AGILYSYS INC
Form 10-Q
February 07, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2007

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________.

Commission file number 0-5734

AGILYSYS, INC.

(Exact name of registrant as specified in its charter)

Ohio	34-0907152
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2255 Glades Road, Suite 301E, Boca Raton, Florida	33431
(Address of principal executive offices)	(ZIP Code)

(561) 999-8700

(Registrant s telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or 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 þ No o

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

Large accelerated filer o Accelerated filer þ Non-accelerated filer o

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

The number of Common Shares of the registrant outstanding as of January 24, 2008 was 23,527,077.

AGILYSYS, INC.
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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

AGILYSYS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended December 31		Nine Months Ended December 31	
(In thousands, except share and per share data)	2007	2006	2007	2006
Net sales				
Products	$ 214,770	$ 131,578	$ 479,679	$ 286,218
Services	35,280	19,900	94,965	70,259
Total net sales	250,050	151,478	574,644	356,477
Cost of goods sold				
Products	178,438	109,587	409,956	249,620
Services	13,957	6,381	31,904	18,080
Total cost of goods sold	192,395	115,968	441,860	267,700
Gross margin	57,655	35,510	132,784	88,777
Selling, general and administrative expenses	55,163	32,993	139,175	95,799
Operating income (loss)	2,492	2,517	(6,391)	(7,022)
Other expenses (income)				
Other expense, net	998	328	78	1,222
Interest income	(1,620)	(1,104)	(12,271)	(3,886)
Interest expense	255	126	689	2,144
Income (loss) before income taxes	2,859	3,167	5,113	(6,502)
Income tax expense (benefit)	1,785	630	(42)	(1,447)
Income (loss) from continuing operations	1,074	2,537	5,155	(5,055)
Income from discontinued operations, net of taxes of $636 and $12,986 for the three months ended December 31, 2007 and 2006, respectively, and $1,704 and $23,776 for the nine months ended December 31, 2007, and 2006, respectively	881	17,426	2,832	37,261
Net income	$ 1,955	$ 19,963	$ 7,987	$ 32,206
Earnings per share basic				
Income (loss) from continuing operations	$ 0.04	$ 0.08	$ 0.17	$ (0.17)
Income from discontinued operations	0.04	0.57	0.10	1.22
Net income	$ 0.08	$ 0.65	$ 0.27	$ 1.05

Earnings per share diluted								
Income (loss) from continuing operations	$	0.04	$	0.08	$	0.17	$	(0.17)
Income from discontinued operations		0.03		0.56		0.10		1.22
Net income	$	0.07	$	0.64	$	0.27	$	1.05
Weighted average shares outstanding								
Basic		25,760,225		30,591,749		29,476,958		30,560,827
Diluted		26,112,682		31,067,820		30,109,946		30,560,827
Cash dividends per share	$	0.03	$	0.03	$	0.09	$	0.09

See accompanying notes to condensed consolidated financial statements.

AGILYSYS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts at December 31, 2007 are unaudited)

(In thousands)	December 31 2007	March 31 2007
ASSETS		
Current assets		
Cash and cash equivalents	$ 138,404	$ 604,667
Accounts receivable, net	224,728	116,735
Inventories, net	48,153	9,922
Deferred income taxes	3,821	3,092
Prepaid expenses and other current assets	4,633	3,494
Assets of discontinued operations current		206
Total current assets	419,739	738,116
Goodwill	211,328	93,197
Intangible assets, net	92,294	8,716
Investments in affiliated companies	6,039	11,231
Other non-current assets	26,142	30,701
Property and equipment, net	26,407	17,279
Total assets	$ 781,949	$ 899,240
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Accounts payable	$ 185,824	$ 84,286
Income taxes payable		134,607
Accrued and other current liabilities	52,267	32,305
Liabilities of discontinued operations current	147	162
Total current liabilities	238,238	251,360
Other non-current liabilities	28,637	20,813
Liabilities of discontinued operations non-current		223
Shareholders equity		
Common shares	9,366	9,333
Treasury shares	(2,079)	(10)
Capital in excess of stated value	15,977	129,750
Retained earnings	491,844	489,435
Accumulated other comprehensive loss	(34)	(1,664)
Total shareholders equity	515,074	626,844
Total liabilities and shareholders equity	$ 781,949	$ 899,240

See accompanying notes to condensed consolidated financial statements.

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AGILYSYS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended December 31	
(In thousands)	2007	2006
Operating activities:		
Net income	$ 7,987	$ 32,206
Less: Income from discontinued operations	(2,832)	(37,261)
Income (loss) from continuing operations	5,155	(5,055)
Adjustments to reconcile income (loss) from continuing operations to net cash used for operating activities (net of effects from business acquisitions):		
Gain on redemption of investment in affiliated company	(1,330)	
Depreciation	2,575	1,219
Amortization	10,877	4,851
Deferred income taxes	(455)	2,310
Stock based compensation	4,606	2,788
Excess tax benefit from exercise of stock options	(97)	(49)
Changes in working capital:		
Accounts receivable	(26,030)	(40,627)
Inventories	(28,220)	3,075
Accounts payable	34,076	13,730
Accrued liabilities	(3,001)	(3,396)
Income taxes payable	(134,047)	10,061
Other changes, net	928	(1,435)
Other non-cash adjustments	84	(1,612)
Total adjustments	(140,034)	(9,085)
Net cash used for operating activities	(134,879)	(14,140)
Investing activities:		
Proceeds from redemption of investment in affiliated company	4,770	
Acquisition of businesses, net of cash acquired	(212,741)	
Proceeds from escrow settlement		423
Purchase of property and equipment	(5,981)	(2,034)
Net cash used for investing activities	(213,952)	(1,611)
Financing activities:		
Purchase of treasury shares	(120,471)	
Dividends paid	(2,690)	(2,753)
Issuance of common shares	1,446	1,230
Principal payment under long term obligations	(189)	(59,519)
Excess tax benefit from exercise of stock options	97	49
Net cash used for financing activities	(121,807)	(60,993)

Effect of exchange rate changes on cash	1,575	10
Cash flows used for continuing operations	(469,063)	(76,734)
Cash flows of discontinued operations		
Operating cash flows	2,800	29,834
Investing cash flows		60
Net decrease in cash	(466,263)	(46,840)
Cash at beginning of period	604,667	147,850
Cash at end of period	$ 138,404	$ 101,010

See accompanying notes to condensed consolidated financial statements.

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AGILYSYS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Table amounts in thousands, except per share data)

1. Financial Statement Presentation

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Agilysys, Inc. and its subsidiaries (the company). Investments in affiliated companies are accounted for by the equity and cost method, as appropriate, under U.S. generally accepted accounting principles (GAAP). All inter-company accounts have been eliminated. The company s fiscal year ends on March 31. References to a particular year refer to the fiscal year ending in March of that year. For example, 2008 refers to the fiscal year ending March 31, 2008.

The unaudited interim financial statements of the company are prepared in accordance with GAAP for interim financial information and pursuant to the instructions for Form 10-Q under the Securities Exchange Act of 1934, as amended (the Exchange Act), and Article 10 of Regulation S-X under the Exchange Act. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations relating to interim financial statements.

The condensed consolidated balance sheet as of December 31, 2007, as well as the condensed consolidated statements of operations for the three and nine month periods ended December 31, 2007 and 2006 and the condensed consolidated statements of cash flows for the nine month periods ended December 31, 2007 and 2006 have been prepared by the company without audit. However, these financial statements have been prepared on the same basis as those in the audited annual financial statements. In the opinion of management, all adjustments necessary to fairly present the results of operations, financial position, and cash flows have been made. Such adjustments were of a normal recurring nature.

The company experiences a disproportionately large percentage of quarterly sales in the last month of its fiscal quarters. In addition, the company experiences a seasonal increase in sales during its fiscal third quarter ending in December. Accordingly, the results of operations for the three and nine months ended December 31, 2007 are not necessarily indicative of the operating results for the full fiscal year or any future period.

Reclassifications

Certain amounts in the prior periods condensed consolidated financial statements have been reclassified to conform to the current period s presentation, primarily to reflect the results of the KeyLink Systems Distribution Business as discontinued operations (see note 4).

2. Summary of Significant Accounting Policies

A detailed description of the company s significant accounting policies can be found in the audited financial statements for the fiscal year ended March 31, 2007, included in the company s Annual Report on Form 10-K filed with the Securities and Exchange Commission. There have been no material changes in the company s significant accounting policies and estimates from those disclosed therein other than the company s accounting for income tax uncertainties, as discussed below.

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Recently Issued Accounting Standards.

In December 2007, the FASB issued Statement No. 141(R), *Business Combinations* (Statement 141(R)). Statement 141(R) significantly changes the accounting for and reporting of business combination transactions. Statement 141(R) is effective for fiscal years beginning after December 15, 2008, or fiscal 2010 for the company. The company is currently evaluating the impact that Statement 141(R) will have on its financial position, results of operations and cash flows.

In December 2007, the FASB issued Statement No. 160, *Accounting and Reporting for Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* (Statement 160). Statement 160 clarifies the classification of noncontrolling interests in consolidated statements of financial position and the accounting for and reporting of transactions between the reporting entity and holders of such noncontrolling interests. Statement 160 is effective for the first annual reporting period beginning after December 15, 2008, or fiscal 2010 for the company. The company is currently evaluating the impact that Statement 160 will have on its financial position, results of operations and cash flows.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115* (Statement 159). Statement 159 allows measurement at fair value of eligible financial assets and liabilities that are not otherwise measured at fair value. If the fair value option for an eligible item is elected, unrealized gains and losses for that item will be reported in current earnings at each subsequent reporting date. Statement 159 also establishes presentation and disclosure requirements designed to draw comparison between the different measurement attributes the company elects for similar types of assets and liabilities. Statement 159 is effective for fiscal years beginning after November 15, 2007, or fiscal 2009 for the company. The company is currently evaluating the impact that Statement 159 will have on its financial position, results of operations and cash flows.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* (Statement 157). Statement 157 provides a single definition of fair value, a framework for measuring fair value, and expanded disclosures concerning fair value. Previously, different definitions of fair value were contained in various accounting pronouncements creating inconsistencies in measurement and disclosures. Statement 157 applies under those previously issued pronouncements that prescribe fair value as the relevant measure of value, except SFAS No. 123R and related interpretations and pronouncements that require or permit measurement similar to fair value but are not intended to measure fair value. Statement 157 is effective for fiscal years beginning after November 15, 2007, or fiscal 2009 for the company. The company is currently evaluating the impact that Statement 157 will have on its financial position, results of operations and cash flows.

Effective April 1, 2007, the company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. As a result of the implementation of FIN 48, the company recognized approximately $2.9 million increase in the liability for unrecognized tax benefits, which was accounted for as a reduction to the April 1, 2007 balance of retained earnings. At April 1, 2007 (the adoption date of FIN 48), the company had a liability for unrecognized tax benefits of $6.6 million. Approximately $6.2 million of this, if recognized, would favorably affect the company s effective tax rate.

In connection with business acquisitions made during the current year, the company has assumed liabilities for unrecognized tax benefits of $1.6 million.

Approximately $2.9 million of unrecognized tax benefits were recognized during the nine months ended December 31, 2007, principally for effective settlement with tax authorities in certain jurisdictions.

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The company recognizes interest accrued on any unrecognized tax benefits as a component of income tax expense. Penalties are recognized as a component of selling, general and administrative expenses. The company recognized $45,000 and $80,000 of interest and penalty expense related to unrecognized tax benefits during the three and nine month periods ended December 31, 2007, respectively. The company accrued approximately $1.1 million for the payment of interest and penalties at December 31, 2007.

The company anticipates the completion of various state income tax audits in the next 12 months which could reduce the accrual for unrecognized tax benefits by $0.3 million. The company believes that, other than the changes noted above, it is impractical to determine the positions for which it is reasonably possible that the total of uncertain tax benefits will significantly increase or decrease in the next twelve months.

The company is currently under audit by the Internal Revenue Service (IRS) for 2005 and 2006. The company is also being audited by multiple state taxing jurisdictions. In material jurisdictions, the company has tax years open back to and including 1998.

3. Recent Acquisitions

In accordance with FASB Statement No. 141, *Business Combinations*, the company allocates the cost of its acquisitions to the assets acquired and liabilities assumed based on their estimated fair values. The excess of the cost over the fair value of the net assets acquired is recorded as goodwill.

2008 Acquisitions

Innovative Systems Design, Inc.

On July 2, 2007, the company acquired all of the shares of Innovative Systems Design, Inc. (Innovativ), the largest U.S. commercial reseller of Sun Microsystems servers and storage products. Accordingly, the results of operations for Innovativ have been included in the accompanying condensed consolidated financial statements from that date forward. Innovativ is an integrator and solution provider of servers, enterprise storage management products and professional services. The acquisition of Innovativ establishes a new and significant relationship between Sun Microsystems and the company. Innovativ was acquired for a total cost of $108.6 million. Additionally, the company will pay an earn-out of two dollars for every dollar of earnings before interest, taxes, depreciation, and amortization, or EBITDA, greater than $50.0 million in cumulative EBITDA over the first two years after consummation of the acquisition. The earn-out will be limited to a maximum payout of $90.0 million.

During the quarter ended December 31, 2007, management preliminarily assigned $57.5 million of the acquisition cost to identifiable intangible assets as follows: $12.5 million to non-compete agreements, $15.0 million to customer relationships, and $30.0 million to supplier relationships. Management expects to amortize the identified intangible assets over useful lives ranging from five to twenty years. The cumulative amortization expense of $3.1 million relating to the identified intangible assets from the acquisition date through December 31, 2007 was recognized during the third quarter of 2008. Management is still in the process of finalizing its purchase price allocation, including the completion of its evaluation of identified intangible assets. Accordingly, allocation of the acquisition cost is subject to modification in the future. Management expects to be complete with the allocation of the acquisition cost within one year of the date of acquisition. In subsequent periods, the nature and amount of any material adjustments made to the initial allocation of the purchase price will be disclosed.

Based on management s preliminary allocation of the acquisition cost to the net assets acquired, approximately $34.6 million has been assigned to goodwill. Goodwill resulting from the Innovativ acquisition will be deductible for income tax purposes.

