Tortoise Capital Resources Corp.
2012 Second Quarter Conference Call
July 5, 2012
Prepared Remarks

Operator: Good afternoon ladies and gentlemen and thank you for standing by. Welcome to the Tortoise Capital Resources 2012 second quarter earnings conference call. At this time, all participants are in listen-only mode. Following the formal presentation, instructions will be given for the question and answer session. Should anyone require assistance on the call today please press the star followed by the zero. As a reminder this call is being recorded. At this time I would like to turn the conference over to our host, Ms. Rachel Stroer, Investor Relations for Corridor InfraTrust Management. Ms. Stroer, you may now begin the call.

Rachel Stroer: Thank you and welcome to the 2012 second quarter earnings call for Tortoise Capital Resources Corp. I'm joined today by David Schulte, CEO and President and Becky Sandring, Treasurer and Chief Accounting Officer. An audio replay of our conference call and information included in our press release issued today are available at www.tortoiseadvisors.com.

We would like to remind you that statements made during the course of this presentation that are not purely historical may be forward-looking statements regarding TTO's or management's intentions, estimates, projections, assumptions, beliefs, expectations and strategies for the future. All such forward-looking statements are intended to be subject to the safe harbor protection available under applicable securities law. Because such statements deal with future events, they are subject to various risks and uncertainties and actual outcomes and results might differ materially from those projected in the forward-looking statements.

Important factors that could cause actual results to differ materially from those in the forward looking statements are discussed in our filings with the SEC including the Annual Report on Form 10-K. These documents can be accessed through the investor relations section of our website. We do not update our forward-looking statements.

I'll now turn the call over to David Schulte, who is a founder and Managing Director of Tortoise Capital Advisors. He has been Chief Executive Officer of TTO since its inception. He is also a Managing Director of Corridor InfraTrust Management.

David Schulte:

Thank you for joining our call today. As a reminder, Tortoise Capital Resources Corp. (TTO) is transitioning from a business development company – or BDC -- managed by Tortoise, to a Real Estate Investment Trust (or REIT) managed by Corridor InfraTrrust Management. Corridor is an infrastructure asset financing company, owned by the Corridor management team, Tortoise Capital Advisors and Montage Investments. I remain a Managing Director at Tortoise, and am also working with the Corridor team including Rick Green, David Haley, and Becky Sandring, who will be on this and future calls with me. Corridor's mandate is to originate REIT-qualifying energy infrastructure investments for TTO. The REIT structure offers investors transparency to the cash flow of the underlying assets, tax efficiency, and is suitable for investors who dislike the K-1's that come along with owningpartnerships.

We have confirmed our guidance that our existing investment portfolio should allow us to continue to pay not less than $0.44 annualized, from economic earnings, characterized for tax purposes in 2012 as return of capital and qualified dividend income. We will target acquisitions of new assets during the remainder of 2012 on terms that enhance our distribution stability and provide visibility of modest distribution growth of 2-4% over the long run, with a total return expectation of high single or low double digit range on each investment. We believe this return profile is consistent with expectations of infrastructure investors, and competitive with other REITs and utilities, broadly.

Market Commentary

Technological developments have enabled access to vast amounts of unconventional crude oil and natural gas resources and exploration and production companies – often referred to as E&P companies -- need capital to build out transportation and storage facilities to support the increase in production. Examples are crude oil terminals in the Bakken Shale, and storage facilities for excess production of both gas and liquids. Softening oil and gas prices are also putting E&P companies in a position where they need to raise capital from external sources to support drilling and production efforts. Long-term lease financing for non-core infrastructure assets preserves equity capital for higher return projects for these companies.

Tortoise estimates that global energy companies invested more than $23 billion in 2011 and an additional $42 billion will be invested through 2014 on major pipeline infrastructure projects. These are generally identified and committed projects, with long-term contracts in place. Much of this capital will be expended by Master Limited Partnerships (MLPs), pipeline operating companies, and upstream energy production companies.

We believe that TTO can fill a role in the capital formation activities of growing energy companies, while providing our stockholders with an attractive risk adjusted return appropriate to the infrastructure asset class. Over time, we expect to diversify our holdings across geographies, management teams and types of assets.

Private Portfolio Update

We are also pleased to report that another aspect of our strategy has worked as planned. Our private equity team, led by Ed Russell, invested approximately $26.8 million in High Sierra in 2006 and 2007. This was our largest single investment. Allowing our current investors to retain the upside associated with the legacy private portfolio was a critical part of our strategy for TTO. We are pleased to report that based on the last NGL closing price and excluding any discount for restrictions on trading, in aggregate, TTO expects to receive a pretax value of approximately $38.8 million. When you factor in distributions received during our ownership of High Sierra, and giving no effect to continued benefit of holding NGL Energy Partners, our return would be well within our target range. This result accrued solely to the economic benefit of investors in our private equity platform. Our thanks to Ed and his team of Abel Mojica, Dave Henrickson, Jeff Fulmer and Lisa Marquard for this tremendous outcome.

