

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2008

OR

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

For the transition period to

Commission file number: 814-00672

NGP Capital Resources Company
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

20-1371499
(I.R.S. Employer
Identification No.)

1221 McKinney Street, Suite 2975
Houston, Texas
(Address of principal executive offices)

77010
(Zip Code)

(713) 752-0062
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of August 5, 2008, there were 21,628,202 shares of the registrant's common stock outstanding.

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PART I - FINANCIAL INFORMATION**Item 1. Consolidated Financial Statements****NGP CAPITAL RESOURCES COMPANY
CONSOLIDATED BALANCE SHEETS**

	June 30, 2008	December 31, 2007
	(Unaudited)	
Assets		
Investments in portfolio securities at fair value (cost: \$331,601,471 and \$277,947,454, respectively)	\$ 338,074,483	\$ 284,228,573
Investments in corporate notes at fair value (cost: \$11,609,569 and \$11,631,599, respectively)	8,821,600	8,955,500
Investments in commodity derivative instruments at fair value (cost: \$1,546,700 and \$0, respectively)	1,331,854	-
Investments in U.S. Treasury Bills, at amortized cost which approximates fair value	177,958,876	163,925,625
Total investments	<u>526,186,813</u>	<u>457,109,698</u>
Cash and cash equivalents	11,108,533	18,437,115
Accounts receivable	10,308	17,569
Interest receivable	1,383,271	647,839
Prepaid assets	<u>1,070,521</u>	<u>2,020,655</u>
Total assets	<u>\$ 539,759,446</u>	<u>\$ 478,232,876</u>
Liabilities and stockholders' equity (net assets)		
Current liabilities		
Accounts payable	\$ 595,572	\$ 928,761
Management and incentive fees payable	1,838,009	2,032,107
Dividends payable	<u>8,651,281</u>	<u>9,012,671</u>
Total current liabilities	<u>11,084,862</u>	<u>11,973,539</u>
Long-term debt	<u>224,250,000</u>	<u>216,000,000</u>
Total liabilities	<u>235,334,862</u>	<u>227,973,539</u>
Commitments and contingencies (Note 8)		
Stockholders' equity (net assets)		
Common stock, \$.001 par value, 250,000,000 shares authorized; 21,628,202 and 17,500,332 shares issued and outstanding, respectively	21,628	17,500
Paid-in capital in excess of par	307,928,101	245,881,078
Undistributed net investment income (loss)	(7,854,475)	(103,394)
Undistributed net realized capital gain (loss)	859,133	859,133
Net unrealized appreciation (depreciation) of portfolio securities, corporate notes and commodity derivative instruments	<u>3,470,197</u>	<u>3,605,020</u>
Total stockholders' equity (net assets)	<u>304,424,584</u>	<u>250,259,337</u>
Total liabilities and stockholders' equity (net assets)	<u>\$ 539,759,446</u>	<u>\$ 478,232,876</u>
Net asset value per share	<u>\$ 14.08</u>	<u>\$ 14.30</u>

(See accompanying notes to consolidated financial statements)

NGP CAPITAL RESOURCES COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Investment income				
Interest income	\$ 8,152,713	\$ 9,507,862	\$ 17,650,679	\$ 17,929,117
Dividend income	-	93,710	-	93,710
Other income	44,520	142,237	84,890	197,745
Total investment income	<u>8,197,233</u>	<u>9,743,809</u>	<u>17,735,569</u>	<u>18,220,572</u>
Operating expenses				
Management fees	1,838,009	1,585,494	3,638,215	3,150,003
Incentive fees	-	1,054,358	-	1,054,358
Professional fees	224,390	174,987	433,369	328,583
Insurance expense	198,812	132,423	397,629	264,846
Interest expense and fees	1,440,572	1,619,226	3,881,648	3,176,422
State franchise taxes	23,196	34,612	32,712	34,593
Other general and administrative expenses	713,063	631,491	1,451,664	1,283,063
Total operating expenses	<u>4,438,042</u>	<u>5,232,591</u>	<u>9,835,237</u>	<u>9,291,868</u>
Net investment income (loss)	3,759,191	4,511,218	7,900,332	8,928,704
Net realized capital gain (loss) on portfolio securities, corporate notes and commodity derivative instruments	-	6,666,858	-	6,666,858
Net increase (decrease) in unrealized appreciation (depreciation) on portfolio securities, corporate notes and commodity derivative instruments	1,611,339	2,291,165	(134,823)	6,021,150
Net increase (decrease) in stockholders' equity (net assets) resulting from operations	<u>\$ 5,370,530</u>	<u>\$ 13,469,241</u>	<u>\$ 7,765,509</u>	<u>\$ 21,616,712</u>
Net increase (decrease) in stockholders' equity (net assets) resulting from operations per common share	<u>\$ 0.25</u>	<u>\$ 0.78</u>	<u>\$ 0.36</u>	<u>\$ 1.25</u>