InfoGenesis

On June 18, 2007, the company acquired all of the shares of IG Management Company, Inc. and its wholly-owned subsidiaries, InfoGenesis and InfoGenesis Asia Limited (collectively, InfoGenesis), an independent software vendor and solution provider to the hospitality market. InfoGenesis offers enterprise-class point-of-sale solutions that provide end users a highly intuitive, secure and easy way to process customer transactions across multiple departments or locations, including comprehensive corporate and store reporting. InfoGenesis has a significant presence in casinos, hotels and resorts, cruise lines, stadiums and foodservice. The acquisition will provide the company a complementary offering that will extend its reach into new segments of the hospitality market, broaden its customer base and increase its software application offerings. InfoGenesis was acquired for a total acquisition cost of $90.7 million.

Based on management s preliminary allocation of the acquisition cost to the net assets acquired, approximately $75.1 million has been assigned to goodwill. InfoGenesis had intangible assets with a net book value of $18.3 million as of the acquisition date, which were included in the acquired net assets to determine goodwill. Management is in the process of evaluating the acquired intangible assets, including an evaluation of additional intangible assets not previously recognized by InfoGenesis, and determining the appropriate fair value. Management expects to complete this analysis within one year of the date of acquisition. Accordingly, allocation of the acquisition cost is subject to modification in the future. In subsequent periods, the nature and amount of any material adjustments made to the initial allocation of the purchase price will be disclosed. Goodwill resulting from the InfoGenesis acquisition will not be deductible for income tax purposes.

Pro Forma Disclosure of Financial Information

The following table summarizes the company s unaudited consolidated results of operations as if the InfoGenesis and Innovativ acquisitions occurred on April 1:

	Three Months Ended December 31	Nine Months Ended December 31	
	2006	2007	2006
Net Sales	$ 225,889	$ 655,577	$ 586,270
Income from continuing operations	7,484	6,287	7,341
Net income	21,823	9,128	39,211
Earnings per share basic			
Income from continuing operations	0.24	0.21	0.24
Net income	0.71	0.31	1.28
Earnings per share diluted			
Income from continuing operations	0.24	0.21	0.24
Net income	0.70	0.30	1.28

Pro forma disclosures for the three months ended December 31, 2007 are not presented because the operating results of InfoGenesis and Innovativ are already recognized in the condensed consolidated statement of operations.

Stack Computer, Inc.

On April 2, 2007, the company acquired all of the shares of Stack Computer, Inc. (Stack). Stack s customers include leading corporations in the financial services, healthcare and manufacturing industries. Stack also operates a highly sophisticated solution center, which is used to emulate customer IT environments, train staff and evaluate technology. The acquisition of Stack strategically provides the company with product solutions and services offerings that significantly enhance its existing storage and professional services business. Stack was acquired for a total acquisition cost of $26.9 million.

During the three months ended December 31, 2007, management made a preliminary adjustment of $0.8 million to the fair value of acquired capital equipment and preliminarily assigned $11.7 million of the acquisition cost to identifiable intangible assets as follows: $1.5 million to non-compete agreements,

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which will be amortized over five years using the straight-line amortization method; $1.3 million to customer relationships, which will be amortized over five years using an accelerated amortization method; and $8.9 million to supplier relationships, which will be amortized over ten years using an accelerated amortization method. The cumulative amortization expense of $1.3 million relating to the identified intangible assets from the acquisition date through December 31, 2007 was recognized during the third quarter of 2008. Management is still in the process of finalizing its purchase price allocation, which it expects to complete by year-end. In subsequent periods, the nature and amount of any material adjustments made to the initial allocation of the purchase price will be disclosed.

Based on management s preliminary allocation of the acquisition cost to the net assets acquired, approximately $12.6 million has been assigned to goodwill. Goodwill resulting from the Stack acquisition will be deductible for income tax purposes.

2007 Acquisition

Visual One Systems Corporation

On January 23, 2007, the company acquired all the shares of Visual One Systems Corporation (Visual One Systems), a leading developer and marketer of Microsoft® Windows®-based software for the hospitality industry. The acquisition provides Agilysys additional expertise around the development, marketing and sale of software applications for the hospitality industry, including property management, condominium, golf course, spa, point-of-sale, and sales and catering management applications. Visual One Systems customers include well-known North American and international full-service hotels, resorts, conference centers and condominiums of all sizes. The aggregate acquisition cost was $14.3 million.

During the second quarter of 2008, management assigned $4.9 million of the acquisition cost to identifiable intangible assets as follows: $3.8 million to developed technology, which will be amortized over six years using the straight-line method; $0.6 million to non-compete agreements, which will be amortized over eight years using the straight-line amortization method; and $0.5 million to customer relationships, which will be amortized over five years using an accelerated amortization method. Amortization expense of $0.3 million and $0.8 million for the three and nine months ended December 31, 2007, respectively, has been recognized by the company relating to the identified intangible assets.

Based on management s allocation of the acquisition cost to the net assets acquired, including identified intangible assets, approximately $7.5 million has been assigned to goodwill. Goodwill resulting from the Visual One Systems acquisition will not be deductible for income tax purposes.

4. Discontinued Operations

Sale of Assets and Operations of KeyLink Systems Distribution Business

On March 31, 2007, the company sold the assets and operations of its KeyLink Systems Distribution Business (KSG) for $485.0 million in cash, subject to a working capital adjustment. During the second quarter, the final working capital adjustment of $10.8 million was settled and paid. Through the sale of KSG, the company exited all distribution-related businesses and now sells solely directly to end-user customers. By monetizing the value of KSG, the company significantly increased its financial flexibility and intends to redeploy the proceeds to accelerate the growth of its ongoing business both organically and through acquisition. The sale of KSG represented a disposal of a component of an entity. As such, the operating results of KSG have been reported as a component of discontinued operations.

The income from discontinued operations for the three months ended December 31, 2006 includes KSG net sales of $433.5 million, pre-tax income of $30.4 million and net income of $17.4 million. The income from discontinued operations for the nine months ended December 31, 2006 includes KSG net sales of $1.0 billion, pre-tax income of $61.1 million and net income of $37.2 million.

Income from discontinued operations for the three and nine months ended December 31, 2007 consists primarily of the settlement of obligations and contingencies of KSG that existed as of the date the assets and operations of KSG were sold.

5. Comprehensive Income

Comprehensive income includes net income and other comprehensive income. Other comprehensive income considers the effects of additional economic events that are not required to be recorded in determining net income, but rather are reported as a separate component of shareholders equity. The following table illustrates the components of the company s comprehensive income:

	Three Months Ended December 31		Nine Months Ended December 31	
	2007	2006	2007	2006
Net income	$ 1,955	$ 19,963	$ 7,987	$ 32,206
Foreign currency translation adjustment	256	(39)	1,791	(849)
Unrealized (losses) gains on securities:				
Arising during the period	(19)	22	(94)	65
Reclassification to net income	(25)	(1)	(67)	(10)
Total comprehensive income	$ 2,167	$ 19,945	$ 9,617	$ 31,412

6. Restructuring Charges

2007 Restructuring Activity

During 2007, the company recorded a restructuring charge of approximately $0.5 million for one-time termination benefits resulting from a workforce reduction that was executed in connection with the sale of KSG. The workforce reduction was comprised mainly of corporate personnel. Payment of the one-time termination benefits are expected to be substantially complete in 2008.

2006 Restructuring Activity

During 2006, the company recorded restructuring charges of $4.2 million to consolidate a portion of its operations in order to reduce costs and increase operating efficiencies. Costs incurred in connection with the restructuring comprised one-time termination benefits and other associated costs resulting from workforce reductions as well as facilities costs relating to the exit of certain leased facilities. Costs of $2.5 million were incurred to reduce the workforce of KSG, professional services business and to execute a senior management realignment and consolidation of responsibilities. Facilities costs of $1.7 million represented the present value of qualifying exit costs, offset by an estimate for future sublease income.

Approximately $18,000 is expected to be paid during the remainder of 2008 for ongoing facility obligations. Such facility obligations are expected to continue through 2010.

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Reconciliation of Restructuring Liabilities

Following is a reconciliation of the beginning and ending balances of the restructuring liabilities which are classified as current accrued liabilities and other long term liabilities:

	Severance and other employee costs	Facilities	Total
Balance at April 1, 2007	$ 535	$ 100	$ 635
Accretion of lease obligations	-	2	2

18.99	$ 13.79	$ 0.1800		
Fourth quarter	$ 13.76	$ 15.29	$ 11.66	$ 0.2300
2008				
First quarter	$ 13.28	$ 13.05	$ 11.00	$ 0.2500
Second quarter	$ 13.69	$ 13.42	$ 11.80	$ 0.2625
Third quarter	$ 13.38	$ 12.52	$ 11.00	$ 0.2650
Fourth quarter	$ 9.96	$ 11.18	$ 4.40	$ 0.2650

(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.*

(3) *Partial distribution paid to pre-IPO shareholders on February 7, 2007, the closing date of the IPO.*

The last reported price for our common stock on January 30, 2009 was $6.17 per share. As of January 30, 2009, we had 30 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 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. Historically we have included all paid-in-kind distributions in distributable cash flow, however, in the future, we do not intend to 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, and intend to invest, 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, 2008. 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, 2008

(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:

Allied Capital Corp.	*Highland Distressed*
American Capital Strategies	*Kohlberg Capital Corp.*
Ameritrans Capital Corp.	*Main Street Capital Corp.*
Apollo Investment Corp.	*MCG Capital Corp.*
Ares Capital Corporation	*Medallion Financial Corp.*
Blackrock Kelso Capital Corp.	*MVC Capital*
Capital Southwest Corp.	*NGP Capital Resources Co.*
Equus Total Return	*Patriot Capital Funding Inc.*
Gladstone Capital Corp.	*PennantPark Investment Corp*
Gladstone Investment Corp.	*Prospect Capital Corp.*
GSC Investment Corp	*TICC Capital*
Harris & Harris Group Inc.	*Triangle Capital Corp.*
Hercules Tech Growth Capital	

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Recent Sales of Unregistered Securities

We did not sell any securities during the year ended November 30, 2008 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, 2008.

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, 2008, November 30, 2007, and 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, which are included herein. The historical data is not necessarily indicative of results to be expected for any future period.

	Year Ended November 30, 2008	Year Ended November 30, 2007	Per Decem to Nov 2
Statements of operations data:			
Investment income	$ 2,943,953	$ 3,034,944	$
Base management fees (2)	2,006,120	2,233,670	
All other expenses (3)	2,688,550	2,902,561	
Total expenses	$ 4,694,670	$ 5,136,231	$
Less expense reimbursement by Adviser	385,622	94,181	
Current and deferred tax benefit (expense), net	9,859,785	(3,671,096)	
Net realized gain (loss) on investments before current tax benefit	8,716,197	260,290	
Unrealized appreciation (depreciation) on investments before deferred tax expense	(41,581,120)	10,561,888	
Increase (decrease) in net assets resulting from operations	$ (24,370,233)	$ 5,143,976	$
Per common share data:			
Distributions to common stockholders (4)	$ 1.04	$ 0.67	$
Net increase (decrease) in stockholder s equity resulting from operations Basic and diluted	$ (2.74)	$ 0.66	$
Net asset value	$ 9.96	$ 13.76	$

	November 30, 2008	November 30, 2007	Nove
Statements of assets and liabilities data:			
Short-term investments	$ 360,372	$ 219,502	$
Long-term investments	105,790,858	158,416,831	
Other assets	6,169,827	537,987	
Total assets	$ 112,321,057	$ 159,174,320	$
Total liabilities	23,095,757	37,261,354	
Total net assets	$ 89,225,300	$ 121,912,966	$

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

(2) *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 were due or payable at November 30, 2008, 2007, or 2006.*

(3)

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.

(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, 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,” “if,” “seek,” “possible,” “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, and intend to continue to be, taxed as a general business corporation under the Code.

We invest in companies operating in the U.S. energy infrastructure sector, primarily in privately-held and micro-cap public companies focused on the midstream and downstream segments, and to a lesser extent the upstream segment. We believe companies in the energy infrastructure sector generally produce stable cash flows as a result of their fee-based revenues and have limited direct commodity price risk. Our goal is to provide our stockholders with a high level of total return, with an emphasis on distributions and distribution growth. We invest primarily in equity securities of companies that we expect to pay us distributions on a current basis and provide us distribution growth.

Investment Review and Portfolio Outlook

Against a very difficult backdrop of broad, global economic recession, major institution failures and bailouts, and the accompanying collapse of most major asset class valuations in the latter part of 2008, MLPs were further challenged by selling pressure from deleveraging and unwinding of total return swaps. The Wachovia MLP Index (a float-adjusted, capitalization-weighted index of energy master limited partnerships with a market capitalization of at least $20 million at the time of inclusion) reflected a total return based on market value, assuming reinvestment of quarterly distributions, of -35.6 percent for the twelve months ended November 30, 2008. Because our privately-held energy infrastructure investments are valued, in part, based on public MLP values, the value of our portfolio also declined, most notably during the fourth quarter. Our stock price was adversely impacted by deepening problems in the broad market and continued pressure on the BDC sector as result of the global credit crisis. Our total return for the fiscal year based on market value, assuming reinvestment of quarterly distributions was -49.89 percent.

Our total assets decreased from $159,174,320 as of November 30, 2007 to $112,321,057 as of November 30, 2008, attributable to the decrease in the value of our investments this year. Because we are a taxpaying entity, our financial statements reflect deferred tax assets according to generally accepted accounting principles. This differs from many closed end funds, as well as many BDCs, which are qualified as regulated investment companies (RIC). The accounting for a RIC does not result in deferred taxes because it is not a taxpaying entity. Presently, the total cost basis of our investments for financial statement reporting purposes exceeds the fair value we are reflecting on our Statement of Assets and Liabilities. That, combined with our operating losses, results in a deferred tax asset. As a result, our Statement of Assets and Liabilities reflects a deferred tax asset of $5,683,747 (net of a $2,814,891 valuation allowance), or approximately $0.63 per share. We do not include the deferred tax asset in the calculation of our management fee.

The deferred tax asset of $5,683,747 reflects the benefit we have determined will be realized in future periods under U.S. generally accepted accounting principles. Realization of a deferred tax asset is dependent on whether there will be sufficient future taxable income within the carryforward periods to realize a portion or all of the deferred tax benefit. The carryforward period for ordinary losses to offset ordinary income is 20 years while capital losses can be carried forward 5 years to offset capital gains. A valuation allowance against the deferred tax asset is needed when, based on the weight of the available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. Our valuation allowance policy is based upon our estimation of potential future taxable income and is in conformity with U.S. generally accepted accounting principles. If we do not believe we can use a deferred tax asset in a relatively short period, in our case three years or less, we create a valuation allowance against the current gross deferred tax asset.

