments

We invest primarily in illiquid securities including debt and equity securities of privately-held companies. These investments generally are subject to restrictions on resale, have no established trading market and are fair valued on a quarterly basis. Because of the inherent uncertainty of valuation, the fair values of such investments, which are determined in accordance with procedures approved by our Board of Directors, may differ materially from the values that would have been used had a ready market existed for the investments.

#### Security Transactions and Investment Income Recognition

Security transactions are accounted for on the date the securities are purchased or sold (trade date). Realized gains and losses are reported on an identified cost basis. Distributions received from our equity investments generally are comprised of ordinary income, capital gains and return of capital from the portfolio company. We record investment income and returns of capital based on estimates made at the time such distributions are received. Such estimates are based on information available from each portfolio company and/or other industry sources. These estimates may subsequently be revised based on information received from the portfolio companies after their tax reporting periods are concluded, as the actual character of these distributions are not known until after our fiscal year end.

#### Federal and State Income Taxation

We, as a corporation, are obligated to pay federal and state income tax on our taxable income. Our tax expense or benefit is included in the Statement of Operations based on the component of income or gains (losses) to which such expense or benefit relates. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the



amounts used for income tax purposes.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our business activities contain elements of market risk. We consider fluctuations in the value of our equity securities to be our principal market risk. There were no material changes to our market risk exposure at November 30, 2010 as compared to November 30, 2009.

We carry our investments at fair value, as determined by our Board of Directors. The fair value of securities is determined using readily available market quotations from the principal market if available. The fair value of securities that are not publicly-traded or whose market price is not readily available is determined in good faith by our Board of Directors. Because there are no readily available market quotations for most of the investments in our portfolio, we value substantially all of our portfolio investments at fair value as determined in good faith by our Board of Directors under a valuation policy and a consistently applied valuation process. Due to the inherent uncertainty of determining the fair value of investments that do not have readily available market quotations, the fair value of our investments may differ significantly from the fair values that would have been used had a ready market quotation existed for such investments, and these differences could be material.

As of November 30, 2010, the fair value of our investment portfolio (excluding short-term investments) totaled \$93,736,230. We estimate that the impact of a 10 percent increase or decrease in the fair value of these investments, net of capital gain incentive fees and related deferred taxes, would increase or decrease net assets applicable to common stockholders by approximately \$6,015,991.

Debt investments in our portfolio may be based on floating or fixed rates. As of November 30, 2010, we had no floating rate debt investments outstanding.

We consider the management of risk essential to conducting our businesses. Accordingly, our risk management systems and procedures are designed to identify and analyze our risks, to set appropriate policies and limits and to continually monitor these risks and limits by means of reliable administrative and information systems and other policies and programs.

#### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our financial statements and financial statement schedules are set forth beginning on page F-1 in this Annual Report and are incorporated herein by reference.

#### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

#### ITEM 9A. CONTROLS AND PROCEDURES

As of November 30, 2010, we are a non-accelerated filer. This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to Section 989G of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management has established and maintains comprehensive systems of internal control that provide reasonable assurance as to the consistency, integrity, and reliability of the preparation and presentation of financial statements and the safeguarding of assets. The concept of reasonable assurance is based upon the recognition that the cost of the controls should not exceed the benefit derived. Management monitors the systems of internal control and maintains an internal auditing program that assesses the effectiveness of internal control. Management assessed the Company's disclosure controls and procedures and the Company's systems of internal control over financial reporting for financial presentations in conformity with U.S. generally accepted accounting principles. This assessment was based on criteria for effective internal control established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO Report).

Based on this assessment, management believes that the Company maintained effective systems of internal control that provided reasonable assurance as to adequate design and effective operation of the Company's disclosure controls and procedures and the Company's systems of internal control over financial reporting for financial presentations in conformity with U.S. generally accepted accounting principles as of November 30, 2010.

The Board of Directors exercises its oversight role with respect to the Company's systems of internal control primarily through its Audit and Valuation Committee, which is comprised solely of independent outside directors. The Committee oversees the Company's systems of internal control and financial reporting to assess whether their quality, integrity, and objectivity are sufficient to protect shareholders' investments.

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934) during the fiscal quarter ended November 30, 2010, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### ITEM 9B. OTHER INFORMATION

None.



PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated by reference to our proxy statement for our 2011 Annual Stockholder Meeting to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference to our proxy statement for our 2011 Annual Stockholder Meeting to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated by reference to our proxy statement for our 2011 Annual Stockholder Meeting to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated by reference to our proxy statement for our 2011 Annual Stockholder Meeting to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated by reference to our proxy statement for our 2011 Annual Stockholder Meeting to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this Annual Report on Form 10-K:

1. The Financial Statements listed in the Index to Financial Statements on Page F-1.
2. The Exhibits listed in the Exhibit Index below.

Exhibit

No.	Description of Document
3.1	Articles of Incorporation(1)
3.2	Articles Supplementary(2)
3.3	Bylaws(3)
4.1	Form of Stock Certificate(2)
4.2	Form of Warrant dated December 2006(2)
4.3	Registration Rights Agreements with Merrill Lynch & Co; Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Stifel, Nicolaus & Company, Incorporated dated January 9, 2006(1)
4.4	Registration Rights Agreement dated April 2007(4)
10.1	Dividend Reinvestment Plan(5)
10.2	Investment Advisory Agreement, dated September 15, 2009, between Tortoise Capital Resources Corporation and Tortoise Capital Advisors, L.L.C.(6)
10.3	Expense Reimbursement Agreement dated as of November 8, 2010 by and between Tortoise Capital Resources Corporation and Tortoise Capital Advisors, LLC(7)
10.4	Sub-Advisory Agreement with Kenmont Investments Management, L.P. dated September 15, 2009(8)
10.5	Custody Agreement with U.S. Bank National Association dated September 13, 2005(1)
10.5.1	First Amendment to the Custody Agreement with U.S. Bank National Association dated May 24, 2010—filed herewith
10.6	Stock Transfer Agency Agreement with Computershare Investor Services, LLC dated September 13, 2005(1)
10.7	Amended Administration Agreement with Tortoise Capital Advisors, L.L.C. dated December 1, 2010(9)
10.8	Warrant Agreement with Computershare Investor Services, LLC as Warrant Agent dated December 8, 2005(1)
14.1	Code of Ethics for Principal Executive Officer and Principal Financial Officer—filed herewith
24	Power of Attorney (included on the signature page)

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- 31.1 Certification by Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002—filed herewith.
- 31.2 Certification by Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002—filed herewith.
- 32.1 Certification by Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002—filed herewith.

- (1) Incorporated by reference to the Registrant's Registration Statement on Form N-2, filed August 28, 2006 (File No. 333-136923).
- (2) Incorporated by reference to Pre-Effective Amendment No. 2 to the Registrant's Registration Statement on Form N-2, filed January 9, 2007 (File No. 333-136923).
- (3) Incorporated by reference to the Registrant's current report on Form 8-K, filed January 21, 2009.
- (4) Incorporated by reference to Pre-Effective Amendment No. 1 to the Registrant's Registration Statement on Form N-2, filed July 3, 2007 (File No. 333-142859).
- (5) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended August 31, 2007 and filed on October 12, 2007.
- (6) Incorporated by reference to the Registrant's current report on Form 8-K, filed September 18, 2009.
- (7) Incorporated by reference to the Registrant's current report on Form 8-K, filed November 10, 2010.
- (8) Incorporated by reference to the Registrant's annual report on Form 10-K, filed February 16, 2010.
- (9) Incorporated by reference to the Registrant's current report on Form 8-K, filed December 1, 2010.

All other exhibits for which provision is made in the applicable regulations of the Securities and Exchange Commission are not required under the related instruction or are inapplicable and therefore have been omitted.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders  
Tortoise Capital Resources Corporation

We have audited the accompanying statements of assets and liabilities of Tortoise Capital Resources Corporation (the Company), including the schedules of investments, as of November 30, 2010 and 2009, and the related statements of operations, changes in net assets, and cash flows for each of the three years in the period ended November 30, 2010, and the financial highlights for each of the periods indicated therein. These financial statements and financial highlights are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of November 30, 2010, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Tortoise Capital Resources Corporation at November 30, 2010 and 2009, the results of its operations, changes in its net assets, its cash flows for each of the three years in the period ended November 30, 2010, and the financial highlights for each of the periods indicated therein, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Kansas City, Missouri  
January 26, 2011

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## Tortoise Capital Resources Corporation

## STATEMENTS OF ASSETS &amp; LIABILITIES

	November 30, 2010	November 30, 2009
<b>Assets</b>		
Investments at fair value, control (cost \$18,122,054 and \$28,180,070, respectively)	\$ 23,260,566	\$ 33,458,046
Investments at fair value, affiliated (cost \$31,329,809 and \$52,676,299, respectively)	49,066,009	41,658,847
Investments at fair value, non-affiliated (cost \$21,628,965 and \$9,568,566, respectively)	22,875,848	8,865,047
Total investments (cost \$71,080,828 and \$90,424,935, respectively)	95,202,423	83,981,940
Receivable for Adviser expense reimbursement	109,145	49,843
Receivable for investments sold	5,198	—
Interest receivable from control investments	42,778	—
Dividends receivable	83	87
Deferred tax asset	656,743	5,429,391
Prepaid expenses and other assets	25,023	16,792
Total assets	96,041,393	89,478,053
<b>Liabilities</b>		
Base management fees payable to Adviser	327,436	299,060
Accrued expenses and other liabilities	234,784	282,408
Short-term borrowings	—	4,600,000
Total liabilities	562,220	5,181,468
Net assets applicable to common stockholders	\$ 95,479,173	\$ 84,296,585
<b>Net Assets Applicable to Common Stockholders Consist of:</b>		
Warrants, no par value; 945,594 issued and outstanding at November 30, 2010 and November 30, 2009 (5,000,000 authorized)	\$ 1,370,700	\$ 1,370,700
Capital stock, \$0.001 par value; 9,146,506 shares issued and outstanding at November 30, 2010 and 9,078,090 issued and outstanding at November 30, 2009 (100,000,000 shares authorized)	9,147	9,078
Additional paid-in capital	98,444,952	101,929,307
Accumulated net investment loss, net of income taxes	(3,308,522)	(3,304,416)
Accumulated realized loss, net of income taxes	(18,532,648)	(14,041,614)
Net unrealized appreciation (depreciation) of investments, net of income taxes	17,495,544	(1,666,470)
Net assets applicable to common stockholders	\$ 95,479,173	\$ 84,296,585
Net Asset Value per common share outstanding (net assets applicable to common stock, divided by common shares outstanding)	\$ 10.44	\$ 9.29

See accompanying Notes to Financial Statements.