(See accompanying notes to consolidated financial statements)

NGP CAPITAL RESOURCES COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (NET ASSETS)

	Common Stock		Paid- in Capital in Excess of Par	Undistributed Net Investment Income (Loss)	Undistributed Net Realized Capital Gain (Loss)	Net Unrealized	Total
						Appreciation (Depreciation)	
	Shares	Amount	Corporate Notes and Commodity Derivative Instruments				
Balance at December 31, 2007	17,500,332	\$ 17,500	\$ 245,881,078	\$ (103,394)	\$ 859,133	\$ 3,605,020	\$ 250,259,337
Net increase in stockholders' equity (net assets) resulting from operations	-	-	-	7,900,332	-	(134,823)	7,765,509
Issuance of common stock from public offering (net of underwriting costs)	4,086,388	4,086	62,109,012	-	-	-	62,113,098
Offering costs	-	-	(739,265)	-	-	-	(739,265)
Dividends declared	-	-	-	(15,651,413)	-	-	(15,651,413)
Issuance of common stock under dividend reinvestment plan	41,482	42	677,276	-	-	-	677,318
Balance at June 30, 2008 (unaudited)	<u>21,628,202</u>	<u>\$ 21,628</u>	<u>\$ 307,928,101</u>	<u>\$ (7,854,475)</u>	<u>\$ 859,133</u>	<u>\$ 3,470,197</u>	<u>\$ 304,424,584</u>

(See accompanying notes to consolidated financial statements)

NGP CAPITAL RESOURCES COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Six Months Ended	
	June 30, 2008	June 30, 2007
Cash flows from operating activities		
Net increase in stockholders' equity (net assets) resulting from operations	\$ 7,765,509	\$ 21,616,712
Adjustments to reconcile net increase in stockholders' equity (net assets) resulting from operations to net cash used in operating activities		
Payment-in-kind interest	(1,728,817)	(1,935,532)
Payment-in-kind dividend	-	(93,710)
Net amortization of premiums, discounts and fees	(589,096)	(1,498,175)
Change in unrealized (appreciation) depreciation on portfolio securities, corporate notes and commodity derivative instruments	134,823	(6,021,150)
Effects of changes in operating assets and liabilities		
Accounts receivable	7,261	452,184
Interest receivable	(735,432)	607,169
Prepaid assets	950,134	477,171
Accounts payable	(527,287)	1,024,280
Purchase of investments in portfolio securities, corporate notes and commodity derivative instruments	(81,412,478)	(152,705,108)
Redemption of investments in portfolio securities, corporate notes and commodity derivative instruments	28,551,706	108,579,495
Net sale of investments in U.S. Treasury Bills	(14,033,251)	41,167,748
Net cash provided by (used in) operating activities	(61,616,928)	11,671,084
Cash flows from financing activities		
Net proceeds from the issuance of common stock	62,790,415	-
Borrowings under revolving credit facility	108,000,000	-
Repayments on revolving credit facility	(99,750,000)	-
Offering costs from the issuance of common stock	(739,265)	-
Dividends paid	(16,012,804)	(4,257,648)
Net cash provided by (used in) financing activities	54,288,346	(4,257,648)
Net increase (decrease) in cash and cash equivalents	(7,328,582)	7,413,436
Cash and cash equivalents, beginning of period	18,437,115	12,334,329
Cash and cash equivalents, end of period	\$ 11,108,533	\$ 19,747,765

(See accompanying notes to consolidated financial statements)

NGP CAPITAL RESOURCES COMPANY
CONSOLIDATED SCHEDULE OF INVESTMENTS
June 30, 2008
(Unaudited)