We have managed through a difficult fourth quarter and fiscal year. We maintained adequate asset coverage ratios, such that, when values declined we were not required to sell any investments to pay down leverage in order to comply with the coverage ratios as mandated by the 1940 Act and our loan documents. During the 2008 fiscal year we were able to moderately increase our distributions to our stockholders. While we expect the next year to be challenging for almost every industry, including the energy infrastructure sector, we believe the long-term fundamentals to be strong, particularly within the fee-for-service and fee-for-capacity areas of the midstream sector. These companies provide essential services and exhibit high barriers to entry. We continue to believe the flow of energy commodities remains critical to our economy and that the long-term prospects for energy infrastructure investments are attractive.

Following is a summary of our investment activity during the fiscal year ended November 30, 2008:

Mowood, LLC (Mowood) Follow-on Investments

We invested an additional $3,500,000 in equity of Mowood this year. We also invested $1,235,000 in the form of three promissory notes, each of which has a fixed annual interest rate equal to 9.0 percent with a maturity date of December 31, 2008. The proceeds were used by Mowood in part to fund landfill gas-to-energy projects at its subsidiary, Timberline Energy LLC. Timberline now operates a high Btu facility, a direct use facility and an electricity generation facilityone of each of the three types of landfill gas-to-energy projects feasible under current technology.

VantaCore Partners LP (VantaCore) Follow-on Investment

In August, VantaCore repaid our $3,750,000 term note at a 3 percent premium to par value. We reinvested those funds and an additional $6,051,885, to purchase 508,430 common units and 199 incentive distribution rights of VantaCore. VantaCore used the proceeds from this investment to partially fund its acquisition of Southern Aggregates LLC, a sand and gravel operation located near Baton Rouge, Louisiana.

LONESTAR Midstream Partners, LP and LSMP GP, LP (collectively, LONESTAR) Realization Event

During the first and second quarter, we invested $2,735,994 in additional Class A Common Units and GP LP Units of LONESTAR.

In July, LONESTAR sold its gas gathering and transportation assets to Penn Virginia Resource Partners, L.P. (NYSE: PVR). LONESTAR distributed substantially all of the initial sales proceeds to its limited partners. . We received $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). The capital gain incentive fee is accrued during the year, but only paid annually if there are realization events that result in an amount due under the Investment Advisory Agreement. For the November 30, 2008 calculation, we included $2,112,206 of realized gains from the LONESTAR transaction in the calculation for the accrual, but not for purposes of determining if an amount were actually due and payable. The gains will be included in the annual calculation for payment after the LONESTAR units are ultimately sold or otherwise disposed of.

LONESTAR has no current operations, but has rights to receive future payments from PVR relative to the sale. From these future payments, we expect to receive unregistered common units of PVR and PVG from an escrow to be released to LONESTAR six to twelve months from the closing date (along with cash distributions received on these units retained in escrow). We also expect a cash distribution from LONESTAR of approximately $1 million, payable on December 31, 2009. There are two future contingent payments due LONESTAR for which we would expect to receive roughly $9.6 million, payable in cash or common units of PVR (at PVRs election). These payments are contingent on the achievement of specific revenue targets by or before June 30, 2013, and no payments are due if the revenue targets are not achieved. The fair value of LONESTAR as of November 30, 2008 is related to the potential receipt of these future payments.

Millennium Midstream Partners, LP (Millennium) Realization Event

In October, Millennium sold its partnership interests to Eagle Rock Energy Partners, L.P. (NASDAQ: EROC) for approximately $181,000,000 in cash and approximately four million EROC unregistered common units. In exchange for our Millennium partnership interests, we received $13,687,081 in cash and 373,224 EROC unregistered common units with a basis of $5,044,980 for a total implied value at closing of $18,732,061. Approximately 212,404 units with an aggregate cost basis of $2,920,555 will be held in escrow for 18 months from the date of the transaction. This includes a reserve we have placed against the restricted cash and units held in the escrow for estimated post-closing adjustments. We originally invested $17,500,000 in Millennium (including common units and incentive distribution rights), and had an adjusted cost basis of $15,161,125 (after reducing our basis for cash distributions received since investment that were treated as return of capital), resulting in a realized gain for book purposes of $6,491,491. For purposes of the capital gain incentive fee, the realized gain is approximately $4,152,616, which excludes that portion of the fee that would be due as a result of cash distributions which were characterized as return of capital. No capital gain incentive fees were due or payable at November 30, 2008.

As of November 30, 2008, the value of our investment portfolio (excluding short-term investments) was $105,790,858 including equity investments of $97,505,858 and debt investments of $8,285,000 across the following segments of the energy infrastructure sector:

Name of Portfolio Company (Segment)	Nature of its Principal Business	Securities Held by Us	Amount Invested (in millions)	Fair Value (in millions) [1]	Current Yield on Amount Invested [2]
Abraxas Energy Partners, L.P. (Upstream)	Natural gas and oil exploitation and development in the Delaware and Gulf	Common Units	$7.5	$4.1	10.6%

	Coast Basins of Texas, Rockies and Mid-Continent region of the U.S.				
Eagle Rock Energy Partners, L.P. (Upstream/Midstream)	Gatherer and processor of natural gas in north and east Texas and Louisiana and producer and developer of upstream and mineral assets located in 17 states	Common Units (Registered and Unregistered)	20.1	9.7	10.4
EV Energy Partners, L.P. (Upstream)	Acquirer, producer and developer of oil and gas properties in the Appalachian Basin, the Monroe field in Louisiana, Michigan, the Austin Chalk, South Central Texas, the Permian Basin, the San Juan Basin and the Mid-continent area.	Common Units	7.5	2.9	8.7
High Sierra Energy, LP (Midstream) [3]	Marketer, processor, storer and transporter of hydrocarbons with operations primarily in Colorado, Wyoming, Oklahoma and Florida	Common Units	24.8	19.5	10.2
High Sierra Energy GP, LLC (Midstream) [3] [4]	General Partner of High Sierra Energy, LP	Equity Interest	2.0	1.9	1.8
International Resource Partners LP (Coal)	Operator of both metallurgical and steam coal mines in Central Appalachia	Class A Units	10.0	9.5	8.0
Legacy Reserves LP (Upstream)	Oil and natural gas exploitation and development primarily in the Permian Basin	Limited Partner Units	4.5	2.4	12.2
LONESTAR Midstream Partners, LP (Midstream) [5]	LONESTAR Midstream Partners, LP sold its assets to Penn Virginia Resource Partners, L.P (PVR) in July 2008. LONESTAR has no continuing operations, but currently holds rights to receive future payments from PVR relative to the sale.	Class A Units	4.4	4.0	N/A

LSMP GP, LP (Midstream) (5)	Indirectly owns General Partner of LONESTAR Midstream Partners, LP	GP LP Units	0.2	0.5	N/A
Mowood, LLC (Midstream/Downstream) (6)	Natural gas distribution in central Missouri and landfill gas to energy projects	Equity interest	5.0	5.7	10.8
		Subordinated Debt and Promissory Notes	8.3	8.3	11.6
Penn Virginia Resource Partners, L.P. (Midstream/Coal)	Operator of a midstream natural gas gathering and processing business and manager of coal properties and related assets	Unregistered Common Units	10.8	6.0	8.2
Penn Virginia GP Holdings, L.P. (Midstream/Coal)	Owns the general partner interest, incentive distribution rights and a portion of the limited partner interests in Penn Virginia Resource Partners, L.P.	Unregistered Common Units	1.7	0.6	5.4
Quest Midstream Partners, L.P. (Midstream) (7)	Operator of natural gas gathering pipelines in the Cherokee Basin and interstate natural gas transmission pipelines in Oklahoma, Kansas and Missouri	Common Units	22.2	14.5	0.0
VantaCore Partners LP (Aggregates)	Acquirer and operator of aggregate companies, with quarry and asphalt operations in Clarksville, Tennessee and sand and gravel operations located near Baton Rouge, Louisiana	Common Units and Incentive Distribution Rights	18.4	16.2	10.1
			$147.4	**$105.8**	

(1) Fair value as of November 30, 2008.

(2) The current yield has been calculated by annualizing the most recent distribution during the period and dividing by the amount invested in the underlying security. Actual distributions to us are based on each company's available cash flow and are subject to change.

(3) Distributions paid-in-kind during the quarters ended August 31, 2008 and November 30, 2008.

(4) Includes original purchase of 3 percent equity interest, sale of 0.6274 percent equity interest in July 2007 and subsequent capital calls.

(5) LONESTAR Midstream Partners, LP sold its assets to Penn Virginia Resource Partners, L.P in July 2008. LONESTAR has no continuing operations, but currently holds rights to receive future payments from PVR relative to the sale. The cost basis and the fair value of the LONESTAR and LSMP GP, LP units as of November 30, 2008 is related to the potential receipt of those future payments. Since this investment is not deemed to be "active", the yield is not meaningful and we have excluded it from our weighted average yield to cost on investments as described below in Results of Operations.

(6) Current yield represents an equity distribution on the previous quarter fair value of our invested capital, including the effect of the management incentive plan, divided by the amount invested. We expect that, pending cash availability, such equity distributions will recur on a quarterly basis at or above such yield.

(7) *Currently non-income producing. The Board of Directors of Quest Midstream GP, LLC determined that no distribution would be paid on the units of Quest Midstream Partners, L.P. during the quarter ended November 30, 2008.*

Portfolio Company Profiles

Abraxas Energy Partners, L.P. (“Abraxas”)
Abraxas is a private company that operates long-lived, low-decline natural gas and oil reserves located primarily in the Delaware and Gulf Coast Basins of Texas, Rocky Mountains and Mid-Continent regions of the U.S. Abraxas was formed by Abraxas Petroleum Corporation, an independent publicly-traded energy company engaged in the exploration and production of natural gas and crude oil. Abraxas’ principal office is located at 18803 Meisner Drive, San Antonio, TX 78258.

Eagle Rock Energy Partners, L.P. (“Eagle Rock Energy”)
Eagle Rock Energy (NASDAQ: EROC) is a publicly traded master limited partnership with midstream assets located primarily in Texas and Louisiana and upstream assets, including mineral and royalty interests, in seventeen states. Eagle Rock Energy’s principal office is located at 16701 Greenspoint Park Drive, Suite 200, Houston, TX 77060.

EV Energy Partners, L.P. (“EV”)
EV (NASDAQ: EVEP) is a publicly traded master limited partnership engaged in acquiring, producing and developing oil and gas properties. EV’s current properties are located in the Appalachian Basin, the Monroe Field in Louisiana, the Austin Chalk, South Central Texas, the Permian Basin, the San Juan Basin and the Mid-Continent area. EV’s principal office is located at 1001 Fannin Street, Suite 800, Houston, TX 77002.

High Sierra Energy, LP (“High Sierra”)
High Sierra is a holding company with diversified midstream energy assets focused on the processing, transportation, storage and marketing of hydrocarbons. The company’s businesses include a natural gas liquids logistics and transportation business in Colorado, natural gas gathering and processing operations in Louisiana, a natural gas storage facility in Mississippi, an ethanol terminal in Nevada, crude and natural gas liquids trucking businesses in Kansas and Colorado, businesses providing crude oil gathering, transportation and marketing services, primarily focused in the Mid-Continent, Western and Gulf Coast regions, water treatment transportation and disposal businesses serving oil and gas producers in Wyoming and Oklahoma, and two asphalt processing, packaging and distribution terminals in Florida. We hold board of director observation rights. High Sierra’s principal office is located at 3773 Cherry Creek Drive North, Suite 655, Denver, CO 80209.

High Sierra Energy GP, LLC (“High Sierra GP”)
High Sierra GP is the general partner of High Sierra. High Sierra GP’s principal office is located at 3773 Cherry Creek Drive North, Suite 655, Denver, CO 80209.

International Resource Partners LP (“IRP”)
IRP has surface and underground coal mine operations in southern West Virginia comprised of metallurgical and steam coal reserves, a coal washing and preparation plant, rail load-out facilities and a sales and marketing subsidiary. IRP’s principal office is located at 725 5th Avenue, New York, NY 10022.

Legacy Reserves LP (“Legacy”)
Legacy (NASDAQ: LGCY) is a publicly traded master limited partnership focused on the acquisition and development of long-lived oil and natural gas properties primarily located in the Permian Basin and Mid-Continent regions of the United States. Legacy’s principal office is located at 303 West Wall, Suite 1400, Midland, TX 79701.

LONESTAR Midstream Partners, LP (“LONESTAR”)
LONESTAR Midstream Partners, LP sold its assets to Penn Virginia Resource Partners, L.P in July 2008. LONESTAR has no continuing operations, but currently holds rights to receive future payments from PVR relative to the sale. Our President holds one of four seats on LONESTAR’s board of directors. LONESTAR’s principal office is located at 300 E. John Carpenter Freeway, Suite 800, Irving, TX 75062.

LSMP GP, LP ("LSMP GP")

LSMP GP indirectly owns the general partner of LONESTAR. LSMP GP's principal office is located at 300 E. John Carpenter Freeway, Suite 800, Irving, TX 75062.

Mowood, LLC ("Mowood")

Mowood is a holding company whose assets include Omega Pipeline, LLC ("Omega") and Timberline Energy, LLC ("Timberline"). Omega is a natural gas local distribution company located on the Fort Leonard Wood army base in south central Missouri. Omega serves the natural gas and propane needs of Fort Leonard Wood and other customers in the surrounding area. Timberline is an owner and developer of projects that convert landfill gas to energy. We currently hold all seats on Mowood's board of directors. Mowood's principal office is located at 14694 Orchard Parkway, Suite 200, Westminster, CO 80020.

Penn Virginia Resource Partners, L.P. ("PVR")

Penn Virginia Resource Partners, L.P. (NYSE: PVR) is a publicly traded master limited partnership formed by Penn Virginia Corporation (NYSE: PVA). PVR operates a midstream natural gas gathering and processing business and manages coal properties and related assets. PVR's principal office is located at Three Radnor Corporate Center, Suite 300, 100 Matsonford Road, Radnor, PA 19087.

Penn Virginia GP Holdings, L.P. ("PVG")

Penn Virginia GP Holdings, L.P. (NYSE: PVG) is a publicly traded master limited partnership formed to own the general partner interest, all of the incentive distribution rights and a portion of the limited partner interests in PVR. PVG's principal office is located at Three Radnor Corporate Center, Suite 300, 100 Matsonford Road, Radnor, PA 19087.