## Tortoise Capital Resources Corporation

## SCHEDULE OF INVESTMENTS

November 30, 2010

Company	Segment	Type of Investment	Cost	Fair Value
<b>Control Investments(1)</b>				
Mowood, LLC	Midstream/ Downstream	Equity Interest (100%)(2)	\$ 793,000	\$ 5,492,247
		Subordinated Debt (14.0% Due 12/31/11)(2)	3,800,000	3,800,000
VantaCore Partners LP	Aggregates	Common Units (933,430)(2)	13,385,113	13,814,764
		Incentive Distribution Rights (988)(2)(5)	143,941	153,555
Total Control Investments — 24.3%(3)			18,122,054	23,260,566
<b>Affiliated Investments(4)</b>				
High Sierra Energy, LP	Midstream	Common Units (1,042,685)(2)(5)	19,823,161	20,666,009
International Resource Partners LP	Coal	Class A Units (500,000)(2)	9,237,333	28,155,000
LONESTAR Midstream Partners, LP	Midstream	Class A Units (1,327,900)(2)(5)(6)	2,149,269	208,000
LSMP GP, LP	Midstream	GP LP Units (180)(2)(5)(6)	120,046	37,000
Total Affiliated Investments — 51.4%(3)			31,329,809	49,066,009
<b>Non-affiliated Investments</b>				
Abraxas Petroleum Corporation	Upstream	Common Units (1,646,376)(5)(7)	2,448,984	7,013,562
Energy Transfer Partners, L.P.	Midstream	Common Units (50,900)(7)	2,431,551	2,579,103
Enterprise Products Partners L.P.	Midstream	Common Units (37,600)(7)	1,227,913	1,582,208
EV Energy Partners, L.P.	Upstream	Common Units (78,900)(7)	2,291,374	3,011,613
High Sierra Energy GP, LLC	Midstream	Equity Interest (2.37%)(2)(5)	1,999,275	602,834
Inergy, L.P.	Midstream	Common Units (7,100)(7)	288,864	277,042
Kinder Morgan Management, LLC	Midstream	Common Units (20,678)(7)(8)	1,139,279	1,323,212
ONEOK Partners, L.P.	Midstream	Common Units (17,100)(7)	991,807	1,354,491
PostRock Energy Corporation	Upstream	Common Units (260,500)(5)(7)	4,949,500	950,825
Regency Energy Partners LP	Midstream	Common Units (46,500)(7)	1,165,596	1,195,050
Williams Partners L.P.	Midstream	Common Units (32,300)(7)	1,228,629	1,519,715
Fidelity Institutional Government Portfolio	Short-term investment	Class I Shares	1,466,193	1,466,193
Total Non-affiliated Investments — 24.0%(3)			21,628,965	22,875,848
Total Investments — 99.7%(3)			\$ 71,080,828	\$ 95,202,423

(1) Control investments are generally defined under the Investment Company Act of 1940 as companies in which at least 25% of the voting securities are owned; see Note 8 to the financial statements for further disclosure.

(2) Restricted securities have been fair valued in accordance with procedures approved by the Board of Directors and have a total fair value of \$72,929,409, which represents 76.4% of net assets applicable to common stockholders; see Note 7 to the financial statements for further disclosure.

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

(4) Affiliated investments are generally defined under the Investment Company Act of 1940 as companies in which at least 5% of the voting securities are owned. Affiliated investments in which at least 25% of the voting securities are owned are generally defined as control investments as described in footnote 1; see Note 8 to the financial statements for further disclosure.

(5) Currently non-income producing.

(6) In July 2008, LONESTAR Midstream Partners, LP sold its assets to Penn Virginia Resource Partners, L.P. (PVR). LONESTAR has no continuing operations, but currently holds certain rights to receive future payments from PVR relative to the sale. LSMP GP, LP indirectly owns the general partner of LONESTAR Midstream Partners, LP. See Note 9 to the financial statements for additional information.

(7) Publicly-traded company.

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

See accompanying Notes to Financial Statements.



## Tortoise Capital Resources Corporation

## SCHEDULE OF INVESTMENTS

November 30, 2009

Company	Segment	Type of Investment	Cost	Fair Value
<b>Control Investments(1)</b>				
Mowood, LLC	Midstream/ Downstream	Equity Interest (99.5%)(2)	\$ 4,077,499	\$ 8,253,910
		Subordinated Debt (9% Due 12/31/09)(2)	8,800,000	8,800,000
VantaCore Partners LP	Aggregates	Common Units (933,430)(2)	15,158,630	16,256,482
		Incentive Distribution Rights (988)(2)(5)	143,941	147,654
Total Control Investments — 39.7%(3)			28,180,070	33,458,046
<b>Affiliated Investments(4)</b>				
High Sierra Energy, LP	Midstream	Common Units (1,042,685)(2)	20,729,255	24,461,390
International Resource Partners LP	Coal	Class A Units (500,000)(2)	9,333,333	9,984,402
LONESTAR Midstream Partners, LP	Midstream	Class A Units (1,327,900)(2)(5)(6)	2,952,626	1,102,000
LSMP GP, LP	Midstream	GP LP Units (180)(2)(5)(6)	138,521	124,000
Quest Midstream Partners, L.P.	Midstream	Common Units (1,216,881)(2)(5)	19,522,564	5,987,055
Total Affiliated Investments — 49.4%(3)			52,676,299	41,658,847
<b>Non-affiliated Investments</b>				
Abraxas Petroleum Corporation	Upstream	Unregistered Common Units (1,946,376)(2)(5)(7)	2,895,234	3,297,009
Eagle Rock Energy Partners, L.P.	Midstream/ Upstream	Unregistered Common Units (54,474)(2)(7)(8)	723,447	253,559
EV Energy Partners, L.P.	Upstream	Common Units (78,900)(7)	2,447,552	2,039,565
High Sierra Energy GP, LLC	Midstream	Equity Interest (2.37%)(2)	2,003,487	1,776,068
Fidelity Institutional Government Portfolio	Short-term investment	Class I Shares	1,498,846	1,498,846
Total Non-affiliated Investments — 10.5%(3)			9,568,566	8,865,047
Total Investments — 99.6%(3)			\$ 90,424,935	\$ 83,981,940

- (1) Control investments are generally defined under the Investment Company Act of 1940 as companies in which at least 25% of the voting securities are owned; see Note 8 to the financial statements for further disclosure.
- (2) Restricted securities have been fair valued in accordance with procedures approved by the Board of Directors and have a total fair value of \$80,443,529, which represents 95.4% of net assets applicable to common stockholders; see Note 7 to the financial statements for further disclosure.
- (3) Calculated as a percentage of net assets applicable to common stockholders.
- (4) Affiliated investments are generally defined under the Investment Company Act of 1940 as companies in which at least 5% of the voting securities are owned. Affiliated investments in which at least 25% of the voting securities are owned are generally defined as control investments as described in footnote 1; see Note 8 to the financial statements for further disclosure.
- (5) Currently non-income producing.
- (6) In July 2008, LONESTAR Midstream Partners, LP sold its assets to Penn Virginia Resource Partners, L.P. (PVR). LONESTAR has no continuing operations, but currently holds certain rights to receive future payments from PVR relative to the sale. LSMP GP, LP indirectly owns the general partner of LONESTAR Midstream Partners, LP. See Note 9 to the financial statements for additional information.
- (7) Publicly-traded company.
- (8) Units are held in an escrow account to satisfy any potential claims from the purchaser of Millennium Midstream Partners, L.P. The escrow agreement terminates April 1, 2010. See Note 9 to the financial statements for additional information.

See accompanying Notes to Financial Statements.

## Tortoise Capital Resources Corporation

## STATEMENTS OF OPERATIONS

	Year Ended November 30, 2010	Year Ended November 30, 2009	Year Ended November 30, 2008
<b>Investment Income</b>			
Distributions from investments			
Control investments	\$ 2,021,943	\$ 2,270,189	\$ 1,576,716
Affiliated investments	1,606,891	3,379,159	4,699,082
Non-affiliated investments	567,435	2,075,229	3,412,723
Total distributions from investments	4,196,269	7,724,577	9,688,521
Less return of capital on distributions	(3,064,204)	(6,791,394)	(7,894,819)
Net distributions from investments	1,132,065	933,183	1,793,702
Interest income from control investments	720,323	807,848	1,103,059
Dividends from money market mutual funds	859	1,986	18,205
Fee income	38,580	61,514	—
Other income	—	—	28,987
Total Investment Income	1,891,827	1,804,531	2,943,953
<b>Operating Expenses</b>			
Base management fees	1,233,823	1,351,593	2,313,731
Capital gain incentive fees (Note 4)	—	—	(307,611)
Professional fees	590,486	553,856	642,615
Directors' fees	92,053	90,257	86,406
Stockholder communication expenses	53,807	61,130	58,943
Administrator fees	57,578	63,074	107,325
Fund accounting fees	27,723	31,968	34,546
Registration fees	25,889	31,306	29,668
Stock transfer agent fees	13,421	13,506	13,538
Franchise tax expense	9,470	—	—
Custodian fees and expenses	6,361	16,928	17,426
Other expenses	50,149	49,754	47,157
Total Operating Expenses	2,160,760	2,263,372	3,043,744
Interest expense	45,619	627,707	1,650,926
Total Expenses	2,206,379	2,891,079	4,694,670
Less expense reimbursement by Adviser	(308,003)	(225,266)	(385,622)
Net Expenses	1,898,376	2,665,813	4,309,048
Net Investment Loss, before Income Taxes	(6,549)	(861,282)	(1,365,095)
Current tax expense	—	—	(6,881)
Deferred tax benefit	2,443	101,133	393,483
Income tax benefit, net	2,443	101,133	386,602
Net Investment Loss	(4,106)	(760,149)	(978,493)

## Tortoise Capital Resources Corporation

## STATEMENTS OF OPERATIONS

(Continued)

	Year Ended November 30, 2010	Year Ended November 30, 2009	Year Ended November 30, 2008
<b>Realized and Unrealized Gain (Loss) on Investments</b>			
Net realized gain on control investments	\$ 2,356,404	\$ —	\$ 112,500
Net realized gain (loss) on affiliated investments	(9,520,748)	(338,572)	8,603,697
Net realized loss on non-affiliated investments	(3,954,175)	(22,782,176)	—
Net realized gain (loss), before income taxes	(11,118,519)	(23,120,748)	8,716,197
Deferred tax benefit (expense)	6,627,485	2,714,872	(2,512,409)
Net realized gain (loss) on investments	(4,491,034)	(20,405,876)	6,203,788
Net unrealized appreciation (depreciation) of control investments	(139,464)	5,483,497	(2,976,609)
Net unrealized appreciation (depreciation) of affiliated investments	28,753,652	(2,371,877)	(11,145,652)
Net unrealized appreciation (depreciation) of non-affiliated investments	1,950,402	21,135,760	(27,458,859)
Net unrealized appreciation (depreciation), before income taxes	30,564,590	24,247,380	(41,581,120)
Deferred tax benefit (expense)	(11,402,576)	(3,070,361)	11,985,592
Net unrealized appreciation (depreciation) of investments	19,162,014	21,177,019	(29,595,528)
Net Realized and Unrealized Gain (Loss) on Investments	14,670,980	771,143	(23,391,740)
Net Increase (Decrease) in Net Assets Applicable to Common Stockholders Resulting from Operations	\$ 14,666,874	\$ 10,994	\$ (24,370,233)
<b>Net Increase (Decrease) in Net Assets Applicable to Common Stockholders Resulting from Operations Per Common Share:</b>			
Basic and Diluted	\$ 1.61	\$ 0.00(1)	\$ (2.74)
<b>Weighted Average Shares of Common Stock Outstanding:</b>			
Basic and Diluted	9,107,070	8,997,145	8,887,085

(1) Less than \$0.01 per share.

See accompanying Notes to Financial Statements.

## Tortoise Capital Resources Corporation

## STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended November 30, 2010	Year Ended November 30, 2009	Year Ended November 30, 2008
<b>Operations</b>			
Net investment loss	\$ (4,106)	\$ (760,149)	\$ (978,493)
Net realized gain (loss) on investments	(4,491,034)	(20,405,876)	6,203,788
Net unrealized appreciation (depreciation) of investments	19,162,014	21,177,019	(29,595,528)
Net increase (decrease) in net assets applicable to common stockholders resulting from operations	14,666,874	10,994	(24,370,233)
<b>Distributions to Common Stockholders</b>			
Return of capital	(3,915,124)	(5,582,473)	(9,265,351)
Total distributions to common stockholders	(3,915,124)	(5,582,473)	(9,265,351)
<b>Capital Stock Transactions</b>			
Proceeds from exercise of 180 warrants	—	—	2,700
Issuance of 68,416, 115,943 and 103,799 common shares from reinvestment of distributions to stockholders, respectively	430,838	642,764	945,218
Net increase in net assets, applicable to common stockholders, from capital stock transactions	430,838	642,764	947,918
Total increase (decrease) in net assets applicable to common stockholders	11,182,588	(4,928,715)	(32,687,666)
<b>Net Assets</b>			
Beginning of year	84,296,585	89,225,300	121,912,966
End of year	\$ 95,479,173	\$ 84,296,585	\$ 89,225,300
Accumulated net investment loss, net of income taxes, at the end of year	\$ (3,308,522)	\$ (3,304,416)	\$ (2,544,267)

See accompanying Notes to Financial Statements.