<u>Portfolio Company</u>	<u>Energy Industry Segment</u>	<u>Investment (2) (4)</u>	<u>Principal</u>	<u>Cost</u>	<u>Fair Value (3)</u>
TARGETED INVESTMENTS					
Venoco, Inc. (1) (11)	Oil & Natural Gas Production and Development	Senior Notes (7) (8.75%, due 12/15/2011)	\$ 12,000,000	\$ 11,922,600	\$ 11,730,000
Chroma Exploration & Production, Inc. (1) (11)	Oil & Natural Gas Production and Development	9,428 Shares Series A Participating Convertible Preferred Stock (9) 8,610 Shares Series AA Participating Convertible Preferred Stock (9) 8.11 Shares Common Stock (5) Warrants (5) (13)	-	2,221,710	-
Resaca Exploitation, LP (1) (11)	Oil & Natural Gas Production and Development	Senior Secured Multiple-Advance Tranche A Term Loan (LIBOR + 6.00%, due 5/01/2012) Overriding Royalty Interest (6)	26,993,572	26,538,095	26,538,095
		Senior Secured Tranche B Term Loan (LIBOR + 9.00%, due 8/31/2008) Overriding Royalty Interest (6)	6,000,000	6,000,000	6,000,000
		Overriding Royalty Interest (6)	30,000	28,616	750,000
		Senior Subordinated Secured Convertible Term Loan (6.00% cash, 8.00% PIK, due 5/01/2012)	4,000,000	4,000,000	4,000,000
Crossroads Energy, LP (1) (11)	Oil & Natural Gas Production and Development	Senior Secured Multiple-Advance Term Loan (The greater of 10.0% or LIBOR + 5.50%, due 6/29/2009) Overriding Royalty Interest (6)	4,508,755	4,434,261	4,434,261
		Overriding Royalty Interest (6)	10,000	6,653	250,000
Rubicon Energy Partners, LLC (8) (11)	Oil & Natural Gas Production and Development	Senior Subordinated Secured Multiple-Advance Term Loan (LIBOR + 8.00%, due 5/01/2010) LLC Units (4,000 units) (5)	5,000,000	5,000,000	5,000,000
		LLC Units (4,000 units) (5)	-	4,000,000	12,000,000
BSR Loco Bayou, LLC (1) (11) (12)	Oil & Natural Gas Production and Development	Senior Secured Multiple-Advance Term Loan (LIBOR + 5.50% cash, +7.50% PIK - until 8/15/08, cash only thereafter, due 8/15/2009) (9) Overriding Royalty Interest (6) Warrants (5) (14)	3,055,455	2,584,326	1,722,239
		Overriding Royalty Interest (6)	20,000	19,638	20,000
		Warrants (5) (14)	10,000	10,000	-
Sonoran Energy, Inc. (1) (11)	Oil & Natural Gas Production and Development	Warrants (5) (15)	10,000	10,000	10,000
Nighthawk Transport I, LP (1) (11)	Energy Services	Second Lien Term Loan B (The greater of 15.0% or LIBOR + 10.50%, due 10/03/2010) LP Units (5) Warrants (5) (16)	14,328,347	13,501,342	13,501,342
		LP Units (5)	224	224	150,000
		Warrants (5) (16)	850,000	850,000	850,000

Second Lien	1,595,043	1,572,047	1,572,047
Delayed Draw Term Loan B			
(The greater of 15.0% or LIBOR + 10.50%, due 10/03/2010)			

NGP CAPITAL RESOURCES COMPANY
CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2008

(Unaudited)

(Continued)

Portfolio Company	Energy Industry Segment	Investment (2) (4)	Principal	Cost	Fair Value (3)
TARGETED INVESTMENTS - Continued					
Alden Resources, LLC (1) (11)	Coal Production	Senior Secured Multiple-Advance Term Loan (LIBOR + 8.00% cash, due 1/05/2013)	36,285,168	33,553,912	33,553,912
		Royalty Interest (6)	2,660,000	2,598,578	2,660,000
		Warrants (5) (17)	100,000	100,000	100,000
Tammany Oil & Gas, LLC (1) (11)	Oil & Natural Gas Production and Development	Senior Secured Multiple-Advance Term Loan (The greater of 11.0% or LIBOR + 6.00%, due 3/21/2010)	29,447,804	29,103,653	29,103,653
		Overriding Royalty Interest (5) (6)	200,000	200,000	400,000
TierraMar Energy LP (8) (11)	Oil & Natural Gas Production and Development	Overriding Royalty Interest (6) Class A Preferred LP Units (5)	20,000	17,968	200,000
			16,634,830	16,634,830	16,634,830
Anadarko Petroleum Corporation 2007-III Drilling Fund (1) (11)	Oil & Natural Gas Production and Development	Multiple-Advance Net Profits Interest (Due 4/23/2032)	55,082,664	55,177,417	55,177,417
Formidable, LLC (1) (11)	Oil & Natural Gas Production and Development	Senior Secured Multiple-Advance Term Loan (LIBOR + 5.50% cash, due 5/31/2008) (9)	37,000,000	37,000,000	37,000,000
		Warrants (5) (18)	500,000	500,000	500,000
DeanLake Operator, LLC (1) (11) (12)	Oil & Natural Gas Production and Development	Senior Secured Multiple-Advance Term Loan (LIBOR + 7.00%, due 6/25/2010)	13,418,453	13,217,846	13,217,846
		Overriding Royalty Interest (6)	20,000	19,279	20,000
		Warrants (5) (19)	10,000	10,000	10,000
Bionol Clearfield, LLC (1) (11)	Alternative Fuels and Specialty Chemicals	Senior Secured Tranche C Construction Loan (LIBOR + 7.00%, due 09/06/2016)	5,000,000	5,000,000	5,000,000
BioEnergy Holding, LLC (1) (11)	Alternative Fuels and Specialty Chemicals	Senior Secured Notes (15.00%, due 03/06/2015)	10,000,000	9,112,721	9,112,721
		BioEnergy International Warrants (5) (20)	595,845	595,845	595,845
		BioEnergy Holding Units (5)	376,687	376,687	376,687
Greenleaf Investments, LLC (1) (11)	Oil & Natural Gas Production and Development	Senior Secured Multiple-Advance Term Loan (The greater of 10.5% or LIBOR + 6.00%, due 04/30/2011)	10,999,670	10,666,186	10,666,186
		Overriding Royalty Interest (6)	100,000	98,551	100,000
ATP Oil & Gas Corporation (1) (11)	Oil & Natural Gas Production and Development	Limited Term Royalty Interest	32,800,000	32,800,000	32,800,000
Subtotal Targeted Investments (62.95% of total investments)			\$ 331,601,471	\$ 338,074,483	