Quest Midstream Partners, L.P. ("Quest")

Quest was formed by the spin-off of Quest Resource Corporation's midstream coal bed methane natural gas gathering assets in the Cherokee Basin. Quest owns more than 1,800 miles of natural gas gathering pipelines (primarily serving Quest Energy Partners, L.P., an affiliate) and over 1,100 miles of interstate natural gas transmission pipelines in Oklahoma, Kansas and Missouri. We hold one of seven seats on Quest's board of directors. Quest's principal office is located at 210 Park Avenue, Suite 2750, Oklahoma City, OK 73102.

VantaCore Partners LP ("VantaCore")

VantaCore was formed to acquire companies in the aggregate industry and currently owns a quarry and asphalt plant in Clarksville, Tennessee and sand and gravel operations located near Baton Rouge, Louisiana. We hold one of four seats on VantaCore's Board of Directors. VantaCore's principal office is located at 666 Fifth Avenue, 26^{th} Floor, New York, NY 10103.

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, the review of periodic operating reports 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 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 investments and rates them on a scale of (1) to (3) based on the following:

(1) The portfolio company is performing at or above expectations and the trends and risk factors are generally favorable to neutral.

(2) The portfolio company is performing below expectations and the investment's risk has increased materially since origination. The portfolio company is generally out of compliance with various

covenants; however, payments are generally not more than 120 days past due.

(3) The portfolio company is performing materially below expectations and the investment risk has substantially increased since origination. Most or all of the covenants are out of compliance and payments are substantially delinquent. Investment is not expected to provide a full repayment of the amount invested.

As of November 30, 2008, all of our portfolio companies have a rating of (1), with the exception of Quest Midstream Partners, L.P., High Sierra Energy, LP and High Sierra Energy GP, LLC, each of which has a rating of (2).

On August 25, 2008, the boards of directors of Quest Resource Corporation (NASDAQ: QRCP), Quest Energy Partners, L.P. (NASDAQ: QELP) and Quest Midstream Partners, L.P. (QMP) (collectively, Quest) announced that they had accepted the resignation of Jerry Cash, as Chairman and CEO of all three entities. The resignation followed the discovery, in connection with an inquiry from the Oklahoma Department of Securities, of questionable transfers of company funds to an entity controlled by Mr. Cash. Initial reports indicated the amount in question to be about $10 million. Promptly following the discovery of the alleged misappropriation of funds, members of the three boards met in joint sessions and immediately formed a Joint Special Committee comprised of representatives from each board, including the chairs of the audit committees of QRCP and QELP, to investigate the matter and consider the effects on the companies' financial statements, along with the assistance of external counsel and forensic accountants. The board of directors of QMP was increased to seven members and Ed Russell, our President, was named as a director of QMP. QELP and QMP Chief Financial Officer David Grose was also placed on a paid administrative leave of absence during the investigation.

On September 13, 2008, the boards of QRCP and the general partners of QELP and QMP terminated Mr. Grose as the chief financial officer of the companies. Mr. Jack T. Collins was appointed to serve as interim CFO of the companies. The special committee stated that, although it and its advisers have reviewed substantial numbers of company records and conducted numerous interviews of company personnel and others, significant additional work remains to be done to confirm the full extent of inappropriate uses of the companies assets and their effects on the companies. Based on the information obtained in the investigation to date, the special committee believes that the questionable transfers to the Cash-controlled entity involved a total of approximately $10 million as originally announced. The special committee and its advisers are also working to determine the effect of those transfers on the companies financial statements, the methods by which the companies internal controls may have been circumvented by those transferring the funds, and the appropriate remedial measures. In addition, the special committee is attempting to identify possible sources of recovery of the assets that were inappropriately transferred. At this time, the companies cannot accurately predict when the investigation will be complete, what the results of that investigation will be, or whether any recovery of the missing assets can be made.

On December 5, 2008, the Board of Directors of Quest Midstream GP, LLC formally determined that no third quarter distribution would be paid on the units of Quest Midstream Partners, L.P.

On January 14, 2009, the boards of QRCP and the general partner of QELP announced the election of Eddie M. LeBlanc as Chief Financial Officer of these two entities. Mr. LeBlanc is an experienced E&P CFO and replaces Jack Collins, who was appointed Interim Chief Financial Officer in September 2008. Mr. Collins will continue in the role of Executive Vice President Finance/Corporate Development of the Quest entities where he will focus on the development and implementation of the organizations strategic plan and capital structure.

High Sierra Energy, L.P. (High Sierra) continued to experience tightening of its transactional trade finance credit line. The challenging credit environment was made more difficult by High Sierras exposure to a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code filed by SemGroup, L.P. and certain of its North American subsidiaries on July 22, 2008. High Sierra Crude Oil & Marketing and certain of High Sierras other subsidiaries, had a material aggregate net exposure to the SemGroup bankruptcy in the form of unsecured trade receivables. In response to these challenges High Sierra has utilized cash generated from operations to reduce borrowings and to support its marketing businesses.

During our fiscal quarter ended August 31, 2008, High Sierra elected to distribute additional common units in lieu of a cash distribution. In addition, High Sierras senior management voluntarily chose to forego receiving any distributions, including payments-in-kind, on their LP units and in connection with their interests in High Sierras general partner. During our fiscal quarter ended November 30, 2008, High Sierras Board of Directors again determined that the most prudent course of action would be to distribute additional common units in lieu of a cash distribution, instead utilizing the cash to support the company's marketing businesses during this period of constrained credit. This quarter all investors that were entitled to distributions received additional common units in lieu of a cash distribution.

Results of Operations

Set forth are the results of operations for the year ended November 30, 2008 as compared to November 30, 2007. Comparisons to the period from December 8, 2005 through November 30, 2006 are not considered meaningful as we had not completed our initial public offering and we were not fully invested.

Investment Income: Investment income decreased $90,991 for the year ended November 30, 2008 as compared to November 30, 2007; however, total distributions from investments increased $3,168,089 in comparison to the prior fiscal year. The decrease in investment income is generally due to the reclassification of investment income and return of capital based on the 2007 tax reporting information we received from the individual portfolio companies after November 30, 2007 (as described in Note 2D to the financial statements). The increase in total distributions from investments is attributable to follow-on investments and distribution increases during the year from several of our portfolio companies.

The weighted average yield (to cost) on our investment portfolio (excluding short-term investments) as of November 30, 2008 was 8.0 percent as compared to 8.8 percent at November 30, 2007. The decrease in the weighted average yield to cost is related to slightly lower yields on securities received from our two realization events this year as described above, as well as Quest's non-payment of a distribution during the quarter ended November 30, 2008.

Net Expenses: Net expenses decreased $733,002 in fiscal 2008 as compared to fiscal 2007. The decrease is attributed to a reduction in the capital gain incentive fee accrual this year and higher leverage costs which were incurred in 2007 (we incurred a redemption premium and issuance costs on previously outstanding Series A Redeemable Preferred Stock which was utilized as bridge financing to fund portfolio investments and was fully redeemed upon completion of our initial public offering). The provision for capital gain incentive fees results from the increase or decrease in fair value and unrealized appreciation or depreciation on investments. During the year ended November 30, 2008, we reversed the prior year's accrual for capital gain incentive fees as a result of the decrease in fair value of the investment portfolio. 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 were due or payable at November 30, 2008 or November 30, 2007.

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 or accrued capital gain incentive fees. Distributions paid to stockholders may exceed distributable cash flow for the period. Historically we have included all paid-in-kind distributions in distributable cash flow, however, in the future, we do not intend to 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.

Distributable cash flow increased $4,049,691 in fiscal 2008 as compared to fiscal 2007. The following table represents DCF for the years ended November 30, 2008 and 2007:

Distributable Cash Flow	**Year Ended November 30, 2008**	**Year Ended November 30, 2007**
Total from Investments		
Distributions from investments	$ 9,688,521	$ 6,520,432
Distributions paid in stock [(1)]	2,186,767	295,120
Interest income from investments	1,103,059	921,978
Dividends from money market mutual funds	18,205	624,385
Other income	28,987	-
Total from Investments	13,025,539	8,361,915
Operating Expenses Before Leverage Costs and Current Taxes		
Advisory fees (net of expense reimbursement by Adviser)	1,928,109	1,831,878
Other operating expenses (excluding capital gain incentive fees)	1,037,624	1,094,677
Total Operating Expenses	2,965,733	2,926,555
Distributable cash flow before leverage costs and current taxes	10,059,806	5,435,360
Leverage Costs	1,650,926	1,076,171
Distributable Cash Flow	$ 8,408,880	$ 4,359,189
Distributions paid on common stock	$ 9,265,351	$ 5,349,244
Payout percentage for period [(2)]	110%	123%
DCF/GAAP Reconciliation		
Distributable Cash Flow	$ 8,408,880	$ 4,359,189
Adjustments to reconcile to Net Investment Loss, before Income Taxes		
Distributions paid in stock	(2,186,767)	(295,120)
Return of capital on distributions received from equity investments	(7,894,819)	(5,031,851)
Capital gain incentive fees	307,611	(307,611)
Loss on redemption of preferred stock	-	(731,713)
Net Investment Loss, before Income Taxes	$ (1,365,095)	$ (2,007,106)

(1) Distributions paid in stock for the year ended November 30, 2008 include paid-in-kind distributions from Lonestar Midstream Partners, LP, High Sierra Energy, LP and High Sierra Energy GP, LLC. Distributions paid in stock for the year ended November 30, 2007 include paid-in-kind distributions from Lonestar Midstream Partners, LP.

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

Distributions: The following table sets forth distributions for the two years ended November 30, 2008 and 2007.

Record Date	**Payment Date**	**Amount**
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
November 23, 2007	November 30, 2007	$0.2300
August 21, 2007	September 4, 2007	$0.1800
May 22, 2007	June 1, 2007	$0.1600
January 31, 2007	February 7, 2007	$0.1000

Net Investment Loss: Net investment loss for the year ended November 30, 2008 was $978,493 as compared to a net investment loss of $1,565,774 in the prior year. The decreased loss is primarily related to the decrease in net expenses described above.

Net Realized and Unrealized Gain (Loss): We had unrealized depreciation of $29,595,528 (after deferred taxes) as compared to unrealized appreciation of $6,548,370 (after deferred taxes) in the prior year. We had realized gains this year of $6,203,788 (after deferred taxes) as compared to realized gains last year of $161,380 (after deferred taxes). The realized gains for this year are attributable to the LONESTAR and Millennium realization events and the VantaCore debt redemption as previously described.

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Recent Developments

We invested $515,000 on December 5, 2008 in Mowood in the form of a promissory note with a fixed annual interest rate equal to 9.0 percent and a maturity date of December 31, 2008. The proceeds were used by Mowood for working capital purposes. On December 8, 2008, we entered into an agreement with Mowood to amend and combine the existing subordinated debt and multiple promissory notes into a single new promissory note with a principal balance of $8,800,000. The new note has an annual interest rate of 9.0 percent and a maturity date of December 31, 2009. The initial interest payment, which includes accrued but unpaid interest on the previously outstanding notes, is due on December 31, 2008. Due to the start-up nature of Timberline (subsidiary of Mowood) and the delays encountered in completing its first three landfill gas to energy projects, we deemed it prudent to reduce the interest rate charged on Mowoods debt and distributions on invested equity to 9.0 percent to provide Mowood more operational flexibility and to reduce the risk of non-compliance with loan covenants. As Timberline matures, we would anticipate increasing the distribution and interest rates subject to continued compliance with bank covenants and Mowoods operational needs.

On January 20, 2009, our President, Ed Russell, accepted his election to fill a vacant seat on Abraxas board of directors.

Liquidity and Capital Resources

We expect to 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. We are restricted in our ability to incur additional debt by the terms of our credit facility. We have filed an initial shelf registration statement with the Securities and Exchange Commission, which when effective, will allow us to prudently raise additional capital.

Total leverage outstanding on our credit facility at November 30, 2008 was $22,200,000 a decrease of $8,350,000 compared to November 30, 2007. At November 30, 2008, our total leverage represented approximately 20 percent of total assets, including deferred tax. We are, and intend to remain, in compliance with our asset coverage ratios under the Investment Company Act of 1940 and our basic maintenance covenants under our credit facility.

Contractual Obligations

The following table summarizes our significant contractual payment obligations as of November 30, 2008.

		Payments due by period			
		Less than 1 year	1-3 years	3-5 years	More than 5 year
	Total				
Secured revolving credit facility (1)	$22,200,000	$22,200,000		-	-
	$22,200,000	$22,200,000		-	-

(1) At November 30, 2008, the outstanding balance under the credit facility was $22,200,000, with a maturity date of March 20, 2009.

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

On March 21, 2008, we secured an extension to our revolving credit facility and on March 28, 2008, amended the credit agreement to exclude Bank of Oklahoma and include Wells Fargo as a lender, and to increase the total credit facility to $50,000,000. The credit facility matures on March 20, 2009. The revolving credit facility has a variable annual interest rate equal to the one-month LIBOR plus 1.75 percent, 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, and is secured with all our assets. The credit facility contains a covenant precluding us from incurring additional debt.

For the year ended November 30, 2008, the average principal balance and interest rate for the period during which the credit facility was utilized were $32,033,333 and 4.76 percent, respectively. As of November 30, 2008, the principal balance outstanding was $22,200,000 at a rate of 3.65 percent. We intend to renew or replace the credit facility upon maturity; however, there can be no assurance that we can obtain such financing on terms that we find acceptable, if at all.

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 and the cost of capital under our credit facility to be our principal market risk.

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, 2008, the fair value of our investment portfolio (excluding short-term investments) totaled $105,790,858. 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 $6,559,033.

Our revolving credit facility has a variable annual interest rate equal to the one-month LIBOR plus 1.75 percent. We estimate that a one percentage point interest rate movement in the average market interest rates (either higher or lower) over a one year period would either increase or decrease net investment income by approximately $325,672.

Debt investments in our portfolio may be based on floating or fixed rates. Loans bearing a floating interest rate are usually based on LIBOR and, in most cases, a spread consisting of additional basis points. The interest rates for these debt instruments typically have one to six-month durations and reset at the current market interest rates. As of November 30, 2008, 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 pages 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

Management's Annual Report on Internal Control over Financial Reporting

Management of Tortoise Capital Resources Corporation (the "Company") is responsible for the preparation, consistency, integrity, and fair presentation of the financial statements. The financial statements have been prepared in accordance with U.S. generally accepted accounting principles applied on a consistent basis and, in management's opinion, are fairly presented. The financial statements include amounts that are based on management's informed judgments and best estimates.

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, 2008.

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.

The Company's financial statements have been audited by Ernst & Young LLP ("Ernst & Young"), independent registered public accounting firm. As part of its audit, Ernst & Young considers the Company's internal control to plan the audit and determine the nature, timing and extent of audit procedures considered necessary to render its opinion as to the fair presentation, in all material respects, of the financial statements, which is based on independent audits made in accordance with the standards of the Public Company Accounting Oversight Board (United States).