## Tortoise Capital Resources Corporation

## STATEMENTS OF CASH FLOWS

	Year Ended November 30, 2010	Year Ended November 30, 2009	Year Ended November 30, 2008
<b>Cash Flows From Operating Activities</b>			
Distributions received from investments	\$ 4,196,269	\$ 7,668,062	\$ 9,688,521
Interest and dividend income received	678,408	885,284	1,106,776
Fee income received	43,580	55,000	—
Purchases of long-term investments	(10,633,882)	(6,612,878)	(37,817,772)
Proceeds from sales of long-term investments	15,757,414	24,312,558	48,568,485
Proceeds from sales (purchases) of short-term investments, net	32,653	(1,138,474)	(140,878)
Interest expense paid	(66,703)	(674,245)	(1,736,407)
Operating expenses paid	(1,923,455)	(1,955,510)	(3,001,292)
Net cash provided by operating activities	8,084,284	22,539,797	16,667,433
<b>Cash Flows From Financing Activities</b>			
Issuance of common stock (including warrant exercises)	—	—	2,700
Advances from revolving line of credit	—	900,000	22,750,000
Repayments on revolving line of credit	(4,600,000)	(18,500,000)	(31,100,000)
Distributions paid to common stockholders	(3,484,284)	(4,939,797)	(8,320,133)
Net cash used in financing activities	(8,084,284)	(22,539,797)	(16,667,433)
Net change in cash	—	—	—
Cash — beginning of year	—	—	—
Cash — end of year	\$ —	\$ —	\$ —
<b>Reconciliation of net increase (decrease) in net assets applicable to common stockholders resulting from operations to net cash provided by operating activities</b>			
Net increase (decrease) in net assets applicable to common stockholders resulting from operations	\$ 14,666,874	\$ 10,994	\$ (24,370,233)
<b>Adjustments to reconcile net increase (decrease) in net assets applicable to common stockholders resulting from operations to net cash provided by operating activities:</b>			
Purchases of long-term investments	(10,633,882)	(6,669,391)	(36,592,256)
Return of capital on distributions received	3,064,204	6,791,394	7,894,819
Proceeds from sales of long-term investments	15,762,612	24,312,558	48,568,485
Proceeds from sales (purchases) of short-term investments, net	32,653	(1,138,474)	(140,878)
Accrued capital gain incentive fees payable to Adviser	—	—	(307,611)
Deferred income taxes, net	4,772,648	254,356	(9,866,666)
Amortization of issuance costs	—	—	18,553
Realized gain (loss) on investments	11,118,519	23,120,748	(8,716,197)
Net unrealized appreciation (depreciation) of investments	(30,564,590)	(24,247,380)	41,581,120
<b>Changes in operating assets and liabilities:</b>			
(Increase) decrease in interest, dividend and distribution receivable	(42,774)	77,218	(7,200)
Decrease in income tax receivable	—	212,054	—
Increase in receivable for investments sold	(5,198)	—	—
(Increase) decrease in prepaid expenses and other assets	(8,231)	91,004	(92,432)



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Increase in current tax liability	—	—	6,881
Decrease in base management fees payable to Adviser, net of expense reimbursement	(30,926)	(195,410)	(26,278)
Decrease in payable for investments purchased	—	—	(1,235,994)
Decrease in accrued expenses and other liabilities	(47,625)	(79,874)	(46,680)
Total adjustments	(6,582,590)	22,528,803	41,037,666
Net cash provided by operating activities	\$ 8,084,284	\$ 22,539,797	\$ 16,667,433

Non-Cash Financing Activities

Reinvestment of distributions by common stockholders in additional common shares	\$ 430,838	\$ 642,764	\$ 945,218
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See accompanying Notes to Financial Statements.

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## Tortoise Capital Resources Corporation

## FINANCIAL HIGHLIGHTS

	Year Ended November 30, 2010	Year Ended November 30, 2009	Year Ended November 30, 2008	Year Ended November 30, 2007	Period from December 8, 2005(1) through November 30, 2006
<b>Per Common Share Data(2)</b>					
Net Asset Value, beginning of period	\$ 9.29	\$ 9.96	\$ 13.76	\$ 13.70	\$ —
Initial offering price	—	—	—	—	15.00
Income (loss) from Investment Operations:					
Net investment loss(3)(4)	0.00	(0.08)	(0.11)	(0.18)	0.21
Net realized and unrealized gain (loss) on investments(3)	1.58	0.03	(2.65)	0.90	0.05
Total increase (decrease) from investment operations	1.58	(0.05)	(2.76)	0.72	0.26
Less Distributions to Common Stockholders:					
Net investment income	—	—	—	—	(0.21)
Return of capital	(0.43)	(0.62)	(1.04)	(0.67)	(0.13)
Total distributions to common stockholders	(0.43)	(0.62)	(1.04)	(0.67)	(0.34)
Underwriting discounts and offering costs on issuance of common stock	—	—	—	0.01	(1.22)
Net Asset Value, end of period	\$ 10.44	\$ 9.29	\$ 9.96	\$ 13.76	\$ 13.70
Per common share market value, end of period	\$ 7.28	\$ 6.23	\$ 5.21	\$ 11.66	N/A
Total Investment Return, based on net asset value(5)	20.26%	4.19%	(18.83)%	5.35%	(6.39)%
Total Investment Return, based on market value(6)	25.04%	33.57%	(49.89)%	19.05%	N/A

- (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 years ended November 30, 2009, 2008, and 2007 and the period from December 8, 2005 through November 30, 2006 do not reflect the change in estimate of investment income and return of capital, as described in Note 2D.
- (4) Less than \$0.01 per share or 0.01%.
- (5) Not annualized. Total investment return is calculated assuming a purchase of common stock at the net asset value per share as of the beginning of the period, reinvestment of distributions at actual prices pursuant to the Company's dividend reinvestment plan and a sale at net asset value at the end of the period.
- (6) Not annualized. Total investment return is calculated assuming a purchase of common stock at the market value at the beginning of the period, reinvestment of distributions at actual prices pursuant to the Company's dividend reinvestment plan and a sale at the current market price on the last day of the period (excluding brokerage commissions).

## Tortoise Capital Resources Corporation

## FINANCIAL HIGHLIGHTS

(Continued)

	Year Ended November 30, 2010	Year Ended November 30, 2009	Year Ended November 30, 2008	Year Ended November 30, 2007	Period from December 8, 2005(1) through November 30, 2006
<b>Supplemental Data and Ratios</b>					
Net assets applicable to common stockholders, end of period (000's)	\$ 95,479	\$ 84,297	\$ 89,225	\$ 121,913	\$ 42,328
Average net assets (000's)	\$ 85,950	\$ 83,887	\$ 115,826	\$ 107,530	\$ 42,338
<b>Ratio of Expenses to Average Net Assets(7)</b>					
Advisory fees	1.44%	1.61%	2.00%	1.79%	1.53%
Capital gain incentive fees	—	—	(0.27)	0.29	—
Other expenses	1.08	1.09	0.90	1.02	0.87
Expense reimbursement	(0.36)	(0.27)	(0.33)	(0.09)	—
Subtotal	2.16	2.43	2.30	3.01	2.40
Interest expense	0.05	0.75	1.42	1.68	—
Income tax expense(8)	5.55	0.30	(8.51)	3.41	1.24
Total expenses	7.76%	3.48%	(4.79)%	8.10%	3.64%
<b>Ratio of net investment loss to average net assets, before expense reimbursement(7)</b>					
	(0.36)%	(1.18)%	(1.18)%	(1.54)%	1.77%
<b>Ratio of net investment loss to average net assets, after expense reimbursement(4)(7)</b>					
	(0.00)%	(0.91)%	(0.85)%	(1.45)%	1.77%
Portfolio turnover rate(7)	12.92%	7.43%	24.55%	0.62%	9.51%
Short-term borrowings, end of period (000's)	—	\$ 4,600	\$ 22,200	\$ 30,550	—
Asset coverage, per \$1,000 of short-term borrowings(9)	—	\$ 19,325	\$ 5,019	\$ 4,991	N/A
Asset coverage ratio of short-term borrowings(9)	—	1,933%	502%	499%	N/A

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

(8) For the year ended November 30, 2010, the Company accrued \$4,772,648 in net deferred income tax expense. For the year ended November 30, 2009, the Company accrued \$254,356 in net deferred income tax expense. For the year ended November 30, 2008, the Company accrued \$6,881 in current tax expense and \$9,866,666 in net deferred tax benefit. For the year ended November 30, 2007, the Company accrued \$261,667 in current income tax benefit and \$3,932,763 in net deferred income tax expense. For the period from December 8, 2005 through November 30, 2006, the Company accrued \$265,899 in current income tax expense and \$250,156 in net deferred income tax expense.

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

See accompanying Notes to Financial Statements.

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## Tortoise Capital Resources Corporation

### NOTES TO FINANCIAL STATEMENTS

November 30, 2010

#### 1. Organization

Tortoise Capital Resources Corporation (the “Company”) was organized as a Maryland corporation on September 8, 2005, and is a non-diversified closed-end management investment company focused on the U.S. energy infrastructure sector. The Company invests primarily in privately held and micro-cap public companies operating in the energy infrastructure sector. The Company is regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). The Company does not report results of operations internally on an operating segment basis. The Company is externally managed by Tortoise Capital Advisors, L.L.C. (the “Adviser”), an investment adviser specializing in listed energy infrastructure investments, such as pipeline and power companies. The Company’s shares are listed on the New York Stock Exchange under the symbol “TTO.”

#### 2. Significant Accounting Policies

A. Use of Estimates — The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, recognition of distribution income and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

B. Investment Valuation — The Company invests primarily in illiquid securities including debt and equity securities of privately-held companies. These investments generally are subject to restrictions on resale, have no established trading market and are fair valued on a quarterly basis. Because of the inherent uncertainty of valuation, the fair values of such investments, which are determined in accordance with procedures approved by the Company’s Board of Directors, may differ materially from the values that would have been used had a ready market existed for the investments. The Company’s Board of Directors may consider other methods of valuing investments as appropriate and in conformity with U.S. generally accepted accounting principles.

The Company determines fair value to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company has determined the principal market, or the market in which the Company exits its private portfolio investments with the greatest volume and level of activity, to be the private secondary market. Typically, private companies are bought and sold based on multiples of EBITDA, cash flows, net income, revenues, or in limited cases, book value.

For private company investments, value is often realized through a liquidity event of the entire company. Therefore, the value of the company as a whole (enterprise value) at the reporting date often provides the best evidence of the value of the investment and is the initial step for valuing the Company’s privately issued securities. For any one company, enterprise value may best be expressed as a range of fair values, from which a single estimate of fair value will be derived. In determining the enterprise value of a portfolio company, an analysis is prepared consisting of traditional valuation methodologies including market and income approaches. The Company considers some or all of the traditional valuation methods based on the individual circumstances of the portfolio company in order to derive its estimate of enterprise value.

The fair value of investments in private portfolio companies is determined based on various factors, including enterprise value, observable market transactions, such as recent offers to purchase a company, recent transactions involving the purchase or sale of the equity securities of the company, or other liquidation events. The determined equity values may be discounted when the Company has a minority position, is subject to restrictions on resale, has specific concerns about the receptivity of the capital markets to a specific company at a certain time, or other comparable factors exist.

For equity and equity-related securities that are freely tradable and listed on a securities exchange or over-the-counter market, the Company fair values those securities at their last sale price on that exchange or over-the-counter market on the valuation date. If the security is listed on more than one exchange, the Company will use the price from the exchange that it considers to be the principal exchange on which the security is traded. Securities listed on the NASDAQ will be valued at the NASDAQ Official Closing Price, which may not necessarily represent the last sale price. If there has been no sale on such exchange or over-the-counter market on such day, the security will be valued at the mean between the last bid price and last ask price on such day.

An equity security of a publicly traded company acquired in a private placement transaction without registration is subject to restrictions on resale that can affect the security’s liquidity and fair value. Such securities that are convertible into or otherwise will become freely tradable will be valued based on the market value of the freely tradable security less an applicable discount.



Generally, the discount will initially be equal to the discount at which the Company purchased the securities. To the extent that such securities are convertible or otherwise become freely tradable within a time frame that may be reasonably determined, an amortization schedule may be used to determine the discount.