NGP CAPITAL RESOURCES COMPANY
CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2008
(Unaudited)
(Continued)

<u>Issuing Company</u>	<u>Energy Industry Segment</u>	<u>Investment (2) (4)</u>	<u>Principal</u>	<u>Cost</u>	<u>Fair Value (3)</u>
<u>CORPORATE NOTES</u>					
Pioneer Natural Resources Co. (11)	Oil & Natural Gas Production and Development	Senior Notes, 7.2%, due 2028	\$ 10,000,000	\$ 11,609,569	\$ 8,821,600
Subtotal Corporate Notes (1.64% of total investments)				\$ 11,609,569	\$ 8,821,600
<u>COMMODITY DERIVATIVE INSTRUMENTS</u>					
Put Options (11) (21)		Put Options with BP Corp. NA to sell up to 615,000 MMBtu of natural gas at a strike price of \$10.00 per MMBtu. 12 monthly contracts beginning on July 1, 2008 and expiring on June 30, 2009.		\$ 359,775	\$ 228,195
		Put Options with BP Corp. NA to sell up to 237,750 Bbls of crude oil at a strike price of \$101.00 per Bbl. 15 monthly contracts beginning on July 1, 2008 and expiring on September 30, 2009.		1,046,100	975,200
		Put Options with BP Corp. NA to sell up to 32,750 Bbls of crude oil at a strike price of \$85.00 per Bbl. 4 monthly contracts beginning on October 1, 2009 and expiring on January 31, 2010.		140,825	128,459
Subtotal Commodity Derivative Instruments (0.24% of total investments)				\$ 1,546,700	\$ 1,331,854
<u>GOVERNMENT SECURITIES (10)</u>					
U.S. Treasury Bills		U.S. Treasury Bills, 1.3059%, due 07/10/2008	\$ 8,000,000	\$ 7,997,440	\$ 7,997,440
U.S. Treasury Bills		U.S. Treasury Bills, 1.3059%, due 07/10/2008	12,000,000	11,996,160	11,996,160
U.S. Treasury Bills		U.S. Treasury Bills, 1.3059%, due 07/10/2008	12,000,000	11,996,160	11,996,160
U.S. Treasury Bills		U.S. Treasury Bills, 1.3059%, due 07/10/2008	12,000,000	11,996,161	11,996,161
U.S. Treasury Bills		U.S. Treasury Bills, 1.3059%, due 07/10/2008	12,000,000	11,996,160	11,996,160
U.S. Treasury Bills		U.S. Treasury Bills, 1.3059%, due 07/10/2008	12,000,000	11,996,160	11,996,160
U.S. Treasury Bills		U.S. Treasury Bills, 1.3059%, due 07/10/2008	12,000,000	11,996,160	11,996,160
U.S. Treasury Bills		U.S. Treasury Bills, 1.3059%, due 07/10/2008	12,000,000	11,996,160	11,996,160
U.S. Treasury Bills		U.S. Treasury Bills, 1.3059%, due 07/10/2008	12,000,000	11,996,161	11,996,161
U.S. Treasury Bills		U.S. Treasury Bills, 1.3059%, due 07/10/2008	12,000,000	11,996,160	11,996,160
U.S. Treasury Bills		U.S. Treasury Bills, 1.3059%, due 07/10/2008	12,000,000	11,996,160	11,996,160
U.S. Treasury Bills		U.S. Treasury Bills, 0.061%, due 07/03/2008	50,000,000	49,999,833	49,999,833
Subtotal Government Securities (33.1% of total investments)				\$ 177,958,876	\$ 177,958,876
<u>CASH</u>					
Subtotal Cash (2.07% of total investments)				\$ 11,108,533	\$ 11,108,533
TOTAL INVESTMENTS, CASH AND CASH EQUIVALENTS				\$ 533,825,149	\$ 537,295,346
LIABILITIES IN EXCESS OF OTHER ASSETS					\$ (232,870,762)
NET ASSETS					\$ 304,424,584

NGP CAPITAL RESOURCES COMPANY
CONSOLIDATED SCHEDULE OF INVESTMENTS
June 30, 2008
(Unaudited)
(Continued)