Ernst & Young has issued an audit report on the Company's internal control over financial reporting. This report begins on the next page.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Tortoise Capital Resources Corporation

We have audited Tortoise Capital Resources Corporation's (the "Company") internal control over financial reporting as of November 30, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company□s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. A company□s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company□s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of November 30, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statement of assets and liabilities of the Company, including the schedules of investments, as of November 30, 2008 and 2007, and the related statements of operations, changes in net assets, cash flows, and financial highlights for each of the two years in the period ended November 30, 2008 and for the period from December 8, 2005 (commencement of operations) through November 30, 2006, and our report dated February 9, 2009, expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Kansas City, Missouri
February 9, 2009

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Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

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, 2008, 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 2009 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 2009 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 2009 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

Incorporated by reference to our proxy statement for our 2009 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 2009 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, 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 with Tortoise Capital Advisors, L.L.C. dated January 1, 2007 (2)
10.3	Expense Reimbursement and Partial Fee Waiver Agreement dated as of November 30, 2007 by and among Tortoise Capital Resources Corporation and Tortoise Capital Advisors, LLC (6)
10.4	Sub-Advisory Agreement with Kenmont Investments Management, L.P. dated January 1, 2007 (2)
10.5	Custody Agreement with U.S. Bank National Association dated September 13, 2005 (1)
10.6	Stock Transfer Agency Agreement with Computershare Investor Services, LLC dated September 13, 2005 (1)
10.7	Administration Agreement with Tortoise Capital Advisors, L.L.C. dated November 14, 2006 (2)
10.8	Warrant Agreement with Computershare Investor Services, LLC as Warrant Agent dated December 8, 2005 (1)
10.9	Credit Agreement dated April 23, 2007 (7)
10.10	First Amendment to Credit Agreement dated July 18, 2007 (8)
10.11	Second Amendment to Credit Agreement dated September 28, 2007 (9)
10.12	Security Agreement dated April 23, 2007 (7)
10.13	Third Amendment to Credit Agreement, dated as of March 21, 2008, by and among the Company and U.S. Bank, N.A. as a lender, agent and lead arranger, Bank of Oklahoma, N.A. and First National Bank of Kansas (10)
10.14	Fourth Amendment to Credit Agreement, dated as of March 28, 2008, by and among the Company and U.S. Bank, N.A. as a lender, agent and lead arranger, First National Bank of Kansas and Wells Fargo Bank, N.A. (11)
10.15	Expense Reimbursement Agreement dated as of November 11, 2008 by and among Tortoise Capital Resources Corporation and Tortoise Capital Advisors, LLC (12)

14.1	Code of Ethics for Principal Executive Officer and Principal Financial Officer filed herewith
24	Power of Attorney (included on the signature page)
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 2002filed 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 2002filed herewith.

(1)	*Incorporated by reference to the Registrants 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 Registrants Registration Statement on Form N-2, filed January 9, 2007 (File No. 333-136923).*
(3)	*Incorporated by reference to the Registrants current report on Form 8-K, filed January 21, 2009.*
(4)	*Incorporated by reference to Pre-Effective Amendment No. 1 to the Registrants Registration Statement on Form N-2, filed July 3, 2007 (File No. 333-142859)*
(5)	*Incorporated by reference to the Registrants 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 Registrants current report on Form 8-K, filed December 6, 2007.*
(7)	*Incorporated by reference to the Registrants current report on Form 8-K, filed April 27, 2007.*
(8)	*Incorporated by reference to the Registrants current report on Form 8-K, filed July 20, 2007.*
(9)	*Incorporated by reference to the Registrants current report on Form 8-K, filed October 3, 2007.*
(10)	*Incorporated by reference to the Registrants current report on Form 8-K, filed March 27, 2008.*
(11)	*Incorporated by reference to the Registrants current report on Form 8-K, filed April 1, 2008.*
(12)	*Incorporated by reference to the Registrants current report on Form 8-K, filed November 12, 2008.*

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.

INDEX TO FINANCIAL STATEMENTS

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, 2008 and 2007, and the related statements of operations, changes in net assets, cash flows, and the financial highlights for each of the two years in the period ended November 30, 2008, and for the period from December 8, 2005 (commencement of operations) through November 30, 2006. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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, 2008 and 2007, the results of its operations, changes in its net assets, its cash flows, and its financial highlights for each of the two years in the period ended November 30, 2008, and for the period from December 8, 2005 (commencement of operations) through November 30, 2006, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Tortoise Capital Resources Corporation's internal control over financial reporting as of November 30, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 9, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Kansas City, Missouri
February 9, 2009

Tortoise Capital Resources Corporation
STATEMENTS OF ASSETS & LIABILITIES

	November 30, 2008	November 30, 2007
Assets		
Investments at fair value, control (cost $30,418,802 and $20,521,816, respectively)	$ 30,213,280	$ 23,292,904
Investments at fair value, affiliated (cost $56,662,500 and $95,507,198, respectively)	48,016,925	98,007,275
Investments at fair value, non-affiliated (cost $49,760,304 and $31,716,576, respectively)	27,921,025	37,336,154
Total investments (cost $136,841,606 and $147,745,590, respectively)	106,151,230	158,636,333
Income tax receivable	212,054	218,935
Receivable for Adviser expense reimbursement	88,925	94,181
Interest receivable from control investments	76,609	68,686
Dividends receivable	696	1,419
Deferred tax asset, net	5,683,747	-
Prepaid expenses and other assets	107,796	154,766
Total assets	112,321,057	159,174,320
Liabilities		
Base management fees payable to Adviser	533,552	565,086
Accrued capital gain incentive fees payable to Adviser (Note 4)	-	307,611
Payable for investments purchased	-	1,235,994
Accrued expenses and other liabilities	362,205	419,744
Short-term borrowings	22,200,000	30,550,000
Deferred tax liability, net	-	4,182,919
Total liabilities	23,095,757	37,261,354
Net assets applicable to common stockholders	$ 89,225,300	$ 121,912,966
Net Assets Applicable to Common Stockholders Consist of:		
Warrants, no par value; 945,594 issued and outstanding at November 30, 2008 and 945,774 issued and outstanding at November 30, 2007 (5,000,000 authorized)	$ 1,370,700	$ 1,370,957
Capital stock, $0.001 par value; 8,962,147 shares issued and outstanding at November 30, 2008 and 8,858,168 issued and outstanding at November 30, 2007 (100,000,000 shares authorized)	8,962	8,858
Additional paid-in capital	106,869,132	115,186,412
Accumulated net investment loss, net of income taxes	(2,544,267)	(1,565,774)
Accumulated realized gain, net of income taxes	6,364,262	160,474
Net unrealized appreciation (depreciation) of investments, net of income taxes	(22,843,489)	6,752,039
Net assets applicable to common stockholders	$ 89,225,300	$ 121,912,966
Net Asset Value per common share outstanding (net assets applicable to common stock, divided by common shares outstanding)	$ 9.96	$ 13.76

See accompanying Notes to Financial Statements.

Tortoise Capital Resources Corporation

SCHEDULE OF INVESTMENTS

November 30, 2008

Company	Energy Infrastructure Segment	Type of Investment
Control Investments [1]		
Mowood, LLC	Midstream/Downstream	Equity Interest (99.6%) [2]
		Subordinated Debt (12% Due 7/1/2016) [2]
		Promissory Notes (9% Due 12/31/08) [2]
VantaCore Partners LP	Aggregates	Common Units (933,430) [2]
		Incentive Distribution Rights (988) [2] [6]
Total Control Investments - 33.9% [3]		
Affiliated Investments [4]		
High Sierra Energy, LP	Midstream	Common Units (1,042,685) [2] [5]
International Resource Partners LP	Coal	Class A Units (500,000) [2]
LONESTAR Midstream Partners, LP	Midstream	Class A Units (1,327,900) [2] [6] [7]
LSMP GP, LP	Midstream	GP LP Units (180) [2] [6] [7]
Quest Midstream Partners, L.P.	Midstream	Common Units (1,180,946) [2] [6]
Total Affiliated Investments - 53.8% [3]		
Non-affiliated Investments		
Abraxas Energy Partners, L.P.	Upstream	Common Units (450,181) [2]
Eagle Rock Energy Partners, L.P.	Midstream/Upstream	Common Units (659,071) [8]
Eagle Rock Energy Partners, L.P.	Midstream/Upstream	Unregistered Common Units (373,224) [2] [8]
Eagle Rock Energy Partners, L.P.	Midstream/Upstream	Unregistered Common Units (212,404) [2] [8] (
EV Energy Partners, L.P.	Upstream	Common Units (217,391) [8]
High Sierra Energy GP, LLC	Midstream	Equity Interest (2.37%) [2] [5]
Legacy Reserves LP	Upstream	Limited Partner Units (264,705) [8]
Penn Virginia Resource Partners, L.P.	Midstream/Coal	Unregistered Common Units (468,001) [2] [8]
Penn Virginia GP Holdings, L.P.	Midstream/Coal	Unregistered Common Units (59,503) [2] [8]
First American Government Obligations Fund	Short-term investment	Class Y shares
Total Non-affiliated Investments - 31.3% [3]		
Total Investments - 119.0% [3]		

(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 $95,316,463, which represents 106.8% 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) Security distributions are paid-in-kind.
(6) Currently non-income producing.
(7) 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.
(8) Publicly-traded company.
(9) Units are held in an escrow account, along with restricted cash, 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

SCHEDULE OF INVESTMENTS

November 30, 2007

Company	Energy Infrastructure Segment	Type of Investment
Control Investments (1)		
Mowood, LLC	Downstream	Equity Interest (100%) (2)
		Subordinated Debt (12% Due 7/1/2016) (2
VantaCore Partners LP	Aggregates	Common Units (425,000) (2)
		Subordinated Debt (10.73% Due 5/21/2014
		Incentive Distribution Rights (789) (2) (7)
Total Control Investments - 19.1% (4)		
Affiliated Investments (5)		
High Sierra Energy, LP	Midstream	Common Units (999,614) (2)
International Resource Partners LP	Coal	Class A Units (500,000) (2)
LONESTAR Midstream Partners, LP	Midstream	Class A Units (1,184,532) (2) (6)
LSMP GP, LP	Midstream	GP LP Units (180 units) (2)
Quest Midstream Partners, L.P.	Midstream	Common Units (1,180,946) (2)
Millennium Midstream Partners, LP	Midstream	Class A Common Units (875,000) (2)
		Incentive Distribution Rights (78) (2) (7)
Total Affiliated Investments - 80.4% (4)		
Non-affiliated Investments		
Abraxas Energy Partners, L.P.	Upstream	Common Units (450,181) (2)
Eagle Rock Energy Partners, L.P.	Midstream	Common Units (659,071) (8)
EV Energy Partners, L.P.	Upstream	Common Units (217,391) (2) (8)
Legacy Reserves LP	Upstream	Limited Partner Units (264,705) (8)
High Sierra Energy GP, LLC	Midstream	Equity Interest (2.37%) (2)
First American Government Obligations Fund	Short-term investment	Class Y shares
Total Non-affiliated Investments - 30.6% (4)		
Total Investments - 130.1% (4)		

(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 $138,869,515, which represents 113.9% of net assets applicable to common stockholders. These securities are deemed to be restricted; see Note 7 to the financial statements for further disclosure.
(3) Security is a variable rate instrument. Interest rate is as of November 30, 2007.
(4) Calculated as a percentage of net assets applicable to common stockholders.
(5) 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.
(6) Distributions are paid-in-kind.
(7) Currently non-income producing.
(8) Publicly-traded company.

See accompanying Notes to Financial Statements.

Tortoise Capital Resources Corporation

STATEMENTS OF OPERATIONS

	Year Ended November 30, 2008	Year Ended November 30, 2007	Period from December 8, 2005 (1) through November 30, 2006
Investment Income			
Distributions from investments			
Control investments	$ 1,576,716	$ 389,720	$ -
Affiliated investments	4,699,082	4,245,481	100,000
Non-affiliated investments	3,412,723	1,885,231	4,122,244
Total distributions from investments	9,688,521	6,520,432	4,222,244
Less return of capital on distributions	(7,894,819)	(5,031,851)	(3,808,154)
Net distributions from investments	1,793,702	1,488,581	414,090
Interest income from control investments	1,103,059	921,978	270,633
Dividends from money market mutual funds	18,205	624,385	1,210,120
Fee income	-	-	225,000
Other income	28,987	-	-
Total Investment Income	2,943,953	3,034,944	2,119,843
Operating Expenses			
Base management fees	2,313,731	1,926,059	634,989
Capital gain incentive fees (Note 4)	(307,611)	307,611	-
Professional fees	642,615	727,055	205,018
Administrator fees	107,325	81,002	1,322
Directors' fees	86,406	84,609	69,550
Reports to stockholders	58,943	53,610	15,810
Fund accounting fees	34,546	32,183	25,536
Registration fees	29,668	40,660	-
Custodian fees and expenses	17,426	10,174	6,647
Stock transfer agent fees	13,538	13,600	17,329
Other expenses	47,157	51,784	18,944
Total Operating Expenses	3,043,744	3,328,347	995,145
Interest expense	1,650,926	847,421	-
Preferred stock distributions	-	228,750	-
Loss on redemption of preferred stock	-	731,713	-
Total Interest Expense, Preferred Stock Distributions and Loss on Redemption of Preferred Stock	1,650,926	1,807,884	-
Total Expenses	4,694,670	5,136,231	995,145
Less expense reimbursement by Adviser	(385,622)	(94,181)	-
Net Expenses	4,309,048	5,042,050	995,145
Net Investment Income (Loss), before Income Taxes	(1,365,095)	(2,007,106)	1,124,698
Current tax benefit (expense)	(6,881)	261,667	(266,455)
Deferred tax benefit (expense)	393,483	179,665	(124,967)
Income tax benefit (expense)	386,602	441,332	(391,422)
Net Investment Income (Loss)	(978,493)	(1,565,774)	733,276
Realized and Unrealized Gain (Loss) on Investments			
Net realized gain (loss) on investments, before deferred tax expense	8,716,197	260,290	(1,462)
Current tax benefit	-	-	556
Deferred tax expense	(2,512,409)	(98,910)	-

Net realized gain (loss) on investments	6,203,788	161,380	(906)
Net unrealized appreciation (depreciation) of control investments	(2,976,609)	2,771,088	-
Net unrealized appreciation (depreciation) of affiliated investments	(11,145,652)	2,262,736	328,858
Net unrealized appreciation (depreciation) of non-affiliated investments	(27,458,859)	5,528,064	-
Net unrealized appreciation (depreciation), before deferred taxes	(41,581,120)	10,561,888	328,858
Deferred tax benefit (expense)	11,985,592	(4,013,518)	(125,189)
Net unrealized appreciation (depreciation) of investments	(29,595,528)	6,548,370	203,669
Net Realized and Unrealized Gain (Loss) on Investments	(23,391,740)	6,709,750	202,763
Net Increase (Decrease) in Net Assets Applicable to Common Stockholders Resulting from Operations	$ (24,370,233)	$ 5,143,976	$ 936,039
Net Increase (Decrease) in Net Assets Applicable to Common Stockholders Resulting from Operations Per Common Share:			
Basic and Diluted	$ (2.74)	$ 0.66	$ 0.30
Weighted Average Shares of Common Stock Outstanding:			
Basic and Diluted	8,887,085	7,751,591	3,088,596

(1) Commencement of Operations

See accompanying Notes to Financial Statements.