The fair value of VantaCore increased approximately $669,000 or 7% from February 29, 2012. The increase is attributable to VantaCore's improved performance, driven by cost cutting initiatives and the price increases that have gone into effect**.** VantaCore also completed its acquisition of Laurel Aggregates, LLC. Laurel is a leading regional producer of limestone aggregate products serving the energy and construction industries in southwestern Pennsylvania, northern West Virginia, and eastern Ohio. The acquisition more than doubles VantaCore's volume, and provides future growth potential as regional energy companies continue to build out in the Marcellus. VantaCore was unable to meet its minimum quarterly distribution of $0.475 per unit for the quarter, however TTO received 17,421 preferred units and $0.23 in cash per common and preferred unit.

The fair value of Lightfoot decreased approximately $862,000 or 9.1% from the valuation at February 29, 2012. The decrease was driven by Lightfoot's reduced forecast for 2012. The company has experienced delays in the build out of their Blakely Terminal, however we believe the long-term outlook for the business is still intact. Lightfoot paid a quarterly distribution of $0.21 per unit, equal to the amount received in the previous quarter. As a reminder, this is just over half of the full run rate distribution we expect to receive on our investment beginning next year.

I will now turn the call over to Becky Sandring, Treasurer and Chief Accounting Officer of TTO for a discussion of TTO's financial results. Becky?

Becky: Thanks Dave.

Administrative Review

We want to thank our shareholders for voting their proxies this year. We had an important matter that required a majority of positive votes, which was attained and is a testament to the support our shareholders have for the new strategy. Upon the qualification and election of REIT status, this proposal will protect TTO by ensuring that concentrations of ownership will not disqualify TTO from maintaining REIT tax status.

REIT qualification can be attained through satisfaction of two primary tests that are measured on a calendar year. 75% of our total assets must be real property (such as pipelines) and 75% of our income must come from passive sources (such as lease payments). Our private and public securities do not satisfy either test, so we did not meet the required REIT threshold tests for 2012 tax qualification. If we are successful in our asset acquisition plan, we expect to meet the REIT tests throughout 2013 and apply for REIT tax status in the beginning of 2014.

Financial Summary

This morning we filed our 10Q and issued a press release highlighting important financial information. The 10-Q reports TTO's second quarter 2012 financial results. Comparable prior year financial statements presented in the 10-Q, should be read in conjunction with the Management's Discussion & Analysis, where supplemental information is provided on Mowood's performance. Items on the consolidated statement of income for the period ended May 31, 2011 have been reclassified and aggregated to conform to the presentation of results of operations for the period ended May 31, 2012. There was no impact to net income or earnings per share. Due to our change in strategy, income from investment securities is now reported in other income. Components of cash flows for the period ended May 31, 2011 have also been reclassified and aggregated to conform to the presentation of cash flows for the period ended May 31, 2012.

The book value per share was $10.47 as of May 31, 2012, compared to last quarter's $10.37 per share. The legacy private securities portfolio is still subject to fair value measurement on a quarterly basis. As a reminder, we, along with our independent valuation firm, review all of our private company financial statements as well as other meaningful information in arriving at fair value. The fair value of the investment securities portfolio, excluding short-term investments, at

May 31, 2012, was $78.8 million, $53.3 million comes from private securities and $25.5 million comes from publicly-traded securities. As compared to the Feb 29, 2012 balance, the investment securities portfolio increased $2 million. The increase represents the net effect of a $6 million increase in our private securities and a $4 million reduction in the value of our publicly-traded securities. High Sierra, one of the major holdings in the portfolio, drove most of the increase in equity securities.

During the second quarter of 2012, we earned our dividend. This was accomplished via our investment securities distributions received of $1.24 million, net an operating loss of $126 thousand plus depreciation of $246 thousand. These amounts covered the $1.0 million distribution paid. The operating loss is due to asset acquisition costs incurred in the quarter, which is a normal expense and one we will likely continue to experience as we grow the company. Until we adopt other REIT cash flow metrics, we believe these amounts, which are provided in the 10Q in Management's Discussion and Analysis, are helpful in evaluating, and predicting, whether TTO is capable of earning its distribution.

With that I will now turn the call back to Dave Schulte for final comments

David Schulte: Thank you Becky.

TTO has been supported by the expertise of the Tortoise Capital Advisors team since its inception in 2005. Over the last year we have gradually transitioned the TTO officer positions from Tortoise Capital Advisors (TCA) to Corrridor InfraTrust Management (Corridor). On June 6th 2012 the TTO officer transition was completed when a number of TCA team members resigned and Corridor team members became officers of the Company. The purpose of these changes was to clarify the shift in responsibilities for new asset origination and oversight to Corridor. On behalf of TTO stockholders, I want to offer our sincere thanks to the leadership team of Ed Russell, Terry Matlack and Connie Savage, who were instrumental in forming the Company, and in executing the transition to date. Ed will maintain responsibility for oversight of the remaining private holdings in Vantacore, Lightfoot and Mowood. The portfolio team at TCA will retain responsibilities for the disposition of the investment securities in a timely fashion to support new acquisitions.

That completes our formal presentation. Operator could you now open up the lines for questions?