NOTES TO CONSOLIDATED SCHEDULE OF INVESTMENTS

- (1) Portfolio company is not controlled by or affiliated with the Company as defined by the Investment Company Act of 1940.
- (2) Percentages represent interest rates in effect at June 30, 2008, and due dates represent the contractual maturity dates.
- (3) Fair value of targeted investments is determined by or under the direction of the Board of Directors.
- (4) All investments are in entities with primary operations in the United States of America.
- (5) Non-income producing securities.
- (6) Securities are subject to restrictions as to their sale.
- (7) Upon the March 30, 2006 closing of Venoco, Inc.'s TexCal acquisition, Venoco Inc.'s senior notes became collateralized by second priority liens.
- (8) Portfolio company is controlled by the Company as defined by the Investment Company Act of 1940.
- (9) Non-accrual status.
- (10) Level 1 security per Statement 157 hierarchy.
- (11) Level 3 security per Statement 157 hierarchy.
- (12) Portfolio company was issued a written notice of default.
- (13) Chroma warrants are non-income producing, expire on April 5, 2012 and provide the Company the right to purchase 2,462 shares of common stock at a purchase price of \$325.00 per share.
- (14) BSR Loco Bayou warrants are non-income producing, expire on August 15, 2013 and provide the Company the right to purchase 10,000 investor units at the exercise price of \$160.00 per investor unit.
- (15) Sonoran warrants are non-income producing, expire on November 28, 2014, and provide the Company the right to purchase shares of common stock up to 2.87 million shares, on a fully diluted basis with anti-dilution provisions, at the exercise price of \$0.20 per share.
- (16) Nighthawk warrants are non-income producing, expire on May 13, 2017 and provide the Company the right to purchase approximately 2.5% of limited partnership units at the exercise price of \$0.001 per unit.
- (17) Alden warrants are non-income producing and provide the Company the right to purchase 23% of class C units at an exercise price of \$0.739 per unit, expiring in December 2013 and the right to purchase 10% of class C units at an exercise price of \$0.739 per unit, expiring in July 2014.
- (18) Formidable warrants are non-income producing, expire on March 31, 2015 and provide the Company the right to purchase membership interest representing 30% of all distributions at an exercise price of \$1,000 per percentage point.
- (19) DeanLake warrants are non-income producing, expire on June 22, 2014 and provide the Company the right to purchase a 10% membership interest at the exercise price of \$300,000 or \$30,000 per 1% membership interest representing 30% of all distributions.
- (20) BioEnergy International warrants are non-income producing, expire on August 15, 2010 and provide the Company the right to purchase 648,000 units, representing membership interests of BioEnergy International, at the purchase price of \$10.00 per unit.
- (21) Put Options are related to the limited term royalty interest purchased from ATP Oil & Gas Corporation.

(See accompanying notes to consolidated financial statements)

NGP CAPITAL RESOURCES COMPANY
CONSOLIDATED FINANCIAL HIGHLIGHTS
(Unaudited)

	For the Six Months Ended	
	June 30, 2008	June 30, 2007
Per Share Data (1)		
Net asset value, beginning of period	\$ 14.30	\$ 13.96
Increase in net assets as a result of secondary public stock offering	0.40	-
Underwriting discounts and commissions related to secondary public stock offering	(0.15)	-
Other costs related to secondary public stock offering	(0.03)	-
Net increase in net assets from secondary public offering	0.22	-
Net asset value after public stock offering	<u>14.52</u>	<u>13.96</u>
Net investment income (loss)	0.37	0.51
Net realized and unrealized gain (loss) on portfolio securities, corporate notes and commodity derivative instruments	(0.01)	0.74
Net increase (decrease) in stockholders' equity (net assets) resulting from operations	<u>0.36</u>	<u>1.25</u>
Dividends declared	<u>(0.80)</u>	<u>(0.58)</u>
Net asset value, end of period	<u>\$ 14.08</u>	<u>\$ 14.63</u>
Market value, beginning of period	\$ 15.63	\$ 16.75
Market value, end of period	\$ 15.41	\$ 16.72
Market value return (2)	3.64%	3.28%
Net asset value return (2)	3.50%	8.43%

Ratios and Supplemental Data

(\$ and shares in thousands)

Net assets, end of period	\$ 304,425	\$ 255,209
Average net assets	\$ 277,342	\$ 249,234
Common shares outstanding at end of period	21,628	17,445
Total operating expenses less management and incentive fees and interest expense/average net assets (3)	1.68%	1.55%
Total operating expenses less management and incentive fees/average net assets (3)	4.49%	4.12%
Total operating expenses/average net assets (3)	7.13%	7.52%
Net investment income (loss)/average net assets (3)	5.73%	7.22%
Net increase (decrease) in net assets resulting from operations/average net assets (3)	5.63%	17.49%
Portfolio turnover rate	10.29%	43.57%

(1) Per Share Data is based on common shares outstanding at end of period.