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Tortoise Capital Resources Corporation
STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended November 30, 2008
Operations	
Net investment income (loss)	$ (978,493
Net realized gain (loss) on investments	6,203,788
Net unrealized appreciation (depreciation) of investments	(29,595,528
Net increase (decrease) in net assets applicable to common stockholders resulting from operations	(24,370,233
Distributions to Common Stockholders	
Net investment income	-
Return of capital	(9,265,351
Total distributions to common stockholders	(9,265,351
Capital Stock Transactions	
Proceeds from initial offering of 3,066,667 common shares and 772,124 warrants	-
Proceeds from initial public offering of 5,740,000 common shares	-
Proceeds from issuance of 185,000 warrants	-
Proceeds from exercise of 180 warrants	2,700

Proceeds from exercise of 11,350 warrants	-
Underwriting discounts and offering expenses associated with the issuance of common stock	-
Issuance of 103,799 and 18,222 common shares from reinvestment of distributions to stockholders, respectively	945,218
Net increase in net assets, applicable to common stockholders, from capital stock transactions	947,918
Total increase (decrease) in net assets applicable to common stockholders	(32,687,666
Net Assets	
Beginning of year	121,912,966
End of year	$ 89,225,300
Accumulated net investment loss, net of income taxes, at the end of year	$ (2,544,267

(1) Commencement of Operations

See accompanying Notes to Financial Statements.

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Tortoise Capital Resources Corporation
STATEMENT OF CASH FLOWS

	Year Ended November 30, 2008	**Year Ended November 30, 2007**
Cash Flows From Operating Activities		
Distributions received from investments	$ 9,688,521	$ 6,520,432
Interest and dividend income received	1,106,776	1,535,673
Fee income received	-	-
Purchases of long-term investments	(37,817,772)	(114,999,341)
Proceeds from sale of long-term investments	48,568,485	640,656
Proceeds (purchases) of short-term investments, net	(140,878)	5,211,912
Interest expense paid	(1,736,407)	(665,865)
Current tax expense paid	-	-
Distributions to preferred stockholders	-	(228,750)
Operating expenses paid	(3,001,292)	(2,438,378)
Net cash provided by (used in) operating activities	16,667,433	(104,423,661)
Cash Flows from Financing Activities		
Issuance of common stock (including warrant exercises)	2,700	86,270,250
Common stock issuance costs	-	(6,841,555)
Issuance of preferred stock	-	18,216,950
Redemption of preferred stock	-	(18,870,000)
Preferred stock issuance costs	-	(78,663)
Issuance of warrants	-	283,050
Advances from revolving line of credit	22,750,000	46,450,000
Repayments on revolving line of credit	(31,100,000)	(15,900,000)
Distributions paid to common stockholders	(8,320,133)	(5,106,371)
Net cash provided by (used in) financing activities	(16,667,433)	104,423,661

Net change in cash	-	-
Cash--beginning of year	-	-
Cash--end of year	$ -	$ -
Reconciliation of net increase (decrease) in net assets applicable to common stockholders resulting from operations to net cash provided by (used in) operating activities		
Net increase (decrease) in net assets applicable to common stockholders resulting from operations	$ (24,370,233)	$ 5,143,976
Adjustments to reconcile net increase (decrease) in net assets applicable to common stockholders resulting from operations to net cash provided by (used in) operating activities:		
Purchases of long-term investments	(36,592,256)	(116,235,335)
Return of capital on distributions received	7,894,819	5,031,851
Proceeds from sale of long-term investments, net	48,568,485	640,656
Proceeds (purchases) of short-term investments, net	(140,878)	5,211,912
Accrued capital gain incentive fees payable to Adviser	(307,611)	307,611
Deferred income taxes, net	(9,866,666)	3,932,763
Amortization of issuance costs	18,553	9,900
Realized (gain) loss on investments	(8,716,197)	(260,290)
Loss on redemption of preferred stock	-	731,713
Net unrealized depreciation (appreciation) of investments	41,581,120	(10,561,888)
Changes in operating assets and liabilities:		
Increase in income tax receivable	-	(218,935)
Increase in interest, dividend and distribution receivable	(7,200)	(1,860)
(Increase) decrease in prepaid expenses and other assets	(92,432)	72,074
Increase (decrease) in current tax liability	6,881	(86,386)
Increase (decrease) in base management fees payable to Adviser, net of expense reimbursement	(26,278)	358,140
Increase (decrease) in payable for investments purchased	(1,235,994)	1,235,994
Increase (decrease) in accrued expenses and other liabilities	(46,680)	264,443
Total adjustments	41,037,666	(109,567,637)
Net cash provided by (used in) operating activities	$ 16,667,433	$ (104,423,661)
Non-Cash Financing Activities		
Reinvestment of distributions by common stockholders in additional common shares	$ 945,218	$ 242,873

(1) Commencement of Operations.
See accompanying Notes to Financial Statements.

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Tortoise Capital Resources Corporation
FINANCIAL HIGHLIGHTS

	Year Ended November 30, 2008	Year Ended November 30, 2007	P f Dec 8, 2 th Nov 30
Per Common Share Data (2)			

Net Asset Value, beginning of period	$ 13.76	$ 13.70	$
Initial offering price	-	-	1
Underwriting discounts and offering costs on issuance of common shares	-	0.01	(
Income from Investment Operations:			
Net investment income (loss) [3]	(0.11)	(0.18)	
Net realized and unrealized gain (loss) on investments [3]	(2.65)	0.90	
Total increase (decrease) from investment operations	(2.76)	0.72	
Less Distributions to Common Stockholders:			
Net investment income	-	-	(
Return of capital	(1.04)	(0.67)	(
Total distributions to common stockholders	(1.04)	(0.67)	(
Net Asset Value, end of period	$ 9.96	$ 13.76	$ 1
Per common share market value, end of period	$ 5.21	$ 11.66	
Total Investment Return, including capital gain incentive fees, based on net asset value [4]	(18.83)%	5.35%	(
Total Investment Return, excluding capital gain incentive fees, based on net asset value [4]	(20.93)%	5.57%	(
Total Investment Return, based on market value [5]	(49.89)%	19.05%	
Supplemental Data and Ratios			
Net assets applicable to common stockholders, end of period (000's)	$ 89,225	$ 121,913	$ 42
Ratio of expenses (including current and deferred income tax expense (benefit) and capital gain incentive fees) to average net assets [6] [7] [8]	(5.72)%	8.35%	
Ratio of expenses (excluding current and deferred income tax expense (benefit)) to average net assets [6] [9]	4.44%	4.69%	
Ratio of expenses (excluding current and deferred income tax expense (benefit)) and capital gain incentive fees) to average net assets [6] [9] [10]	4.76%	4.40%	
Ratio of net investment income (loss) to average net assets before current and deferred income tax expense (benefit) and capital gain incentive fees [6] [9] [10]	(1.73)%	(1.58)%	
Ratio of net investment income (loss) to average net assets before current and deferred income tax expense (benefit) [6] [8] [9]	(1.41)%	(1.87)%	
Ratio of net investment income (loss) to average net assets after current and deferred income tax expense (benefit) and capital gain incentive fees [6] [7] [8]	8.76%	(5.52)%	
Portfolio turnover rate [6]	24.55%	0.62%	
Short-term borrowings, end of period (000's)	$ 22,200	$ 30,550	$
Asset coverage, per $1,000 of short-term borrowings [11]	$ 5,019	$ 4,991	
Asset coverage ratio of short-term borrowings [11]	502%	499%	

(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, 2008, November 30, 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, for the respective period, as described in Note 2D.

(4) Not annualized for periods less than one year. Total investment return is calculated assuming a purchase of common stock at the initial offering price or net asset value per share as of the beginning of the year, reinvestment of distributions at net asset value, and a sale at net asset value at the end of the year.

(5) Not annualized for periods less than one year. Total investment return is calculated assuming a purchase of common stock at the initial public offering price, or market value at the beginning of the period, reinvestment of distributions at actual prices pursuant to the Company's dividend reinvestment plan or market value, as applicable, and a sale at the current market price on the last day of the year (excluding brokerage commissions). Our common shares began trading on the New York Stock Exchange under the symbol TTO on February 2, 2007 at a price of $15.00 per share.

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

(7) For the year ended November 30, 2008, the Company accrued $6,881 in current tax expense and $9,866,666 in deferred tax benefit, net.
For the year ended November 30, 2007, the Company accrued $261,667 in current income tax benefit and $3,932,763 in 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 deferred income tax expense.

(8) For the year ended November 30, 2008, the Company accrued no capital gain incentive fees.
For the year ended November 30, 2007, the Company accrued $307,611 as a provision for capital gain incentive fees.
For the period from December 8, 2005 through November 30, 2006, the Company accrued no capital gain incentive fees.

(9) The ratio excludes the impact of current and deferred income taxes.

(10) The ratio excludes the impact of capital gain incentive fees.

(11)

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

See accompanying Notes to Financial Statements.

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TORTOISE CAPITAL RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
November 30, 2008

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 midstream and downstream segments, and to a lesser extent the upstream segment, of 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 the energy sector. 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.

Effective December 1, 2007, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with U.S. generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 is applicable in conjunction with other accounting pronouncements that require or permit fair value measurements, but does not expand the use of fair value to any new circumstances. More specifically, SFAS 157 emphasizes that fair value is a market based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority given to quoted prices in active markets and the lowest priority to unobservable inputs. The Company's adoption of SFAS 157 did not have a material impact on its financial condition or results of operations.

In October 2008, the Financial Accounting Standards Board, or the FASB, issued FASB Staff Position ("FSP") No. 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active.* FSP No. 157-3 clarifies the application of SFAS No. 157 in a market that is not active. More specifically, FSP No. 157-3 states that significant judgment should be applied to determine if observable data in a dislocated market represents forced liquidations or distressed sales and are not representative of fair value in an orderly transaction. FSP No. 157-3 also provides further guidance that the use of a reporting entity's own assumptions about future cash flows and appropriately risk-adjusted discount rates is acceptable when relevant observable inputs are not available. In addition, FSP No. 157-3 provides guidance on the level of reliance of broker quotes or pricing services when measuring fair value in a non-active market stating that less reliance should be placed on a quote that does not reflect actual market transactions and a quote that is not a binding offer. The guidance in FSP No. 157-3 is effective upon issuance for all financial statements that have not been issued and any changes in valuation techniques as a result of applying FSP No. 157-3 are accounted for as a change in accounting estimate.

Consistent with SFAS 157, 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. Also, in accordance with SFAS 157, the Company has determined the principal market, or the market in which the Company exits its 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, 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.

The fair value of investments in 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 will generally 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, the Company fair values those securities at their last sale price on that exchange on the valuation date. If the security is listed on more than one exchange, the Company will use the price of the exchange that it considers to be the principal exchange on which the security is traded. Securities listed on the NASDAQ will be valued at the NASDAQ Official Closing Price, which may not necessarily represent the last sale price. If there has been no sale on such exchange or NASDAQ on such day, the security will be valued at the mean between bid and 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 determined for the discount.

The Board of Directors undertakes a multi-step valuation process each quarter in connection with determining the fair value of private investments:

- The quarterly valuation process begins with each investment being initially valued by the Valuation Officer of the Adviser. As part of this process, materials are prepared containing the supporting analysis, which are reviewed by the investment professionals of the Adviser;
- The Investment Committee of the Adviser reviews the preliminary valuations, and the Valuation Officer of the Adviser considers and assesses, as appropriate, any changes that may be required to the preliminary valuations to address any comments provided by the Investment Committee of the Adviser;
- An independent valuation firm engaged by the Board of Directors to provide third-party valuation consulting services performs certain limited procedures that the Board of Directors has identified and asked it to perform on a selection of these preliminary valuations as determined by the Board of Directors. For the year ended November 30, 2008, the independent valuation firm performed limited procedures on seven portfolio companies comprising approximately 84 percent of the total restricted investments at fair value as of November 30, 2008. Upon completion of the limited procedures, the independent valuation firm concluded that the fair value of the investments subjected to the limited procedures did not appear to be unreasonable;

- 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, 2008 and 2007, the Company received no fee income, and the Company received $225,000 in fee income for the period December 8, 2005 through November 30, 2006.

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

For the period from December 1, 2006 through November 30, 2007, the Company estimated the allocation of investment income and return of capital for the distributions received from its portfolio companies within the Statement of Operations. For this period, the Company had estimated these distributions to be approximately 27 percent investment income and 73 percent return of capital.

Subsequent to November 30, 2007, the Company reclassified the amount of investment income and return of capital it recognized based on the 2007 tax reporting information received from the individual portfolio companies. This reclassification amounted to a decrease in pre-tax net investment income and a corresponding increase in unrealized appreciation of investments of approximately $1,273,000 or $0.142 per share ($805,000 or $0.090 per share, net of deferred tax) for the year ended November 30, 2008.

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. The Company may not declare or pay distributions to its common stockholders if it does not meet asset coverage ratios required under the 1940 Act. The character of distributions made during the year may differ from their ultimate characterization for federal income tax purposes. For the year ended November 30, 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.

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

The Company invests its assets primarily in limited partnerships or limited liability companies which are treated as partnerships for federal and state income tax purposes. As a limited partner, the Company reports its allocable share of taxable income in computing its own taxable income. The Companys 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.

On December 1, 2007, the Company adopted the provisions of the Financial Accounting Standards Board Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*. FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. For additional information regarding adoption of FIN 48, see Note 5Income Taxes.