The Board of Directors undertakes a multi-step valuation process each quarter in connection with determining the fair value of private investments. An independent valuation firm has been engaged by the Board of Directors to provide independent, third-party valuation consulting services based on procedures that the Board of Directors has identified and may ask them to perform from time to time on all or a selection of private investments as determined by the Board of Directors. The multi-step valuation process is specific to the level of assurance that the Board of Directors requests from the independent valuation firm.

For positive assurance, the process is as follows:

- The independent valuation firm prepares the preliminary valuations and the supporting analysis. At November 30, 2010, the independent valuation firm performed positive assurance valuation procedures on five portfolio companies comprising approximately 99.7 percent of the total fair value of restricted investments;
- The investment professionals of the Adviser review the preliminary valuations and supporting analyses, and consider and assess, as appropriate, any changes that may be required to the preliminary valuations;
- The Investment Committee of the Adviser reviews the preliminary valuations and supporting analyses, and considers and assesses, as appropriate, any changes that may be required to the preliminary valuations;
- The Board of Directors assesses the valuations and ultimately determines the fair value of each investment in the Company's portfolio in good faith.

C. Interest and Fee Income — Interest income is recorded on the accrual basis to the extent that such amounts are expected to be collected. When investing in instruments with an original issue discount or payment-in-kind interest (in which case the Company chooses payment-in-kind in lieu of cash), the Company will accrue interest income during the life of the investment, even though the Company will not necessarily be receiving cash as the interest is accrued. Fee income will include fees, if any, for due diligence, structuring, commitment and facility fees, transaction services, consulting services and management services rendered to portfolio companies and other third parties. Commitment and facility fees generally are recognized as income over the life of the underlying loan, whereas due diligence, structuring, transaction service, consulting and management service fees generally are recognized as income when services are rendered. For the years ended November 30, 2010 and 2009, the Company received \$38,580 and \$61,514 in fee income, respectively. For the year ended November 30, 2008, the Company received no fee income.

D. Security Transactions and Investment Income — Security transactions are accounted for on the date the securities are purchased or sold (trade date). Realized gains and losses are reported on an identified cost basis. Distributions received from the Company's investments in limited partnerships and limited liability companies generally are comprised of ordinary income, capital gains and return of capital. The Company records investment income, capital gains and return of capital based on estimates made at the time such distributions are received. Such estimates are based on information available from each company and/or other industry sources. These estimates may subsequently be revised based on information received from the entities after their tax reporting periods are concluded, as the actual character of these distributions is not known until after the fiscal year end of the Company.

During the year ended November 30, 2010, the Company reallocated the amount of 2009 investment income and return of capital it recognized based on the 2009 tax reporting information received from the individual portfolio companies. This reclassification amounted to a decrease in pre-tax net investment income of approximately \$613,000 or \$0.067 per share (\$393,000 or \$0.043 per share, net of deferred tax benefit); an increase in unrealized appreciation of investments of approximately \$886,000 or \$0.097 per share (\$568,000 or \$0.062 per share, net of deferred tax expense) and a decrease in realized gains of approximately \$273,000 or \$0.030 per share (\$175,000 or \$0.019 per share, net of deferred tax benefit).

E. Distributions to Stockholders — The amount of any quarterly distributions will be determined by the Board of Directors. Distributions to stockholders are recorded on the ex-dividend date. If the Company has outstanding leverage, it may not declare or pay distributions to its common stockholders if it does not meet asset coverage ratios required under the 1940 Act. The character of distributions made during the year may differ from their ultimate characterization for federal income tax purposes. For the years ended November 30, 2010 and November 30, 2009, the Company's distributions for book and tax purposes were comprised of 100 percent return of capital. For the year ended November 30, 2008, the Company's distributions for book purposes were comprised of 100 percent return of capital and for tax purposes were comprised of 3.2

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percent investment income and 96.8 percent return of capital.

F. Federal and State Income Taxation — The Company, as a corporation, is obligated to pay federal and state income tax on its taxable income. Currently, the highest regular marginal federal income tax rate for a corporation is 35 percent; however, the Company anticipates a marginal effective tax rate of 34 percent due to expectations of the level of taxable income relative to the federal graduated tax rates, including the tax rate anticipated when temporary differences reverse. The Company may be subject to a 20 percent federal alternative minimum tax on its federal alternative minimum taxable income to the extent that its alternative minimum tax exceeds its regular federal income tax.

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The Company invests its assets primarily in limited partnerships or limited liability companies which are treated as partnerships for federal and state income tax purposes. As a limited partner, the Company reports its allocable share of taxable income in computing its own taxable income. The Company's tax expense or benefit is included in the Statement of Operations based on the component of income or gains (losses) to which such expense or benefit relates. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is recognized, if based on the weight of available evidence, it is more likely than not that some portion or all of the deferred income tax asset will not be realized.

G. Offering Costs — Offering costs related to the issuance of common stock are charged to additional paid-in capital when the stock is issued.

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

#### I. Recent Accounting Pronouncement

##### Standard on Fair Value Measurement

On January 21, 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2010-06, Improving Disclosures about Fair Value Measurements, which amends FASB Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures, and requires additional disclosures regarding fair value measurements. Specifically, the amendment requires reporting entities to disclose (i) the input and valuation techniques used to measure fair value for both recurring and nonrecurring fair value measurements, for Level 2 or Level 3 positions, (ii) transfers between all levels (including Level 1 and Level 2) on a gross basis (i.e. transfers out must be disclosed separately from transfers in) as well as the reason(s) for the transfer, and (iii) purchases, sales, issuances, and settlements on a gross basis in the Level 3 rollforward rather than as one net number. The effective date of the amendment is for interim and annual periods beginning after December 15, 2009; however, the requirement to provide the Level 3 activity for purchases, sales, issuances, and settlements on a gross basis will be effective for interim and annual periods beginning after December 15, 2010. The Company has adopted the disclosures required by this amendment, which did not have a material impact on the financial statements.

#### 3. Concentration of Risk

The Company invests primarily in privately-held and micro-cap public companies in the U.S. energy infrastructure sector. The Company may, for defensive purposes, temporarily invest all or a significant portion of its assets in investment grade securities, short-term debt securities and cash or cash equivalents. To the extent the Company uses this strategy it may not achieve its investment objective.

#### 4. Agreements

For the period from December 1, 2008 through September 14, 2009, the Company had an Investment Advisory Agreement with Tortoise Capital Advisors, L.L.C. On September 15, 2009, the Company entered into a new Investment Advisory Agreement with the Adviser as a result of a change in control of the Adviser and the previous Investment Advisory Agreement with the Adviser automatically terminated. The terms of the new Investment Advisory Agreement are substantially identical to the terms of the previous Investment Advisory Agreement, except for the effective and termination dates, and simply continue the relationship between the Company and the Adviser.

Under the terms of the Investment Advisory Agreement, the Adviser is paid a fee consisting of a base management fee and an incentive fee. The base management fee is 0.375 percent (1.5 percent annualized) of the Company's average monthly Managed Assets, calculated and paid quarterly in arrears within thirty days of the end of each fiscal quarter. The term "Managed Assets" as used in the calculation of the management fee means total assets (including any assets purchased with or attributable to borrowed funds but excluding any net deferred tax asset) minus accrued liabilities other than (1) net deferred tax liabilities, (2) debt entered into for the purpose of leverage and (3) the aggregate liquidation preference of any outstanding preferred shares. The base management fee for any partial quarter is appropriately prorated.

On November 30, 2007, the Company entered into an Expense Reimbursement and Partial Fee Waiver Agreement with the Adviser. Under the terms of the agreement, the Adviser reimbursed the Company for certain expenses incurred beginning September 1, 2007 and ending December 31, 2008 in an amount equal to an annual rate of 0.25 percent of the Company's average monthly Managed Assets. On November 11, 2008, the Company entered into an Expense Reimbursement Agreement with the Adviser, for which the Adviser reimbursed the Company for certain expenses incurred beginning January 1, 2009 and ending December 31, 2009 in an amount equal to an annual rate of 0.25 percent of the

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Company's average monthly Managed Assets. On February 17, 2010, the Company entered into an Expense Reimbursement Agreement with the Adviser under which the Adviser will reimburse the Company for certain expenses incurred beginning January 1, 2010 and ending December 31, 2010 in an amount equal to an annual rate of 0.25 percent of the Company's average monthly Managed Assets. On August 9, 2010, the Company entered into an Amended Expense Reimbursement Agreement with the Adviser under which the Adviser will reimburse the Company for certain expenses incurred beginning June 1, 2010 and ending December 31, 2010 in an amount equal to an annual rate of 0.50 percent of the Company's average monthly Managed Assets. During the years ended November 30, 2010, November 30, 2009 and November 30, 2008, the Adviser reimbursed the Company \$308,003, \$225,266 and \$385,622, respectively.

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The incentive fee consists of two parts. The first part, the investment income fee, is equal to 15 percent of the excess, if any, of the Company's Net Investment Income for the fiscal quarter over a quarterly hurdle rate equal to 2 percent (8 percent annualized), and multiplied, in either case, by the Company's average monthly Net Assets for the quarter. "Net Assets" means the Managed Assets less deferred taxes, debt entered into for the purposes of leverage and the aggregate liquidation preference of any outstanding preferred shares. "Net Investment Income" means interest income (including accrued interest that we have not yet received in cash), dividend and distribution income from equity investments (but excluding that portion of cash distributions that are treated as a return of capital), and any other income (including any fees such as commitment, origination, syndication, structuring, diligence, monitoring, and consulting fees or other fees that the Company is entitled to receive from portfolio companies) accrued during the fiscal quarter, minus the Company's operating expenses for such quarter (including the base management fee, expense reimbursements payable pursuant to the Investment Advisory Agreement, any interest expense, any accrued income taxes related to net investment income, and distributions paid on issued and outstanding preferred stock, if any, but excluding the incentive fee payable). Net Investment Income also includes, in the case of investments with a deferred interest or income feature (such as original issue discount, debt or equity instruments with a payment-in-kind feature, and zero coupon securities), accrued income that the Company has not yet received in cash. Net Investment Income does not include any realized capital gains, realized capital losses, or unrealized capital appreciation or depreciation. The investment income fee is calculated and payable quarterly in arrears within thirty (30) days of the end of each fiscal quarter. The investment income fee calculation is adjusted appropriately on the basis of the number of calendar days in the first fiscal quarter the fee accrues or the fiscal quarter during which the Agreement is in effect in the event of termination of the Agreement during any fiscal quarter. During the years ended November 30, 2010, November 30, 2009 and November 30, 2008, the Company accrued no investment income fees.

The second part of the incentive fee payable to the Adviser, the capital gain incentive fee, is equal to: (A) 15 percent of (i) the Company's net realized capital gains (realized capital gains less realized capital losses) on a cumulative basis from inception to the end of each fiscal year, less (ii) any unrealized capital depreciation at the end of such fiscal year, less (B) the aggregate amount of all capital gain fees paid to the Adviser in prior fiscal years. The capital gain incentive fee is calculated and payable annually within thirty (30) days of the end of each fiscal year. In the event the Investment Advisory Agreement is terminated, the capital gain incentive fee calculation shall be undertaken as of, and any resulting capital gain incentive fee shall be paid within thirty (30) days of the date of termination. The Adviser may, from time to time, waive or defer all or any part of the compensation described in the Investment Advisory Agreement.

The calculation of the capital gain incentive fee does not include any capital gains that result from that portion of any scheduled periodic distributions made possible by the normally recurring cash flow from the operations of portfolio companies ("Expected Distributions") that are characterized by the Company as return of capital for U.S. generally accepted accounting principles purposes. In that regard, any such return of capital will not be treated as a decrease in the cost basis of an investment for purposes of calculating the capital gain incentive fee. This does not apply to any portion of any distribution from a portfolio company that is not an Expected Distribution. Realized capital gains on a security will be calculated as the excess of the net amount realized from the sale or other disposition of such security over the adjusted cost basis for the security. Realized capital losses on a security will be calculated as the amount by which the net amount realized from the sale or other disposition of such security is less than the adjusted cost basis of such security. Unrealized capital depreciation on a security will be calculated as the amount by which the Company's adjusted cost basis of such security exceeds the fair value of such security at the end of a fiscal year.