(2) Return calculations assume reinvestment of dividends and are not annualized.

(3) Annualized.

(See accompanying notes to consolidated financial statements)

NGP CAPITAL RESOURCES COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008
(Unaudited)

Note 1: Organization

NGP Capital Resources Company (the "Company") was organized as a Maryland corporation in July 2004. The Company has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). In addition, for federal income tax purposes the Company has elected to be treated as a regulated investment company ("RIC") under the Internal Revenue Code of 1986, as amended (the "Code"). The Company has several subsidiaries that are single member limited liability companies and wholly-owned limited partnerships established to hold certain portfolio investments or provide services to the Company in accordance with specific rules prescribed for a company operating as a RIC. These consolidated subsidiaries are: NGPC Funding GP, LLC, a Texas limited liability company; NGPC Nevada, LLC, a Nevada limited liability company; NGPC Funding, LP, a Texas limited partnership; NGPC Asset Holdings GP, LLC, a Texas limited liability company; NGPC Asset Holdings, LP, a Texas limited partnership; NGPC Asset Holdings II, LP, a Texas limited partnership ("NGPC II"); NGPC Asset Holdings III, LP, a Texas limited partnership, and NGPC Asset Holdings V, LP, a Texas limited partnership. Effective May 28, 2008, NGPC Asset Holdings IV, LP merged with and into NGPC II. The Company consolidates the results of its subsidiaries for financial reporting purposes. The Company does not consolidate the financial results of its portfolio companies.

The Company was created to invest primarily in small and mid-size private energy companies, which, until July 21, 2008, were generally defined as companies that have net asset values or annual revenues of less than \$500 million and are not issuers of publicly traded securities. On July 21, 2008, the Securities and Exchange Commission expanded the definition of eligible portfolio companies to include domestic operating companies with securities listed on a national securities exchange so long as the company has a market capitalization of less than \$250 million. The Company's investment objective is to generate both current income and capital appreciation through debt investments with certain equity components.

The Company is managed and advised, subject to the overall supervision of the Company's board of directors (the "Board of Directors"), by NGP Investment Advisor, LP (the "Manager"), a Delaware limited partnership owned by NGP Energy Capital Management, LLC, and NGP Administration, LLC (the "Administrator"), the Company's administrator.

Note 2: Significant Accounting Policies

The interim unaudited consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The interim consolidated financial statements have been prepared by management of the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been omitted pursuant to such rules and regulations, although the Company believes the disclosures included herein are adequate to make the information presented not misleading. In the opinion of management, all adjustments which are of a normal recurring nature considered necessary for presentation of the information have been included. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007. Interim results are not necessarily indicative of results for a full year.

The following is a summary of the significant accounting policies consistently applied by the Company in the preparation of its consolidated financial statements:

Use of Estimates

The interim consolidated financial statements have been prepared in accordance with GAAP that require management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and the accompanying notes to the interim consolidated financial statements. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and highly liquid investments with original maturities of three months or less when purchased. Cash and cash equivalents are carried at cost, which approximates fair value.

Prepaid Assets

Prepaid assets consist of premiums paid for directors' and officers' insurance and fidelity bonds with a policy term of one year, fees associated with the establishment of the policy or credit facility, and registration expenses related to the Company's shelf filing. Such premiums and fees are amortized monthly on a straight-line basis over the term of the policy or credit facility. Registration expenses are deferred and will be charged as a reduction of capital upon the sale of shares.

Concentration of Credit Risk

The Company places its cash and cash equivalents with financial institutions and, at times, cash held in checking accounts may exceed the Federal Deposit Insurance Corporation insured limit.

Valuation of Investments

Investments are carried at fair value, as determined in good faith by the Company's Board of Directors. On a quarterly basis, the investment team of the Manager prepares valuations for all of the assets in our portfolio companies and presents the valuations to the Company's valuation committee (the "Valuation Committee") and Board of Directors. The valuations are determined and recommended by the Valuation Committee to the Board of Directors, which reviews and ratifies the final portfolio valuations.

Investments in securities for which market quotations are readily available are recorded in the financial statements at such market quotations as of the valuation date adjusted for appropriate liquidity discounts, if applicable. For investments in securities for which market quotations are unavailable, or which have various degrees of trading restrictions, the investment team prepares valuation analyses, as generally described below.

Using the most recently available financial statements, forecasts and, when applicable, comparable transaction data, the investment team of the Manager prepares valuation analyses for the various securities in the Company's investment portfolio. These valuation analyses are prepared using traditional valuation methodologies, which rely on estimates of the asset values and enterprise values of portfolio companies issuing securities.

The methodologies for determining asset valuations include estimates based on: the liquidation or sale value of a portfolio company's assets, the discounted value of expected future net cash flows from the assets and third party valuations of the portfolio company's assets, such as engineering reserve reports of oil and gas properties. The investment team of the Manager considers some or all of the above valuation methods to determine the estimated asset value of a portfolio company.