G. *Organization Expenses and Offering Costs* The Company is responsible for paying all organization and offering expenses. Offering costs related to the issuance of common stock are charged to additional paid-in capital when the stock is issued. Offering costs paid by the Company related to a resale registration statement covering securities issued in private placements prior to the Companys initial public offering amounting to $90,292 were charged as a reduction of paid-in capital and $28,454 were capitalized and amortized over a one-year period following July 26, 2007, the effective date of the registration statement.

H. *Indemnifications* Under the Companys 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 Companys maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Company that have not yet occurred, and may not occur. However, the Company has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

3. Concentration of Risk

The Companys goal is to provide stockholders with a high level of total return with an emphasis on distributions and distribution growth. The Company invests primarily in privately-held and micro-cap public companies focused on the midstream and downstream segments, and to a lesser extent the upstream segment, of the U.S. energy infrastructure sector. The Company may, for defensive purposes, temporarily invest all or a significant portion of its assets in investment grade securities, short-term debt securities and cash or cash equivalents. To the extent the Company uses this strategy it may not achieve its investment objective.

4. Agreements

The Company has entered into an Investment Advisory Agreement with Tortoise Capital Advisors, L.L.C. Under the terms of the 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 Companys 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.

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 Companys 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 Companys 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 Companys 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, 2008 and 2007, and the period from December 8, 2005 through November 30, 2006, 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 Companys 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 gains 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 gains fee calculation shall be undertaken as of, and any resulting capital gains 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 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 (GAAP) 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 gains 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 Companys 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, 2008 and 2007, the Company decreased the capital gain incentive fee payable by $307,611 and increased the capital gain incentive fee payable by $307,611, respectively, as a result of the increase or decrease in the fair value of investments and realized gains from investments during the period. No capital gain fees were accrued for the period from December 8, 2005 through November 30, 2006. 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 were paid at November 30, 2008, 2007, or 2006.

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 will reimburse 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 Companys average monthly Managed Assets. On November 11, 2008, the Company entered into an Expense Reimbursement Agreement with the Adviser, for which the Adviser will reimburse 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 Companys average monthly Managed Assets. During the years ended November 30, 2008 and November 30, 2007, the Adviser reimbursed the Company $385,622 and $94,181, respectively.

The Company has engaged U.S. Bancorp Fund Services, LLC to serve 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 and 0.0075 percent on the balance of the Company's Net Assets.

The Adviser has been engaged 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, 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 0.015 percent on the first $200,000,000 of the Company's portfolio assets and 0.01 percent on the balance of the Company's portfolio assets, subject to a minimum annual fee of $4,800.

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, 2008, and November 30, 2007 are as follows:

	November 30, 2008	November 30, 2007
Deferred tax assets:		
Organization costs	$ (26,160)	$ (29,280)
Capital gain incentive fees	-	(116,892)
Net unrealized loss on investment securities	(11,287,920)	-
Net operating loss carry forwards	(3,319,098)	(1,397,684)
Valuation allowance	2,814,891	-
	(11,818,287)	(1,543,856)
Deferred tax liabilities:		
Net unrealized gains on investment securities	-	4,138,485
Basis reduction of investment in MLPs	6,134,540	1,588,290
	6,134,540	5,726,775
Total net deferred tax (asset) liability	$ (5,683,747)	$ 4,182,919

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At November 30, 2008, the Company has recorded a valuation allowance in the amount of $2,814,891 for a portion of its deferred tax asset which it does not believe will, more likely than not, be realized. The entire amount of such allowance was established in the year ended November 30, 2008. 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 those estimates will be made in the period such determination is made.

The Company has analyzed the tax positions taken and has concluded that it has no uncertain tax positions as described in FIN 48. All of the Company's tax years remain open and subject to examination for both federal and state purposes. The Company's policy is to record interest and penalties on uncertain tax positions, if any, as part of tax expense. Management has determined a reserve for unrecognized tax benefits is not necessary when the temporary differences represent future deductible amounts rather than future taxable amounts. The Company does not expect any amount of unrecognized tax benefits to be recorded over the next twelve months subsequent to November 30, 2008.

Total income tax expense or 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:

	Year Ended November 30, 2008	Year Ended November 30, 2007	For the period December 8, 2005 through November 30, 2006
Application of statutory income tax rate	$ (11,638,206)	$ 2,997,124	$ 493,713
State income taxes, net of federal taxes	(951,595)	354,031	58,084
Preferred dividends	-	86,925	-
Loss on redemption of preferred stock	-	278,051	-
Change in prior year tax expense	1,842	(45,035)	-
Change in accrual for state income taxes	(86,717)	-	-
Change in deferred tax valuation allowance	2,814,891	-	(35,742)
Total income tax expense (benefit)	$ (9,859,785)	$ 3,671,096	$ 516,055

The provision for income taxes is computed by applying the federal statutory rate plus a blended state income tax rate. During the year ended November 30, 2008, the Company re-evaluated its overall federal and state income tax rate, decreasing it from 38.00 percent to 36.78 percent primarily due to a change in accrual for state income taxes. The decrease in tax rate resulted in an $86,717 increase to deferred tax benefit.

The components of income tax include the following for the periods presented:

	Year Ended November 30, 2008	Year Ended November 30, 2007	For the period December 8, 2005 through November 30, 2006
Current tax expense (benefit)			
Federal	$ 6,361	$ (240,141)	$ 237,909
State	520	(21,526)	27,990
Total current expense (benefit)	$ 6,881	$ (261,667)	$ 265,899
Deferred tax expense (benefit)			
Federal	$ (9,120,898)	$ 3,557,206	$ 220,062
State	(745,768)	375,557	30,094
Total deferred expense (benefit)	$ (9,866,666)	$ 3,932,763	$ 250,156
Total tax expense (benefit)	$ (9,859,785)	$ 3,671,096	$ 516,055

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The deferred income tax benefit of $9,866,666 for the year ended November 30, 2008 is net of the change in deferred tax asset valuation allowance of $2,814,891. As of November 30, 2008, the Company had a net operating loss for federal income tax purposes of approximately $9,175,000. 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 and $5,264,000 in the years 2027 and 2028 respectively. As of November 30, 2008, there was available an alternative minimum tax credit of

$3,109, 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, 2008	November 30, 2007
Aggregate cost for federal income tax purposes	$ 120,148,896	$ 143,565,879
Gross unrealized appreciation	4,302,974	16,215,879
Gross unrealized depreciation	(18,300,640)	(1,145,425)
Net unrealized (depreciation) appreciation	$ (13,997,666)	$ 15,070,454

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)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following table provides the fair value measurements of applicable Company assets and liabilities by level within the fair value hierarchy as of November 30, 2008. These assets are measured on a recurring basis.

		Fair Value Measurements at Reporting Date Using		
Description	Fair Value at November 30, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	$106,151,230	$ 10,834,767	$ 9,588,124	$ 85,728,339

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) for Investments Year Ended November 30, 2008
Fair value beginning balance	$ 131,513,004
Total unrealized gains (losses) included in net increase (decrease) in net assets applicable to common stockholders	(9,006,873)
Net purchases, issuances and settlements	(30,878,067)
Return of capital adjustments impacting cost basis of security	(5,899,725)
Transfers in (out) of Level 3	-

Fair value ending balance	$ 85,728,339
The amount of total gains or losses for the period included in net increase (decrease) in net assets applicable to common stockholders attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	(17,592,003)

Upon adoption of FAS 157, the Company utilized an end of reporting period method for determining transfers into or out of Level 3 for quarterly reporting purposes through August 31, 2008. Under this method, the fair value of the asset (or liability, as applicable) at the end of the period was disclosed as a transfer in/out of Level 3, gains/losses for an asset that transferred into Level 3 during the period were excluded from the reconciliation, and gains/losses for an asset that transferred out of Level 3 were included in the reconciliation. The Company has determined that the beginning of reporting period method provides greater transparency of the effect that unobservable inputs have on fair value measures, and accordingly, this method is the basis for presenting the rollforward above. Under this method, the fair value of the asset at the beginning of the period will be disclosed as a transfer into or out of Level 3, gains/losses for an asset that transfers into Level 3 during the period will be included in the reconciliation, and gains/losses for an asset that transfers out of Level 3 will be excluded from the reconciliation.

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 tables below show the equity interest, number of units or principal amount, the acquisition date(s), acquisition cost (excluding return of capital adjustments), fair value per unit of such securities and fair value as percent of net assets applicable to common stockholders as of November 30, 2008 and November 30, 2007.

November 30, 2008 Investment Security		**Equity Interest, Units or Principal Amount**	**Acquisition Date(s)**	**Acquisition Cost**	**Fair Value Per Unit**	**Fair Value as Percent of Net Assets**
Abraxas Energy Partners, L.P.	Common Units	450,181	5/25/07	$ 7,500,015	$ 9.00	4.5%
Eagle Rock Energy Partners, L.P.	Unregistered Common Units	373,224	10/1/08	5,044,980	7.76	3.3
Eagle Rock Energy Partners, L.P. (1)	Unregistered Common Units	212,404	10/1/08	2,920,555	7.29	1.7
High Sierra Energy, LP (2)	Common Units	1,042,685	11/2/06-11/15/08	24,828,836	18.75	21.9
High Sierra Energy GP, LLC (2)	Equity Interest	2.37%	11/2/06-5/1/07	2,015,969	N/A	2.1
International Resource Partners LP	Class A Units	500,000	6/12/07	10,000,000	19.00	10.6
LONESTAR Midstream Partners, LP (3)	Class A Units	1,327,900	7/27/07-4/2/08	4,444,986	3.01	4.5
LSMP GP, LP (3)	GP LP Units	180	7/27/07-4/2/08	168,514	2,777.78	0.6
Mowood, LLC	Equity Interest	99.6%	6/5/06-8/4/08	5,000,000	N/A	6.4
	Subordinated Debt	$ 7,050,000	6/5/06-6/29/07	7,050,000	N/A	7.9

	Promissory Notes	$ 1,235,000	9/26/08-11/26/08	1,235,000	N/A	1.4
Penn Virginia Resource Partners, L.P.	Unregistered Common Units	468,001	7/24/08	10,786,113	12.88	6.8
Penn Virginia GP Holdings, L.P.	Unregistered Common Units	59,503	7/24/08	1,680,746	11.16	0.7
Quest Midstream Partners, L.P.	Common Units	1,180,946	12/22/06-11/1/07	22,200,001	12.25	16.2
VantaCore Partners LP	Common Units	933,430	5/21/07-8/4/08	18,270,449	17.00	17.8
	Incentive Distribution Rights	988	5/21/07-8/4/08	143,936	324.78	0.4
				$ 123,290,100		106.8%

(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 terminates April 1, 2010. See Note 9Investment Transactions for additional information.

(2) Distributions have been paid in cash historically; however, distributions were paid in additional High Sierra Energy, LP common units during the quarters ended August 31, 2008 and November 30, 2008.

(3) See Note 9Investment Transactions for additional information.

The carrying value per unit of unrestricted common units of Penn Virginia Resource Partners, L.P. was $23.76 on July 24, 2008 and the carrying value per unit of unrestricted common units of Penn Virginia GP Holdings, L.P. was $29.12 on July 24, 2008, the date the Company received the respective restricted common units in a distribution from LONESTAR Midstream Partners, LP and LSMP GP, LP.

The carrying value per unit of unrestricted common units of Eagle Rock Energy Partners, L.P. was $10.64 on October 1, 2008, the date the Company received the respective restricted common units from the sale of Millennium Midstream Partners, LP.

November 30, 2007

Investment	Security	Equity Interest, Units or Principal Amount	Acquisition Date(s)	Acquisition Cost	Fair Value Per Unit	Fair Value as Percent of Net Assets
Abraxas Energy Partners, L.P.	Common Units	450,181	5/25/07	$ 7,500,015	$ 16.36	6.0%
EV Energy Partners, L.P.	Common Units	217,391	6/1/07	7,499,990	33.84	6.0
High Sierra Energy, LP	Common Units	999,614	11/2/06-6/15/07	24,828,836	27.29	22.4
High Sierra Energy GP, LLC	Equity Interest	2.37%	11/2/06-5/1/07	2,005,491	N/A	2.3
International Resource Partners LP	Class A Units	500,000	6/12/07	10,000,000	18.10	7.4
LONESTAR Midstream Partners, LP	Class A Units	1,184,532	7/27/07-9/17/07	23,395,520	19.77	19.1
LSMP GP, LP	GP LP Units	180	7/27/07-9/17/07	549,142	3,806.22	0.6
Millennium Midstream Partners, LP	Class A Common Units	875,000	12/28/06	17,455,647	17.66	12.7

	Incentive Distribution Rights	78	12/28/06	44,353	3,611.47	0.2
Mowood, LLC	Equity Interest	100%	6/5/06-5/4/07	1,500,000	N/A	2.3
	Subordinated Debt	$ 7,050,000	6/5/06-6/29/07	7,050,000	N/A	5.8
Quest Midstream Partners, L.P.	Common Units	1,180,946	12/22/06-11/1/07	22,200,001	18.50	18.0
VantaCore Partners LP	Common Units	425,000	5/21/07	8,447,604	22.25	7.8
	Incentive Distribution Rights	789	5/21/07	52,396	276.81	0.2
	Subordinated Debt	$ 3,750,000	5/21/07	3,750,000	N/A	3.1
				$ 136,278,995		113.9%

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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, 2008 amounted to $78,230,205, representing 87.7 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, 2007 amounted to $121,300,179, representing 99.5 percent of net assets applicable to common stockholders. A summary of affiliated transactions for each company which is or was an affiliate or controlled entity at November 30, 2008 or during the year then ended and at November 30, 2007 or during the year then ended is as follows:

November 30, 2008	Units/ Equity Interest/ Principal Balance 11/30/07	Gross Additions	Gross Reductions	Realized Gain/(Loss)	Gross Distributions or Interest Received	Units/ Equity Interest/ Principal Balance 11/30/08	Fai[r] 11/
High Sierra Energy, LP (1)	999,614	$ -	$ -	$ -	$ 1,219,529	1,042,685	$ 19,
International Resource Partners LP	500,000	-	-	-	800,000	500,000	9,
LONESTAR Midstream Partners, LP (2)	1,184,532	1,477,140	21,531,919	1,104,244	-	1,327,900	4,
LSMP GP, LP (2)	180	22,860	1,411,450	1,007,962	-	180	
Millennium Midstream Partners, LP Class A Common Units	875,000	-	21,652,616	6,491,491	1,207,500	-	
Millennium Midstream Partners, LP Incentive Distribution Rights	78	-	-	-	-	-	
Mowood, LLC Subordinated Debt	$ 7,050,000	-	-	-	796,141	$ 7,050,000	7,
Mowood, LLC Promissory Notes	-	1,235,000	-	-	-	$ 1,235,000	1,
Mowood, LLC Equity Interest	100%	3,500,000	-	-	472,501	99.6%	5,

Quest Midstream Partners, L.P. (3)	1,180,946	-	-	-	1,472,053	1,180,946	14,
VantaCore Partners LP Subordinated Debt	$3,750,000	-	3,862,500	112,500	306,918	-	
VantaCore Partners LP Common Units	425,000	9,822,845	-	-	1,104,215	933,430	15,
VantaCore Partners LP Incentive Distribution Rights	789	91,540	-	-	-	988	
		$16,149,385	$46,458,485	$8,716,197	$7,378,857		$78,

(1) Distributions have been paid in cash historically; however, distributions were paid in additional High Sierra Energy, LP common units during the quarters ended August 31, 2008 and November 30, 2008.