The payable for capital gain incentive fees is a result of the increase or decrease in the fair value of investments and realized gains or losses from investments. For the years ended November 30, 2010 and November 30, 2009, the Company accrued no capital gain incentive fees. For the year ended November 30, 2008, the Company decreased the capital gain incentive fee payable by \$307,611 as a result of the decrease in the fair value of investments during the period. Pursuant to the Investment Advisory Agreement, the capital gain incentive fee is paid annually only if there are realization events and only if the calculation defined in the agreement results in an amount due. No capital gain incentive fees have been paid since the commencement of operations.

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U.S. Bancorp Fund Services, LLC serves as the Company's fund accounting services provider. The Company pays the provider a monthly fee computed at an annual rate of \$24,000 on the first \$50,000,000 of the Company's Net Assets, 0.0125 percent on the next \$200,000,000 of Net Assets, 0.0075 percent on the next \$250,000,000 of Net Assets and 0.0025 percent on the balance of the Company's Net Assets.

The Adviser serves as the Company's administrator. The Company pays the administrator a fee equal to an annual rate of 0.07 percent of aggregate average daily Managed Assets up to and including \$150,000,000, 0.06 percent of aggregate average daily Managed Assets on the next \$100,000,000, 0.05 percent of aggregate average daily Managed Assets on the next \$250,000,000, and 0.02 percent on the balance. This fee is calculated and accrued daily and paid quarterly in arrears.

Computershare Trust Company, N.A. serves as the Company's transfer agent and registrar and Computershare Inc. serves as the Company's dividend paying agent and agent for the automatic dividend reinvestment plan.

U.S. Bank, N.A. serves as the Company's custodian. The Company pays the custodian a monthly fee computed at an annual rate of 0.004 percent of the Company's portfolio assets, subject to a minimum annual fee of \$4,800, plus portfolio transaction fees.

### 5. Income Taxes

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting and tax purposes. Components of the Company's deferred tax assets and liabilities as of November 30, 2010 and November 30, 2009 are as follows:

	November 30, 2010	November 30, 2009
<b>Deferred tax assets:</b>		
Organization costs	\$ (21,231)	\$ (24,456)
Net unrealized loss on investment securities	—	(2,416,767)
Capital loss carryforwards	(4,268,529)	(6,084,585)
Net operating loss carryforwards	(6,343,988)	(5,112,040)
AMT and State of Kansas credit	(5,039)	(5,039)
Valuation allowance	558,533	3,038,089
	(10,080,254)	(10,604,798)
<b>Deferred tax liabilities:</b>		
Net unrealized gain on investment securities	8,640,355	—
Basis reduction of investment in partnerships	783,156	5,175,407
	9,423,511	5,175,407
<b>Total net deferred tax asset</b>	<b>\$ (656,743)</b>	<b>\$ (5,429,391)</b>

At November 30, 2010, the Company has recorded a valuation allowance in the amount of \$558,533 for a portion of its deferred tax asset which it does not believe will, more likely than not, be realized. The Company estimates, based on existence of sufficient evidence, primarily regarding the amount and timing of distributions to be received from portfolio companies, the ability to realize the remainder of its deferred tax assets. Any adjustments to such estimates will be made in the period such determination is made. The Company's policy is to record interest and penalties on uncertain tax positions as part of tax expense. As of November 30, 2010, the Company had no uncertain tax positions and no penalties and interest were accrued. The Company does not expect any change to its unrecognized tax positions over the next twelve months subsequent to November 30, 2010. All tax years since inception remain open to examination by federal and state tax authorities.

Total income tax benefit differs from the amount computed by applying the federal statutory income tax rate of 34 percent to net investment income (loss) and realized and unrealized gains (losses) on investments before taxes as follows:

	For the year ended November 30, 2010	For the year ended November 30, 2009	For the year ended November 30, 2008
Application of statutory income tax rate	\$ 6,609,437	\$ 90,219	\$ (11,638,206)
State income taxes, net of federal tax benefit	353,799	9,314	(951,595)
Change in prior year tax expense	—	—	1,842
Change in income tax rate	288,968	(68,375)	(86,717)

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Change in deferred tax valuation allowance	(2,479,556)	223,198	2,814,891
Total income tax expense (benefit)	\$ 4,772,648	\$ 254,356	\$ (9,859,785)

Total income taxes are computed by applying the federal statutory rate plus a blended state income tax rate. During the year, the Company re-evaluated its overall federal and state income tax rate, decreasing it from 37.51 percent to 35.82 percent due to anticipated state apportionment of income and gains.

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For the year ended November 30, 2010, the components of income tax include the following for the periods presented:

	Year ended November 30, 2010	Year ended November 30, 2009	Year ended November 30, 2008
<b>Current tax expense</b>			
Federal	\$ —	\$ —	\$ 6,361
State	—	—	520
<b>Total current expense</b>	<b>—</b>	<b>—</b>	<b>6,881</b>
<b>Deferred tax expense (benefit)</b>			
Federal	4,530,152	230,554	(9,120,898)
State	242,496	23,802	(745,768)
<b>Total deferred expense (benefit)</b>	<b>4,772,648</b>	<b>254,356</b>	<b>(9,866,666)</b>
<b>Total tax expense (benefit)</b>	<b>\$ 4,772,648</b>	<b>\$ 254,356</b>	<b>\$ (9,859,785)</b>

The deferred income tax expense (benefit) for the years ended November 30, 2010, November 30, 2009 and November 30, 2008, includes the impact of the change in valuation allowance for such respective periods.

As of November 30, 2010, the Company had a net operating loss for federal income tax purposes of approximately \$17,850,000. The net operating loss may be carried forward for 20 years. If not utilized, this net operating loss will expire as follows: \$3,911,000, \$3,369,000, \$7,220,000, and \$3,350,000 in the years 2027, 2028, 2029, and 2030 respectively. As of November 30, 2010, the Company had a capital loss carryforward of approximately \$12,000,000 which may be carried forward for 5 years. If not utilized, this capital loss will expire in the year ending November 30, 2014. The capital gains for the year ended November 30, 2010 have been estimated based on information currently available. Such estimate is subject to revision upon receipt of 2010 tax reporting information from the individual MLPs. For corporations, capital losses can only be used to offset capital gains and cannot be used to offset ordinary income. As of November 30, 2010, an alternative minimum tax credit of \$3,109 was available, which may be credited in the future against regular income tax. This credit may be carried forward indefinitely.

The aggregate cost of securities for federal income tax purposes and securities with unrealized appreciation and depreciation, were as follows:

	November 30, 2010	November 30, 2009
<b>Aggregate cost for federal income tax purposes</b>	<b>\$ 68,894,462</b>	<b>\$ 76,627,528</b>
Gross unrealized appreciation	32,072,976	15,304,091
Gross unrealized depreciation	(5,765,015)	(7,949,679)
<b>Net unrealized appreciation</b>	<b>\$ 26,307,961</b>	<b>\$ 7,354,412</b>

### 6. Fair Value of Financial Instruments

Various inputs are used in determining the fair value of the Company's investments. These inputs are summarized in the three broad levels listed below:

- Level 1 — quoted prices in active markets for identical investments
- Level 2 — other significant observable inputs (including quoted prices for similar investments, market corroborated inputs, etc.)
- Level 3 — significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments)

#### Valuation Techniques

In general, and where applicable, the Company uses readily available market quotations based upon the last updated sales price from the principal market to determine fair value. This pricing methodology applies to the Company's Level 1 investments.

An equity security of a publicly traded company acquired in a private placement transaction without registration under the Securities Act of 1933, as amended (the "1933 Act"), is subject to restrictions on resale that can affect the security's fair value. If such a security is convertible into publicly-traded common shares, the security generally will be valued at the common share market price adjusted by a percentage discount due to the restrictions. This pricing methodology applies to the Company's Level 2 investments.

For private company investments, value is often realized through a liquidity event of the entire company. Therefore, the value of the company as a whole (enterprise value) at the reporting date often provides the best evidence of the value of the investment and is the initial step for valuing the Company's privately issued securities. For any one company, enterprise value may best be expressed as a range of fair values, from which a single estimate of fair value will be derived. In determining the enterprise value of a portfolio company, the Company prepares an analysis consisting of traditional valuation methodologies including market and income approaches. The Company considers some or all of the traditional valuation methods based on the individual circumstances of the portfolio company in order to derive its estimate of enterprise value. This pricing methodology applies to the Company's Level 3 investments.

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The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following tables provide the fair value measurements of applicable Company assets and liabilities by level within the fair value hierarchy as of November 30, 2010 and November 30, 2009. These assets are measured on a recurring basis.

November 30, 2010

Description	Fair Value at			
	November 30, 2010	Level 1	Level 2	Level 3
Equity Investments	\$ 89,936,230	\$ 20,806,821	\$ —	\$ 69,129,409
Debt Investments	3,800,000	—	—	3,800,000
Short-Term Investments	1,466,193	1,466,193	—	—
Total Investments	\$ 95,202,423	\$ 22,273,014	\$ —	\$ 72,929,409

November 30, 2009

Description	Fair Value at			
	November 30, 2009	Level 1	Level 2	Level 3
Equity Investments	\$ 73,683,094	\$ 2,039,565	\$ 3,297,009	\$ 68,346,520
Debt Investments	8,800,000	—	—	8,800,000
Short-Term Investments	1,498,846	1,498,846	—	—
Total Investments	\$ 83,981,940	\$ 3,538,411	\$ 3,297,009	\$ 77,146,520

The changes for all Level 3 assets measured at fair value on a recurring basis using significant unobservable inputs for the years ended November 30, 2010 and November 30, 2009, are as follows:

	Year ended November 30, 2010	Year ended November 30, 2009
Fair value beginning balance	\$ 77,146,520	\$ 85,728,339
Total realized and unrealized gains included in net increase in net assets applicable to common stockholders	10,473,595	2,575,505
Purchases	750,000	56,513
Sales	(12,494,034)	(4,479,786)
Return of capital adjustments impacting cost basis of securities	(2,946,672)	(6,734,051)
Fair value ending balance	\$ 72,929,409	\$ 77,146,520
The amount of total gains for the period included in net increase in net assets applicable to common stockholders attributable to the change in unrealized gains relating to assets still held at the reporting date	\$ 13,909,657	\$ 4,087,478

During the year ended November 30, 2010, \$3,406,158 of equity investments were transferred from Level 2 to Level 1. These securities became eligible for resale pursuant to Rule 144 under the 1933 Act and, therefore, were valued at the common share market price for its counterpart using readily available market quotations from the principal market.



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7. Restricted Securities

Certain of the Company's investments are restricted and are valued as determined in accordance with procedures established by the Board of Directors and more fully described in Note 2. The following tables show the equity interest, number of units or principal amount, the acquisition date(s), acquisition cost (excluding return of capital adjustments), fair value, fair value per unit of such securities and fair value as percent of net assets applicable to common stockholders as of November 30, 2010 and November 30, 2009.