The methodologies for determining enterprise valuations include estimates based on: valuations of comparable public companies, recent sales of comparable companies, the value of recent investments in the equity securities of a portfolio company and also on the methodologies used for asset valuations. The investment team of the Manager considers one or all of the above valuation methods to determine the estimated enterprise value of a portfolio company.

Debt Securities: The Company records its investments in non-convertible debt securities at fair value which generally approximates cost plus amortized original issue discount, or OID, to the extent that the estimated asset or enterprise value of the portfolio company exceeds the outstanding debt of the portfolio company. The Company records its investment in convertible debt securities at fair value which generally approximates the higher of: 1) cost plus amortized OID, to the extent that the estimated asset or enterprise value of the portfolio company equals or exceeds the outstanding debt of the portfolio company; and 2) the Company's pro rata share, upon conversion, of the residual equity value of the portfolio company available after deducting all outstanding debt from its estimated enterprise value. If the estimated asset or enterprise value is less than the sum of the value of the Company's debt investment and all other debt securities of the portfolio company *pari passu* or senior to the Company's debt investment, the Company reduces the value of its debt investment beginning with its junior-most debt investment such that the asset or enterprise value less the value of the outstanding *pari passu* or senior debt is zero. Investments in debt securities for which market quotations are readily available are recorded in the financial statements at such market quotations as of the valuation date adjusted for appropriate liquidity discounts, if applicable.

Equity Securities: The Company records its investments in preferred and common equity securities (including warrants or options to acquire equity securities) at fair value based on its pro rata share of the residual equity value available after deducting all outstanding debt from the estimated enterprise value.

Property-Based Equity Participation Rights: The Company records its investments in overriding royalty and net profits interests at fair value based on a multiple of cash flows generated by such investments, multiples from transactions involving the sale of comparable assets and/or the discounted value of expected future net cash flows from such investments. Appropriate cash flow multiples are derived from the review of comparable transactions involving similar assets. The discounted value of future net cash flows is derived, when appropriate, from third party valuations of a portfolio company's assets, such as engineering reserve reports of oil and gas properties.

Due to the uncertainty inherent in the valuation process, such estimates of fair value may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. Additionally, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different from the valuations currently assigned.

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement on Financial Accounting Statement 157, *Fair Value Measurements* ("Statement 157"). This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. Statement 157 applies to fair value measurements already required or permitted by existing standards. Statement 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current generally accepted accounting principles from the application of Statement 157 relate to the definition of fair value, the methods used to measure fair value and the expanded disclosures about fair value measurements.

As of January 1, 2008, the Company adopted Statement 157. The Company has performed an analysis of all existing investments to determine the significance and character of all inputs to their fair value determination. Based on this assessment, the adoption of this standard did not have a material effect on the Company's net asset value.

Valuation of Commodity Derivative Instruments

Current accounting rules require that all derivative instruments, other than those that meet specific exclusions, be recorded at fair value. Quoted market prices are the best evidence of fair value. If quotations are not available, management's best estimate of fair value is based on the quoted market price of derivatives with similar characteristics or on valuation techniques. The Company's derivative instruments are either exchange traded or transacted in an over-the-counter market. Valuation is determined by reference to readily available public data. Option fair values for the natural gas option transactions are based on the Black-Scholes pricing model and the crude oil transactions are based on the Tumbull-Wakeman pricing model and verified against the applicable counterparty's fair values.

Securities Transactions, Interest and Dividend Income Recognition

All securities transactions are accounted for on a trade-date basis. Interest income is recorded on the accrual basis to the extent that such amounts are expected to be collected. Premiums and discounts are accreted into interest income using the effective interest method. Detachable warrants, other equity securities or property interests such as overriding royalty interests obtained in conjunction with the acquisition of debt securities are recorded separately from the debt securities at their initial fair value, with a corresponding amount recorded as a discount to the associated debt security. Income from overriding royalty interests is recognized as received and the recorded assets are charged depletion using the unit of production depletion method. The portion of the loan origination fees paid that represent additional yield or discount on a loan are deferred and accreted into interest income over the life of the loan using the effective interest method. Upon the prepayment of a loan or debt security, any unamortized loan origination fees are recorded as interest income and any unamortized premium or discount is recorded as a realized gain or loss. Market premiums or discounts on acquired loans or fixed income investments are accreted into interest income using the effective interest method. Dividend income is recognized on the ex-dividend date. Accruing interest or dividends on investments is deferred when it is determined that the interest or dividend is not collectible. Collectability of the interest and dividends is assessed, based on many factors including the portfolio company's ability to service its loan based on current and projected cash flows as well as the current valuation of the portfolio company's assets.