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

(3) Currently non-income producing. The Board of Directors of Quest Midstream GP, LLC determined that no distribution would be paid on the units of Quest Midstream Partners, LP during the quarter ended November 30, 2008.

November 30, 2007	**Units/ Equity Interest/ Principal Balance 11/30/06**	**Gross Additions**	**Gross Reductions**	**Gross Distributions or Interest Received**	**Units/ Equity Interest/ Principal Balance 11/30/07**	**Fair Value 11/30/07**
High Sierra Energy, LP	633,179	$10,000,011	$ -	$ 1,642,056	999,614	$ 27,279,466
International Resource Partners LP	-	10,000,000	-	266,667	500,000	9,048,521
LONESTAR Midstream Partners, LP	-	23,395,520	-	-	1,184,532	23,418,198
LSMP GP, LP	-	549,142	-	-	180	679,482
Millennium Midstream Partners, LP Class A Common Units	-	17,481,430	-	1,131,375	875,000	15,452,412
Millennium Midstream Partners, LP Incentive Distribution Rights	-	18,570	-	-	78	281,695
Mowood, LLC Subordinated Debt	$4,550,000	2,500,000	-	-	$7,050,000	7,050,000
Mowood, LLC Equity Interest	100%	500,000	-	96,895	100%	2,816,148
Quest Midstream Partners, L.P.	-	22,200,001	-	1,205,384	1,180,946	21,847,501
VantaCore Partners LP Subordinated Debt	-	3,750,000	-	-	$3,750,000	3,750,000
VantaCore Partners LP Common Units	-	8,500,000	-	292,825	425,000	9,458,350
VantaCore Partners LP Incentive Distribution Rights	-	-	-	-	789	218,406

$98,894,674	$ -	$ 4,635,202		$121,300,179

9. Investment Transactions

For the year ended November 30, 2008, the Company purchased (at cost) securities in the amount of $36,592,256 and sold securities (at proceeds) in the amount of $48,568,485 (excluding short-term debt securities). For the year ended November 30, 2007, the Company purchased (at cost) securities in the amount of $116,235,335 and sold securities (at proceeds) in the amount of $640,656 (excluding short-term debt securities). For the period from December 8, 2005 through November 30, 2006, the Company purchased (at cost) and sold securities (at proceeds) in the amount of $42,065,001 and $1,440,143 (excluding short-term debt securities), respectively.

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. On July 24, 2008, 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).

The Company expects to receive a future distribution of 74,609 newly issued unregistered common units of PVR and 9,487 unregistered common units of PVG units from units held in escrow to be released to LONESTAR six to twelve months from the closing date of the transaction (along with cash distributions received on the escrow units retained by the escrow agent). Additionally, the Company anticipates receiving a future cash distribution from LONESTAR of approximately $1,038,090 payable on December 31, 2009 and there are two future contingent payments due LONESTAR for which the Company□s expected portion would total approximately $9,638,829, payable in cash or common units of PVR (at PVR□s election). The contingent payments 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.

On July 24, 2008, the Company recorded the cash and the unregistered PVR and PVG common units it received at a cost basis equal to the fair value on the date of receipt less a discount for illiquidity. The Company reduced its basis in LONESTAR by $20,427,674, approximately 82 percent of the respective relative value of the entire transaction, resulting in a realized gain of $1,104,244. The Company also reduced its basis in LSMP GP, LP by $403,488, approximately 71 percent of the respective relative value of the entire transaction, resulting in a realized gain of $1,007,962. These realized gains are considered in the calculation of the accrued capital gain incentive fees as described in Note 4; however, these realized gains will not be deemed a realization event for purposes of payment of the capital gain incentive fee until such time as the LONESTAR and LSMP GP, LP units are disposed or sold.

The fair value of the LONESTAR and LSMP GP, LP units as of November 30, 2008 is based on unobservable inputs related to the potential receipt of future payments relative to the sales transaction as described above.

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, approximately 212,404 units with an aggregate cost basis of $2,920,555 will be held in escrow for 18 months from the date of the transaction. This includes a reserve the Company has placed against the restricted cash and units held in the escrow for estimated post-closing adjustments. The Company originally invested $17,500,000 in Millennium (including common units and incentive distribution rights), and had an adjusted cost basis of $15,161,125 (after reducing its basis for cash distributions received since investment that were treated as return of capital), resulting in a realized gain for book purposes of $6,491,491. For purposes of the capital gain incentive fee, the realized gain is approximately $4,152,616, 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.

10. Credit Facility

On April 25, 2007, the Company entered into a committed credit facility with U.S. Bank, N.A. as a lender, agent and lead arranger, and Bank of Oklahoma, N.A. providing for a revolving credit facility of up to $20,000,000. The credit facility is secured with substantially all of the Company's assets. On July 18, 2007, the maximum principal amount of the revolving credit facility was increased to $35,000,000. On September 28, 2007, the maximum principal amount was increased to $40,000,000 and the facility was amended to include First National Bank of Kansas as a lender. On March 21, 2008, the Company secured an extension to its revolving credit facility and on March 28, 2008, amended the credit agreement to exclude Bank of Oklahoma and include Wells Fargo as a lender, and to increase the total credit facility to $50,000,000. The credit facility matures on March 20, 2009. The revolving credit facility has a variable annual interest rate equal to the one-month LIBOR plus 1.75 percent, 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 contains a covenant precluding the Company from incurring additional debt.

Under the terms of the credit facility, the Company must maintain asset coverage required under the 1940 Act. If the Company fails to maintain the required coverage, it may be required to repay a portion of an outstanding balance until the coverage requirement has been met. As of November 30, 2008, the Company was in compliance with the terms of the credit facility.

For the year ended November 30, 2008, the average principal balance and interest rate for the period during which the credit facility was utilized were $32,033,333 and 4.76 percent, respectively. As of November 30, 2008, the principal balance outstanding was $22,200,000 at a rate of 3.65 percent.

11. Preferred Stock

On December 22, 2006, the Company issued 466,666 shares of Series A Redeemable Preferred Stock and 70,000 warrants to purchase common stock at $15.00 per share. On December 26, 2006, the Company issued an additional 766,667 shares of Series A Redeemable Preferred Stock and 115,000 warrants at $15.00 per share. Holders of Series A Redeemable Preferred Stock received cash distributions (as declared by the Board of Directors and from funds legally available for distribution) at the annual rate of 10 percent of the original issue price. On February 7, 2007, the Company redeemed all of the preferred stock at $15.00 per share plus a 2 percent redemption premium, for a total redemption price of $18,870,000. After attributing $283,050 in value to the warrants, the redemption premium of $370,000 and $78,663 in issuance costs, the Company recognized a loss on redemption of the preferred stock of $731,713. In addition, distributions in the amount of $228,750 were paid to the preferred stockholders.

12. Common Stock

The Company has 100,000,000 shares authorized and 8,962,147 shares outstanding at November 30, 2008. Transactions in common stock for the period from December 8, 2005 through November 30, 2006 and the years ended November 30, 2007 and 2008 were as follows:

Shares at December 8, 2005	3,088,596
Shares at November 30, 2006	3,088,596
Shares sold through initial public offering	5,740,000
Shares issued through reinvestment of distributions	18,222
Shares issued upon exercise of warrants	11,350
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

13. Warrants

At November 30, 2008, there were 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 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. Transactions in warrants for the period from December 8, 2005 through November 30, 2006 and the years ended November 30, 2007 and 2008 were as follows:

Warrants outstanding at December 8, 2005	772,124
Warrants outstanding at November 30, 2006	772,124
Warrants issued in December 2006	185,000
Warrants exercised	(11,350)
Warrants outstanding at November 30, 2007	945,774
Warrants exercised	(180)
Warrants outstanding at November 30, 2008	945,594

14. Earnings Per Share

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

	Year Ended November 30, 2008	**Year Ended November 30, 2007**	**Period from December 8, 2005 through November 30, 2006**
Net increase (decrease) in net assets applicable to common stockholders resulting from operations	$ (24,370,233)	$ 5,143,976	$ 936,039
Basic weighted average shares	8,887,085	7,751,591	3,088,596
Average warrants outstanding [1]	-	-	-
Diluted weighted average shares	8,887,085	7,751,591	3,088,596
Basic and diluted net increase (decrease) in net assets applicable to common stockholders resulting from operations per common share	$ (2.74)	$ 0.66	$ 0.30

(1) Warrants to purchase shares of common stock at $15.00 per share were outstanding during the years ended November 30, 2008 and 2007, 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.

15. Quarterly Financial Data (Unaudited)

Summarized unaudited quarterly financial data:

	February 28, 2007	**May 31, 2007**	**August 31, 2007**	**November 30, 2007**	**February 29, 2008**	**May 31 2008**

Investment income	$ 391,635	$ 545,856	$ 802,674	$ 1,294,779	$ 1,105,680	$ 746,1
Base management fees	380,067	468,012	512,894	565,086	585,253	589,9
Capital gain incentive fees (1)	487,627	1,008,867	(170,648)	(1,018,235)	(279,665)	1,367,1
All other expenses (2)	1,233,225	207,967	523,335	938,034	748,185	698,1
Expense reimbursement by Adviser	-	-	-	(94,181)	(91,647)	(104,2
Net expenses	$ 2,100,919	$ 1,684,846	$ 865,581	$ 390,704	$ 962,126	$ 2,551,0
Current and deferred tax benefit (expense), net	(795,916)	(2,128,190)	469,929	(1,216,919)	1,255,578	(3,663,2
Net realized gain (loss) on investments before current tax benefit	-	13,712	-	246,578	-	
Unrealized gain (loss) on investments before deferred tax expense	2,921,990	6,725,778	(1,137,647)	2,051,767	(3,447,707)	11,445,0
Increase (decrease) in net assets resulting from operations	$ 416,790	$ 3,472,310	$ (730,625)	$ 1,985,501	$ (2,048,575)	$ 5,976,8
Basic per share increase (decrease) in net assets resulting from operations	$ 0.09	$ 0.39	$ (0.08)	$ 0.26	$ (0.23)	$ 0.

(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.*

(2) *The fiscal quarter ended February 28, 2007 includes $765,059 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 was utilized as bridge financing to fund portfolio investments and was fully redeemed upon completion of the initial public offering.*

Company Officers and Directors *(Unaudited)*
November 30, 2008

Name and Year of Birth*	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]
Independent Directors			
Conrad S. Ciccotello (Born 1960)	Director since 2005	Tenured Associate Professor of Risk Management and Insurance, Robinson College of Business, Georgia State	6

		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.	
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).	6
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.	6

(1) *This number includes Tortoise North American Energy Corporation (TYN), Tortoise Energy Infrastructure Corporation (TYG), Tortoise Energy Capital Corporation (TYY), two private companies and the Company. Our Adviser also serves as the investment adviser to TYN, TYG, TYY and two private investment companies.*

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

Company Officers and Directors *(Unaudited)*
November 30, 2008 *(Continued)*

Name and Year of Birth*	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]
Interested Directors and Officers[2]			

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-present); Vice President, Corporate Finance Department, Drexel Burnham Lambert (1986-1989); formerly, Vice President, F. Martin Koenig & Co., an investment management firm (1983-1986); CFA designation since 1988.	6
Terry Matlack (Born 1956)	Director and Chief Financial Officer since 2005; 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); CFA designation since 1985.	6
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); CFA designation since 1992.	N/A
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); CFA designation since 1998.	N/A
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); CFA designation since 1996.	N/A
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

(1) *This number includes the Company, TYN, TYG, TYY and two private companies. Our Adviser also serves as the investment adviser to TYN, TYG, TYY and two private investment companies.*

(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 or any of its officers. For the year ended November 30, 2008, the aggregate compensation paid by the Company to the independent directors was $84,000. 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 Companys Chief Executive Officer submitted to the New York Stock Exchange in 2008 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 Companys Web site at www.tortoiseadvisors.com/tto.cfm; and (ii) on the SECs Web site at www.sec.gov.

Privacy Principles

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 them. 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 stockholders 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 stockholders 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 NYSE 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 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.

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 (312) 588-4990, or by visiting their Web site at www.computershare.com.

Board Approval of the Investment Advisory Agreement

The Board of Directors, including all of the independent Directors, most recently reviewed and approved the renewal of the Investment Advisory Agreement on November 10, 2008.

In approving the renewal of the Investment Advisory Agreement, the independent Directors of the Company 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 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 fund and the specialized expertise of the Adviser in the niche market of MLPs made it uniquely qualified to serve as the adviser. 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 have 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 independent Directors noted that the fee charged to the Company, including the base management fee (1.5 percent of the Company□s Managed Assets), and the incentive fee, is below the average of the fees charged in comparable closed-end MLP funds. The independent Directors also considered the Adviser□s contractual agreement to reimburse certain expenses incurred by the Company for the period beginning January 1, 2009 and ending December 31, 2009. The independent Directors concluded that the fees and expenses that the Company is paying under the Advisory Agreement are reasonable given the quality of services provided under the 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 shareholders additional content and services.

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 shareholder information to generate profits in other lines of business, and therefore does not derive any significant collateral benefits from them. 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.

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 the receipt of research in return for commissions.

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 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 Administration Agreement

The administration agreement was originally approved by the Company's Board of Directors on November 13, 2006. The administration agreement provides that unless terminated earlier the agreement will continue in effect until December 31, 2007, 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. The Company's Board of Directors, including all of the independent Directors, most recently reviewed and approved the continuation of the administration agreement on November 10, 2008.

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 10, 2008.

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

February 12, 2009

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, herby 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 February 12, 2009.

Signature	Capacity
/s/Terry C. Matlack	Chief Financial Officer and Director (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