November 30, 2010		Equity Interest, Units	or Principal	Acquisition	Acquisition	Fair Value	Fair Value Per Unit	Fair Value as Percent of Net Assets
Investment Security		Amount	Date(s)	Cost	Fair Value	Unit		
High Sierra Energy, LP	Common Units	1,042,685	11/2/06-11/15/08	\$ 24,828,836	\$ 20,666,009	\$ 19.82		21.6%
High Sierra Energy GP, LLC	Equity Interest	2.37%	11/2/06-5/1/07	2,015,969	602,834	N/A		0.6
International Resource Partners LP	Class A Units	500,000	6/12/07	10,000,000	28,155,000	56.31		29.5
LONESTAR Midstream Partners, LP(1)	Class A Units	1,327,900	7/27/07-4/2/08	2,149,269	208,000	0.16		0.2
LSMP GP, LP(1)	GP LP Units	180	7/27/07-4/2/08	120,046	37,000	205.56		0.1
Mowood, LLC(1)	Equity Interest	100%	6/5/06-8/4/08	1,000,000	5,492,247	N/A		5.8
	Subordinated Debt	\$ 3,800,000	7/28/10	3,800,000	3,800,000	N/A		4.0
VantaCore Partners LP	Common Units	933,430	5/21/07-8/4/08	18,270,449	13,814,764	14.80		14.5
	Incentive Distribution Rights	988	5/21/07-8/4/08	143,936	153,555	155.42		0.1
				\$ 62,328,505	\$ 72,929,409			76.4%

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

November 30, 2009		Equity Interest, Units	or Principal	Acquisition	Acquisition	Fair Value	Fair Value Per Unit	Fair Value as Percent of Net Assets
Investment Security		Amount	Date(s)	Cost	Fair Value	Unit		
Abraxas Petroleum Corporation	Unregistered Common Units	1,946,376	10/5/09	\$ 2,895,234	\$ 3,297,009	\$ 1.69		3.9%
Eagle Rock Energy Partners, L.P.(1)	Unregistered Common Units	54,474	10/1/08	749,018	253,559	4.65		0.3
High Sierra Energy, LP	Common Units	1,042,685	11/2/06-11/15/08	24,828,836	24,461,390	23.46		29.0
High Sierra Energy GP, LLC	Equity Interest	2.37%	11/2/06-5/1/07	2,015,969	1,776,068	N/A		2.1
International Resource Partners LP	Class A Units	500,000	6/12/07	10,000,000	9,984,402	19.97		11.8
LONESTAR Midstream Partners, LP(2)	Class A Units	1,327,900	7/27/07- 4/2/08	2,952,626	1,102,000	0.83		1.3
LSMP GP, LP(2)	GP LP Units	180	7/27/07- 4/2/08	138,521	124,000	688.89		0.2
Mowood, LLC	Equity Interest	99.5%	6/5/06-8/4/08	5,000,000	8,253,910	N/A		9.8
	Subordinated Debt	\$ 8,800,000	6/5/06-12/8/08	8,800,000	8,800,000	N/A		10.4
Quest Midstream Partners, L.P.	Common Units	1,180,946	12/22/06-11/1/07	22,200,001	5,987,055	4.92		7.1
VantaCore Partners LP	Common Units	933,430	5/21/07-8/4/08	18,270,449	16,256,482	17.42		19.3
	Incentive Distribution Rights	988	5/21/07-8/4/08	143,936	147,654	149.45		0.2
				\$ 97,994,590	\$ 80,443,529			95.4%

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- (1) Units are held in an escrow account to satisfy any potential claims from the purchaser of Millennium Midstream Partners, L.P. The escrow agreement terminated April 1, 2010. See Note 9—Investment Transactions for additional information.
- (2) See Note 9—Investment Transactions for additional information.

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8. Investments in Affiliates and Control Entities

Investments representing 5 percent or more of the outstanding voting securities of a portfolio company result in that company being considered an affiliated company, as defined in the 1940 Act. Investments representing 25 percent or more of the outstanding voting securities of a portfolio company result in that company being considered a control company, as defined in the 1940 Act. The aggregate fair value of all securities of affiliates and controlled entities held by the Company as of November 30, 2010 amounted to \$72,326,575, representing 75.7 percent of net assets applicable to common stockholders. The aggregate fair value of all securities of affiliates and controlled entities held by the Company as of November 30, 2009 amounted to \$75,116,893, representing 89.1 percent of net assets applicable to common stockholders. A summary of affiliated transactions for each company which was an affiliate or controlled entity at November 30, 2010 or during the year then ended and at November 30, 2009 or during the year then ended is as follows:

November 30, 2010	Units/Equity Interest/Principal				Gross Distributions or Interest Received	Units/Equity Interest/Principal	
	Balance	Gross Additions	Gross Reductions	Realized Gain (loss)		Balance	Fair Value
	11/30/09					11/30/10	11/30/10
High Sierra Energy, LP(1) International Resource Partners LP	1,042,685	\$ —	—	—	\$ 656,891	1,042,685	\$ 20,666,009
LONESTAR Midstream Partners, LP(1)(2)	500,000	—	—	—	950,000	500,000	28,155,000
LSMP GP, LP(1)(2)	1,327,900	—	(890,942)	87,585	—	1,327,900	208,000
Mowood, LLC Subordinated Debt(2)	180	—	(17,254)	(1,221)	—	180	37,000
Mowood, LLC Equity Interest(2)	\$ 8,800,000	750,000	(5,750,000)	—	720,323	\$ 3,800,000	3,800,000
Quest Midstream Partners, L.P.	99.5%	—	(5,528,403)	2,356,404	248,426	100%	5,492,247
VantaCore Partners LP Common Units	1,216,881	—	(9,915,452)	(9,607,112)	—	—	—
VantaCore Partners LP Incentive Distribution Rights(1)	933,430	—	—	—	1,773,517	933,430	13,814,764
	988	—	—	—	—	988	153,555
		\$ 750,000	\$ (22,102,051)	\$ (7,164,344)	\$ 4,349,157		\$ 72,326,575

(1) Currently non-income producing.

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

November 30, 2009	Units/Equity Interest/Principal				Gross Distributions or Interest Received	Units/Equity Interest/Principal	
	Balance	Gross Additions	Gross Reductions	Realized Gain (loss)		Balance	Fair Value
	11/30/08					11/30/09	11/30/09
High Sierra Energy, LP International Resource Partners LP	1,042,685	\$ —	—	—	\$ 2,579,159	1,042,685	\$ 24,461,390
LONESTAR Midstream Partners, LP(1)(2)	500,000	—	—	—	800,000	500,000	9,984,402
LSMP GP, LP(1)(2)	1,327,900	—	(1,128,428)	(363,932)	—	1,327,900	1,102,000
Mowood, LLC Subordinated Debt	180	—	(55,353)	25,360	—	180	124,000
Mowood, LLC Promissory Notes	\$ 7,050,000	1,750,000	—	—	807,848	\$ 8,800,000	8,800,000
Mowood, LLC Equity Interest	\$ 1,235,000	—	(1,235,000)	—	—	—	—
Quest Midstream Partners, L.P.(2)	99.6%	—	—	—	450,000	99.5%	8,253,910
VantaCore Partners LP Common Units	1,180,946	—	—	—	—	1,216,881	5,987,055
VantaCore Partners LP Incentive	933,430	—	—	—	1,820,189	933,430	16,256,482

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Distribution Rights(2)	988	—	—	—	—	988	147,654
	\$ 1,750,000	\$ (2,418,781)	\$ (338,572)	\$ 6,457,196			\$ 75,116,893

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

(2) Currently non-income producing. Additional units held at 11/30/09 resulted from paid-in-kind distribution to private investors in October 2009.

### 9. Investment Transactions

For the year ended November 30, 2010, the Company purchased (at cost) securities in the amount of \$10,633,882 and sold securities (proceeds received) in the amount of \$15,762,612 (excluding short-term debt securities). For the year ended November 30, 2009, the Company purchased (at cost) securities in the amount of \$6,669,391 and sold securities (proceeds received) in the amount of \$24,312,558 (excluding short-term debt securities). For the year ended November 30, 2008, the Company purchased (at cost) securities in the amount of \$36,592,256 and sold securities (proceeds received) in the amount of \$48,568,485 (excluding short-term debt securities).

On February 9, 2010, Mowood, LLC (“Mowood”) closed the sale of its wholly owned subsidiary, Timberline Energy, LLC (“Timberline”), to Landfill Energy Systems, LLC. Timberline is an owner and developer of projects that convert landfill gas to energy. Mowood continues its ownership and operation of Omega Pipeline Company, LLC (“Omega”), a local distribution company which serves the natural gas needs of Fort Leonard Wood and other customers in south central Missouri. The Company received initial proceeds from the sale of \$9,000,000, which were used to pay off the outstanding balance on its credit facility and to fund an additional investment of \$750,000 in Omega to facilitate growth. The Company used the remaining proceeds to invest according to its stated investment policies, which included investments in publicly-traded securities. In May 2010, the Company received additional capital gain proceeds of \$585,000 from Mowood as a result of a contingent payment from the sale of Timberline and in November 2010, the Company received \$193,403 for carbon credit reimbursements. The Company may receive additional contingent and escrow payments from the Timberline sale currently expected to total up to \$1.4 million.

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On July 17, 2008, LONESTAR Midstream Partners LP (“LONESTAR”) closed a transaction with Penn Virginia Resource Partners, L.P. (NYSE: PVR) for the sale of its gas gathering and transportation assets. LONESTAR distributed substantially all of the initial sales proceeds to its limited partners but did not redeem partnership interests. The Company received a distribution of \$10,476,511 in cash, 468,001 newly issued unregistered common units of PVR, and 59,503 unregistered common units of Penn Virginia GP Holdings, L.P. (NYSE: PVG). On February 3, 2009, the Company received a distribution of 37,305 freely tradable common units of PVR and 4,743 freely tradable common units of PVG. On July 17, 2009, the Company received an additional distribution of 37,304 freely tradable common units of PVR and 4,744 freely tradable common units of PVG. On December 31, 2009, the Company received a cash distribution from LONESTAR of \$804,387. On October 26, 2010, the Company received an additional cash distribution from LONESTAR of \$103,809. For purposes of the capital gain incentive fee, the realized gain totals \$1,859,997. Pursuant to the Investment Advisory Agreement, the capital gain incentive fee is paid annually only if there are realization events and only if the calculation defined in the agreement results in an amount due. No capital gain incentive fees have been paid since the commencement of operations. There are also two potential future contingent payments due from LONESTAR which are based on the achievement of specific revenue targets by or before June 30, 2013. No payments are due if these revenue targets are not achieved. If received, the Company’s expected portion would total approximately \$9,638,829, payable in cash or common units of PVR (at PVR’s election). The fair value of the LONESTAR and LSMP GP, LP units, which totals \$245,000 as of November 30, 2010, is based on unobservable inputs related to the potential receipt of these future payments relative to the sales transaction.

On October 1, 2008, Millennium sold its partnership interests to Eagle Rock Energy Partners, L.P. (“EROC”) for approximately \$181,000,000 in cash and approximately four million EROC unregistered common units. In exchange for its Millennium partnership interests, the Company received \$13,687,081 in cash and 373,224 EROC unregistered common units with an aggregate basis of \$5,044,980 for a total implied value at closing of approximately \$18,732,061. In addition, 253,113 EROC unregistered common units were placed in escrow for 18 months from the date of the transaction. During this 18 month period, various claims were made against the escrow fund, resulting in the disbursement of 88,778 common units back to EROC. In August 2009, the Company received an escrow release of 118,311 freely tradable EROC common units, and on April 1, 2010, the escrow termination date, the Company received the final balance of freely tradable EROC common units in the escrow account of 46,024 units. On May 31, 2010, the Company recorded a receivable and a corresponding realized gain in the amount of \$24,977, representing the amount due from EROC related to insurance proceeds it received from previous hurricane damage claims for the North Terrebonne plant. For purposes of the capital gain incentive fee, the realized gain totals \$3,516,639, which excludes that portion of the fee that would be due as a result of cash distributions which were characterized as return of capital. Pursuant to the Investment Advisory Agreement, the capital gain incentive fee is paid annually only if there are realization events and only if the calculation defined in the agreement results in an amount due. No capital gain incentive fees have been paid since the commencement of operations.

#### 10. Credit Facility

On December 1, 2008, the Company had a \$50,000,000 committed credit facility with U.S. Bank, N.A., who served as a lender, agent and lead arranger. The revolving credit facility had a variable annual interest rate equal to the one-month LIBOR plus 1.75 percent and a non-usage fee equal to an annual rate of 0.375 percent of the difference between the total credit facility commitment and the average outstanding balance at the end of each day for the preceding fiscal quarter. The credit facility contained a covenant precluding the Company from incurring additional debt.

On March 20, 2009, the Company entered into a 90-day extension of its amended credit facility. Terms of the extension provided for a secured revolving credit facility of up to \$25,000,000. Effective June 20, 2009, the Company entered into a 60-day extension of its amended credit facility. The terms of the extension provided for a secured revolving credit facility of up to \$11,700,000. The credit agreement, as extended, had a termination date of August 20, 2009. Terms of these extensions required the Company to apply 100 percent of the proceeds from any private investment liquidation and 50 percent of the proceeds from the sale of any publicly traded portfolio assets to the outstanding balance of the facility. In addition, each prepayment of principal of the loans under the amended credit facility would permanently reduce the maximum amount of the loans under the amended credit agreement to an amount equal to the outstanding principal balance of the loans under the amended credit agreement immediately following the prepayment. During these extensions, outstanding loan balances accrued interest at a variable rate equal to the greater of (i) one-month LIBOR plus 3.00 percent, and (ii) 5.50 percent.

On August 20, 2009, the Company entered into a six-month extension of its amended credit facility through February 20, 2010. Terms of the extension provided for a secured revolving facility of up to \$5,000,000. The amended credit facility required the Company to apply 100 percent of the proceeds from the sale of any investment to the outstanding balance of the facility. In addition, each prepayment of principal of the loans under the amended credit facility permanently reduced the maximum amount of the loans under the amended credit agreement to an amount equal to the outstanding principal balance of the loans under the amended credit agreement immediately following the prepayment. During this extension, outstanding loan balances accrued interest at a variable rate equal to the greater of (i) one-month LIBOR plus 3.00 percent, and (ii) 5.50 percent.

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On February 10, 2010, the Company paid off the remaining balance under the credit facility with proceeds from the sale of investments and the credit facility was terminated.

For the year ended November 30, 2010, the average principal balance and interest rate for the period during which the credit facility was utilized were \$4,205,634 and 5.50 percent, respectively.

### 11. Common Stock

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

Shares at November 30, 2007	8,858,168
Shares issued through reinvestment of distributions	103,799
Shares issued upon exercise of warrants	180
Shares at November 30, 2008	8,962,147
Shares issued through reinvestment of distributions	115,943
Shares at November 30, 2009	9,078,090
Shares issued through reinvestment of distributions	68,416
Shares at November 30, 2010	9,146,506

### 12. Warrants

At November 30, 2010 and November 30, 2009, the Company had 945,594 warrants issued and outstanding. The warrants became exercisable on February 7, 2007 (the closing date of the Company's initial public offering of common shares), subject to a lock-up period with respect to the underlying common shares. Each warrant entitles the holder to purchase one common share at the exercise price of \$15.00 per common share. Warrants were issued as separate instruments from the common shares and are permitted to be transferred independently from the common shares. The warrants have no voting rights and the common shares underlying the unexercised warrants will have no voting rights until such common shares are received upon exercise of the warrants. All warrants will expire on February 6, 2013.

### 13. Earnings Per Share

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

	Year Ended November 30, 2010	Year Ended November 30, 2009	Year Ended November 30, 2008
Net increase (decrease) in net assets applicable to common stockholders resulting from operations	\$ 14,666,874	\$ 10,994	\$ (24,370,233)
Basic and diluted weighted average shares(1)	9,107,070	8,997,145	8,887,085
Basic and diluted net increase (decrease) in net assets applicable to common stockholders resulting from operations per common share	\$ 1.61	\$ 0.00(2)	\$ (2.74)

(1) Warrants to purchase shares of common stock at \$15.00 per share were outstanding during the periods reflected in the table above, but were not included in the computation of diluted earnings per share because the warrants' exercise price was greater than the average market value of the common shares and, therefore, the effect would be anti-dilutive.

(2) Less than \$0.01 per share.

## 14. Quarterly Financial Data (Unaudited)

Summarized unaudited quarterly financial data:

	February 28, 2009	May 31, 2009	August 31, 2009	November 30, 2009	February 28, 2010	May 31, 2010	August 31, 2010	November 30, 2010
Investment income (loss)	\$ 1,083,846	\$ (765,793)	\$ 777,486	\$ 708,992	\$ 692,156	\$ 389,183	\$ 22,865	\$ 787,623
Base management fees	392,769	338,186	321,578	299,060	309,922	309,704	286,761	327,436
Capital gain incentive fees(1)	—	—	—	—	—	—	—	—
All other expenses	388,698	492,855	401,588	256,345	220,187	255,058	370,734	126,577
Expense reimbursement								
by Adviser	(65,461)	(56,365)	(53,596)	(49,844)	(51,654)	(51,617)	(95,587)	(109,145)
Net expenses	\$ 716,006	\$ 774,676	\$ 669,570	\$ 505,561	\$ 478,455	\$ 513,145	\$ 561,908	\$ 344,868
Current and deferred tax benefit (expense), net	3,594,121	(4,034,512)	(175,449)	361,484	(725,651)	(445,382)	(567,618)	(3,033,997)
Net realized gain (loss)								
on investments before current tax benefit	(499,818)	(7,335,157)	(10,756,469)	(4,529,304)	1,588,168	(10,261,613)	(1,340,452)	(1,104,622)
Unrealized gain (loss)								
on investments before deferred tax expense	(12,934,058)	16,382,855	10,726,495	10,072,088	2,941,305	3,550,587	12,990,304	11,082,394
Increase (decrease) in net assets resulting from operations	\$ (9,471,915)	\$ 3,472,717	\$ (97,507)	\$ 6,107,699	\$ 4,017,523	\$ (7,280,370)	\$ 10,543,191	\$ 7,386,530
Basic per share increase (decrease) in net assets resulting from operations	\$ (1.06)	\$ 0.39	\$ (0.01)	\$ 0.68	\$ 0.44	\$ (0.80)	\$ 1.16	\$ 0.81

(1) Includes amounts accrued as a provision for capital gain incentive fees payable to the Adviser, net of amounts waived under the Expense Reimbursement and Partial Fee Waiver Agreement. The provision for capital gain incentive fees results from the increase or decrease in fair value and realized gains or losses on investments. Pursuant to the Investment Advisory Agreement, the capital gain incentive fee is paid annually only if there are realization events and only if the calculation defined in the agreement results in an amount due.

## 15. Subsequent Events

The Company performed an evaluation of subsequent events through the date the financial statements were issued and determined that no items require recognition or disclosure.

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COMPANY OFFICERS AND DIRECTORS (Unaudited)

November 30, 2010

Name and Age*	Position(s) Held With Company, Term of Office and Length of Time Served	Principal Occupation During Past Five Years	Number of Portfolios in Fund Complex Overseen by Director(1)	Other Public Company Directorships Held
<b>Independent Directors</b>				
Conrad S. Ciccotello (Born 1960)	Director since 2005	Tenured Associate Professor of Risk Management and Insurance, Robinson College of Business, Georgia State University (faculty member since 1999); Director of Graduate Personal Financial Planning Programs; formerly, Editor, "Financial Services Review," (2001-2007) (an academic journal dedicated to the study of individual financial management); formerly, faculty member, Pennsylvania State University (1997-1999). Published several academic and professional journal articles about energy infrastructure and oil and gas MLPs.	7	None
John R. Graham (Born 1945)	Director since 2005	Executive-in-Residence and Professor of Finance (Part-time), College of Business Administration, Kansas State University (has served as a professor or adjunct professor since 1970); Chairman of the Board, President and CEO, Graham Capital Management, Inc. (primarily a real estate development, investment and venture capital company) and Owner of Graham Ventures (a business services and venture capital firm); Part-time Vice President Investments, FB Capital Management, Inc. (a registered investment adviser), since 2007. Formerly, CEO, Kansas Farm Bureau Financial Services, including seven affiliated insurance or financial service companies (1979-2000).	7	None
Charles E. Heath (Born 1942)	Director since 2005	Retired in 1999. Formerly, Chief Investment Officer, GE Capital's Employers Reinsurance Corporation (1989-1999); Chartered Financial Analyst ("CFA") designation since 1974.	7	None

(1) This number includes Tortoise Energy Infrastructure Corporation ("TYG"), Tortoise Energy Capital Corporation ("TYY"), Tortoise North American Energy Corporation ("TYN"), Tortoise Power and Energy Infrastructure Fund, Inc. ("TPZ"), Tortoise MLP Fund, Inc. ("NTG"), one privately held investment company and the Company. Our Adviser also serves as the investment adviser to TYG, TYY, TYN, TPZ, NTG and the privately held investment company.

\*The address of each director and officer is 11550 Ash Street, Suite 300, Leawood, Kansas 66211.



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COMPANY OFFICERS AND DIRECTORS (Unaudited)

November 30, 2010 (Continued)

Name and Age*	Position(s) Held With Company, Term of Office and Length of Time Served	Principal Occupation During Past Five Years	Number of Portfolios in Fund Complex Overseen by Director(1)	Other Public Company Directorships Held
<b>Interested Directors and Officers(2)</b>				
H. Kevin Birzer (Born 1959)	Director and Chairman of the Board since 2005	Managing Director of our Adviser since 2002; Member, Fountain Capital Management (1990-May 2009); Vice President, Corporate Finance Department, Drexel Burnham Lambert (1986-1989); formerly, Vice President, F. Martin Koenig & Co., an investment management firm (1983-1986); Director and Chairman of the Board of each of TYN, TYG, TYY, TPZ, NTG and the privately held investment company since its inception; CFA designation since 1988.	7	None
Terry Matlack (Born 1956)	Chief Financial Officer since 2005; Director from 2005 to September 2009; Assistant Treasurer from 2005 to April 2008	Managing Director of our Adviser since 2002; Full-time Managing Director, Kansas City Equity Partners, L.C. ("KCEP") (2001-2002); formerly, President, GreenStreet Capital, a private investment firm (1998-2001); Chief Executive Officer of NTG since 2010; Chief Financial Officer of each of TYG, TYY, TYN, TPZ and the privately held investment company since its inception. Director of each of TYG, TYY, TYN, TPZ and the privately held investment company from its inception to September 2009. CFA designation since 1985.	N/A	Epiq Systems, Inc.
David J. Schulte (Born 1961)	Chief Executive Officer since 2005; President 2005-April 2007	Managing Director of our Adviser since 2002; Full-time Managing Director, KCEP (1993-2002); President and Chief Executive Officer of TYG since 2003, TYY since 2005 and of TPZ since 2007; Chief Executive Officer of TYN since 2005 and President of TYN from 2005 to September 2008; President of the privately held investment company since 2007 and Chief Executive Officer from 2007 to December 2008; Senior Vice President of NTG since 2010; CFA designation since 1992.	N/A	None
Zachary A. Hamel (Born 1965)	Senior Vice President since 2005; Secretary from 2005 to April 2007	Managing Director of our Adviser since 2002; Partner, Fountain Capital Management (1997-present); Senior Vice President of TYY since 2005, of TYG, TYN, TPZ and the privately held investment company since 2007; and President of NTG since 2010; Secretary of each of the Company, TYY, TYN and TYG from their inception to April 2007; CFA designation since 1998.	N/A	None
Kenneth P. Malvey (Born 1965)	Senior Vice President and Treasurer since 2005	Managing Director of our Adviser since 2002; Partner, Fountain Capital Management (2002-present); formerly Investment Risk Manager and member of Global Office of Investments, GE Capital's Employers Reinsurance Corporation (1996-2002); Treasurer of TYG, TYY and TYN since November 2005, of TPZ and the privately held investment company since 2007 and of NTG since 2010; Senior Vice President of TYY since 2005, of TYG, TYN, TPZ and the privately held investment company since 2007 and of NTG	N/A	None

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since 2010; Assistant Treasurer of TYG, TYY and TYN from their inception to November 2005; Chief Executive Officer of the privately held investment company since December 2008; CFA designation since 1996.

Edward Russell (Born 1964)	President since April 2007	Senior Investment Professional of the Adviser since 2006; formerly with Stifel, Nicolaus & Company, Incorporated, heading the Energy and Power group as a Managing Director (2003-2006) responsible for all of the energy and power transactions, including all of the debt and equity transactions for the three closed-end publicly traded funds managed by the Adviser starting with the first public equity offering in February of 2004 and serving as Vice President-Investment Banking (1999-2003)	N/A	Abraxas Petroleum Corporation
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- (1) This number includes TYG, TYY, TYN, TPZ, NTG, one privately held investment company and the Company. Our Adviser also serves as the investment adviser to TYG, TYY, TYN, TPZ, NTG and the privately held investment company.
- (2) As a result of their respective positions held with the Adviser or its affiliates, these individuals are considered “interested persons” within the meaning of the 1940 Act.

\*The address of each director and officer is 11550 Ash Street, Suite 300, Leawood, Kansas 66211.

#### ADDITIONAL INFORMATION (Unaudited)

##### Director and Officer Compensation

The Company does not compensate any of its directors who are “interested persons” (as defined in Section 2 (a) (19) of the 1940 Act) or any of its officers. For the year ended November 30, 2010, the aggregate compensation paid by the Company to the independent directors was \$87,000. The Company did not pay any special compensation to any of its directors or officers.

##### Forward-Looking Statements

This report contains “forward-looking statements.” By their nature, all forward-looking statements involve risk and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements.

##### Certifications

The Company’s Chief Executive Officer submitted to the New York Stock Exchange the annual CEO certification as required by Section 303A.12(a) of the NYSE Listed Company Manual.

The Company has filed with the SEC the certification of its Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act.

##### Proxy Voting Policies

A description of the policies and procedures that the Company uses to determine how to vote proxies relating to portfolio securities owned by the Company is available to stockholders (i) without charge, upon request by calling the Company at (913) 981-1020 or toll-free at (866) 362-9331 and on the Company’s Web site at [www.tortoiseadvisors.com/tto.cfm](http://www.tortoiseadvisors.com/tto.cfm); and (ii) on the SEC’s Web site at [www.sec.gov](http://www.sec.gov).

##### Privacy Policy

The Company is committed to maintaining the privacy of its stockholders and safeguarding their non-public personal information. The following information is provided to help you understand what personal information the Company collects, how the Company protects that information and why, in certain cases, the Company may share information with select other parties.

Generally, the Company does not receive any non-public personal information relating to its stockholders, although certain non-public personal information of its stockholders may become available to the Company. The Company does not disclose any non-public personal information about its stockholders or a former stockholder to anyone, except as required by law or as is necessary in order to service stockholder accounts (for example, to a transfer agent).

The Company restricts access to non-public personal information about its stockholders to employees of its Adviser with a legitimate business need for the information. The Company maintains physical, electronic and procedural safeguards designed to protect the non-public personal information of its stockholders.

##### Automatic Dividend Reinvestment Plan

If a stockholder’s shares of common stock (“common shares”) of the Company are registered directly with the Company or with a brokerage firm that participates in the Automatic Dividend Reinvestment Plan (the “Plan”) through the facilities of the Depository Trust Company and such stockholder’s account is coded dividend reinvestment by such brokerage firm, all distributions are automatically reinvested for stockholders by the Plan Agent, Computershare Trust Company, Inc. (the “Agent”) in additional common shares (unless a stockholder is ineligible or elects otherwise).

The Company will use primarily newly-issued shares of the Company’s common stock to implement the Plan, whether its shares are trading at a premium or discount to net asset value (“NAV”). However, the Company reserves the right to instruct the Agent to purchase shares in the open market in connection with the Company’s obligations under the Plan. The number of newly issued shares will be determined by dividing the total dollar amount of the distribution payable to the participant by the closing price per share of the Company’s common stock on the distribution payment date, or the average of the reported bid and asked prices if no sale is reported for that day. If distributions are reinvested in shares

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purchased on the open market, then the number of shares received by a stockholder shall be determined by dividing the total dollar amount of the distribution payable to such stockholder by the weighted average price per share (including brokerage commissions and other related costs) for all shares purchased by the Agent on the open-market in connection with such distribution. Such open-market purchases will be made by the Agent as soon as practicable, but in no event more than 30 days after the distribution payment date.

There will be no brokerage charges with respect to shares issued directly by us as a result of distributions payable either in shares or in cash. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open-market purchases in connection with the reinvestment of distributions. If a participant elects to have the Plan Agent sell part or all of his or her common shares and remit the proceeds, such participant will be charged his or her pro rata share of brokerage commissions on the shares sold plus a \$15.00 transaction fee. The automatic reinvestment of distributions will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such distributions.

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Participation in the Plan is completely voluntary and may be terminated at any time without penalty by giving notice in writing to the Agent at the address set forth below, or by contacting the Agent as set forth below; such termination will be effective with respect to a particular distribution if notice is received prior to the record date for such distribution.

Additional information about the Plan may be obtained by writing to Computershare Trust Company, N.A., P.O. Box 43078, Providence, Rhode Island 02940-3078, by contacting them by phone at (800) 426-5523, or by visiting their Web site at [www.computershare.com](http://www.computershare.com).

### Approval of the Investment Advisory Agreement

In approving the renewal of the Investment Advisory Agreement in November 2010, the directors who are not “interested persons” (as defined in the Investment Company Act of 1940) of the Company (“Independent Directors”) requested and received extensive data and information from the Adviser concerning the Company and the services provided to it by the Adviser under the Investment Advisory Agreement. In addition, the Independent Directors requested and received data and information from the Adviser, which also included information from independent, third-party sources, regarding the factors considered in their evaluation.

### Factors Considered

The Independent Directors considered and evaluated all the information provided by the Adviser. The Independent Directors did not identify any single factor as being all-important or controlling, and each Independent Director may have attributed different levels of importance to different factors. In deciding to renew the agreement, the Independent Directors’ decision was based on the following factors.

**Nature, Extent and Quality of Services Provided.** The Independent Directors considered information regarding the history, qualification and background of the Adviser and the individuals responsible for the Adviser’s investment program, the adequacy of the number of the Adviser personnel and other Adviser resources and plans for growth, use of affiliates of the Adviser, and the particular expertise with respect to energy infrastructure companies, MLP markets and financing (including private financing). The Independent Directors concluded that the unique nature of the Company and the specialized expertise of the Adviser in the niche market of MLPs made it uniquely qualified to serve as the advisor. Further, the Independent Directors recognized that the Adviser’s commitment to a long-term investment horizon correlated well to the investment strategy of the Company.

**Investment Performance of the Company and the Adviser, Costs of the Services To Be Provided and Profits To Be Realized by the Adviser and its Affiliates from the Relationship, and Fee Comparisons.** The Independent Directors reviewed and evaluated information regarding the Company’s performance (including quarterly, last twelve months, and from inception) and the performance of the other Adviser accounts (including other investment companies), and information regarding the nature of the markets during the performance period, with a particular focus on the MLP sector. The Independent Directors also considered the Company’s performance as compared to comparable closed-end funds for the relevant periods.

The Adviser provided detailed information concerning its cost of providing services to the Company, its profitability in managing the Company, its overall profitability, and its financial condition. The Independent Directors reviewed with the Adviser the methodology used to prepare this financial information. This financial information regarding the Adviser is considered in order to evaluate the Adviser’s financial condition, its ability to continue to provide services under the Investment Advisory Agreement, and the reasonableness of the current management fee, and was, to the extent possible, evaluated in comparison to other closed-end funds with similar investment objectives and strategies.

The Independent Directors considered and evaluated information regarding fees charged to, and services provided to, other investment companies advised by the Adviser (including the impact of any fee waiver or reimbursement arrangements and any expense reimbursement arrangements), fees charged to separate institutional accounts by the Adviser, and comparisons of fees of closed-end funds with similar investment objectives and strategies, including other MLP investment companies, to the Company. The Directors also considered the Adviser’s contractual agreement to reimburse expenses in an amount equal to an annual rate of 0.50 percent of average monthly Managed Assets for the period from June 1, 2010 through December 31, 2011. The Independent Directors concluded that the fees and expenses that the Company is paying under the Investment Advisory Agreement are reasonable given the quality of services provided under the Investment Advisory Agreement and that such fees and expenses are comparable to, and in many cases lower than, the fees charged by advisers to comparable funds.

**Economies of Scale.** The Independent Directors considered information from the Adviser concerning whether economies of scale would be realized as the Company grows, and whether fee levels reflect any economies of scale for the benefit of the Company’s stockholders. The Independent Directors concluded that economies of scale are difficult to measure and predict overall. Accordingly, the Independent Directors reviewed other information, such as year-over-year profitability of the Adviser generally, the profitability of its management of the Company specifically, and the fees of competitive funds not managed by the Adviser over a range of asset sizes. The Independent Directors concluded the Adviser is appropriately sharing any economies of scale through its competitive fee structure and through reinvestment in its business to provide

stockholders additional content and services.

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Collateral Benefits Derived by the Adviser. The Independent Directors reviewed information from the Adviser concerning collateral benefits it receives as a result of its relationship with the Company. They concluded that the Adviser generally does not use the Company's or stockholder information to generate profits in other lines of business, and therefore does not derive any significant collateral benefits from them.

The Independent Directors did not, with respect to their deliberations concerning their approval of the continuation of the Investment Advisory Agreement, consider the benefits the Adviser may derive from relationships the Adviser may have with brokers through soft dollar arrangements because the Adviser does not employ any such arrangements in rendering its advisory services to the Company. Although the Adviser may receive research from brokers with whom it places trades on behalf of clients, the Adviser does not have soft dollar arrangements or understandings with such brokers regarding receipt of research in return for commissions.

#### Conclusions of the Directors

As a result of this process, the Independent Directors, assisted by the advice of legal counsel that is independent of the Adviser, taking into account all of the factors discussed above and the information provided by the Adviser, unanimously concluded that the Investment Advisory Agreement between the Company and the Adviser is fair and reasonable in light of the services provided and should be renewed.

#### Board Approval of the Amended Administration Agreement

The amended administration agreement was approved by the Company's Board of Directors on November 8, 2010. The amended administration agreement provides that unless terminated earlier the agreement will continue in effect until December 31, 2011, and from year-to-year thereafter provided such continuance is approved at least annually by (i) the Company's Board of Directors and (ii) a majority of the Company's directors who are not parties to the administration agreement or "interested persons" (as defined in the Investment Company Act of 1940) of any such party.

#### Board Approval of the Sub-Advisory Agreement

Our Board of Directors, including a majority of the independent Directors, most recently reviewed and approved the renewal of the sub-advisory agreement on November 8, 2010.

In considering the renewal of the sub-advisory agreement, our Board of Directors evaluated information provided by the Adviser and legal counsel and considered various factors, including:

Services. The Board of Directors reviewed the nature, extent and quality of the investment advisory services proposed to be provided to the Adviser by Kenmont and found them to be consistent with the services provided by the Adviser.

Experience of Management Team and Personnel. The Board of Directors considered the extensive experience of Kenmont with respect to the specific types of investment proposed and concluded that Kenmont would provide valuable assistance to the Adviser in providing potential investment opportunities.

Provisions of Sub-Advisory Agreement. The Board of Directors considered the extent to which the provisions of the sub-advisory agreement could potentially expose the Company to liability and concluded that its terms adequately protected the Company from such risk.

#### Conclusions of the Independent Directors

As a result of this process, the independent Directors, assisted by the advice of legal counsel that is independent of the Adviser, taking into account all of the factors discussed above and the information provided by the Adviser, unanimously concluded that the Sub-Advisory Agreement between the Company and Kenmont is fair and reasonable in light of the services provided and should be renewed.

Tortoise Capital Resources Corporation

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TORTOISE CAPITAL RESOURCES CORPORATION

(Registrant)

By: /s/David J. Schulte  
David J. Schulte  
Chief Executive Officer

January 26, 2011

POWER OF ATTORNEY

Know all people by these presents, that each person whose signature appears below constitutes and appoints David J. Schulte and Terry C. Matlack, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as he or she might or could do in person, hereby confirming all that said attorneys-in-fact and agents or either of them, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the company and in the capacities indicated on January 26, 2011.

Signature	Capacity
/s/Terry C. Matlack	Chief Financial Officer (Principal Financial and Accounting Officer)
/s/David J. Schulte	Chief Executive Officer (Principal Executive Officer)
/s/Conrad S. Ciccotello	Director
/s/John R. Graham	Director
/s/Charles E. Heath	Director
/s/H. Kevin Birzer	Director

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TORTOISE CAPITAL RESOURCES CORPORATION

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