Payment-in-Kind Interest and Dividends

The Company may have investments in its portfolio that contain payment-in-kind (“PIK”) provisions. PIK interest or dividends, computed at the contractual rate specified in each investment agreement, are added to the principal balance of the investment and recorded as interest or dividend income. For investments with PIK interest or dividends, the Company bases income accruals on the principal balance including any PIK. If the portfolio company’s asset valuation is not sufficient to cover the contractual interest, the Company will not accrue interest income or dividend income on the investment. To maintain the Company’s RIC status, this non-cash source of income must be paid out to stockholders in the form of dividends, even though the Company has not yet collected the cash. For the quarter ended June 30, 2008, PIK interest income totaled \$77,088 and PIK dividend income totaled \$131,505. Both of these amounts were reserved, effectively reversing the accruals. For the quarter ended June 30, 2007, PIK interest income totaled \$820,483, and PIK dividend income totaled \$93,710.

Net Realized Gains or Losses and Net Change in Unrealized Appreciation or Depreciation

Realized gains or losses are measured by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, considering unamortized fees and prepayment premiums, and without regard to unrealized appreciation or depreciation previously recognized, and include investments charged off during the year, net of recoveries. Net unrealized appreciation or depreciation reflects the change in portfolio investment values during the reporting period including the reversal of previously recorded unrealized appreciation or depreciation, when capital gains or losses are realized.

Derivative accounting rules require that fair value changes of derivative instruments that do not qualify for hedge accounting be reported in current period, rather than in the period the derivatives are settled and/or the hedged transaction is settled. This can result in significant earnings volatility. The company has decided not to designate these instruments as hedging instruments for financial accounting purposes. Net unrealized appreciation or depreciation reflects the change in derivative values during the reporting period including the reversal of previously recorded unrealized appreciation or depreciation, when settled gains or losses are realized.

Fee Income Recognition

Fees primarily include financial advisory, transaction structuring, loan administration, commitment and prepayment fees. Financial advisory fees represent amounts received for providing advice and analysis to companies and are recognized as earned when such services are performed, provided collection is probable. Transaction structuring fees represent amounts received for structuring, financing and executing transactions and are generally payable only if the transaction closes. Such fees are deferred and accreted into interest income over the life of the loan using the effective interest method. Commitment fees represent amounts received for committed funding and are generally payable whether or not the transaction closes. On transactions that close within the commitment period, commitment fees are deferred and accreted into interest income over the life of the loan using the effective interest method. Commitment fees on transactions that do not close are generally recognized over the period the commitment is outstanding. Prepayment and loan administration fees are recognized as they are received. For the quarter ended June 30, 2008, the Company accreted approximately \$0.3 million of fee income into interest income, compared to approximately \$1.1 million of fee income for the quarter ended June 30, 2007.

Dividends

Dividends to stockholders are recorded on the ex-dividend date. The Company currently intends that its distributions each year will be sufficient to maintain the Company’s status as a RIC for federal income tax purposes and to eliminate excise tax liability. The Company currently intends to make distributions to stockholders on a quarterly basis of substantially all of its net taxable income. The Company also intends to make distributions of net realized capital gains, if any, at least annually. However, the Company may in the future decide to retain such capital gains for investment and designate such retained amount as a deemed distribution. The amount to be paid out as a dividend, if any, is determined by the Company’s Board of Directors each quarter and is based on the annual taxable earnings estimated by the Manager. Based on that estimate, a dividend is declared each quarter and paid shortly thereafter.

Prior to 2005, the Company was treated as a “C” corporation, had no taxable income and therefore did not declare a dividend for that period. The following table summarizes the Company’s dividend history:

Dividend History

Declaration Date	Amount	Record Date	Payment Date
March 18, 2005	\$ 0.120	March 31, 2005	April 15, 2005
June 17, 2005	\$ 0.125	June 30, 2005	July 15, 2005
September 19, 2005	\$ 0.140	September 30, 2005	October 14, 2005
December 15, 2005	\$ 0.275	December 27, 2005	January 4, 2006
March 10, 2006	\$ 0.160	March 31, 2006	April 17, 2006
June 14, 2006	\$ 0.180	June 30, 2006	July 14, 2006
September 14, 2006	\$ 0.250	September 29, 2006	October 13, 2006
December 7, 2006	\$ 0.330	December 19, 2006	December 29, 2006
March 19, 2007	\$ 0.265	March 30, 2007	April 13, 2007
June 13, 2007	\$ 0.310	June 29, 2007	July 13, 2007
September 12, 2007	\$ 0.350	September 28, 2007	October 12, 2007
December 12, 2007	\$ 0.515	December 28, 2007	January 4, 2008
March 19, 2008	\$ 0.400	March 31, 2008	April 11, 2008
June 9, 2008	\$ 0.400	June 30, 2008	July 11, 2008

The Company has established an “opt out” dividend reinvestment plan for its common stockholders. As a result, if the Company declares a dividend, then a stockholder’s cash dividend will be automatically reinvested in additional shares of the Company’s common stock unless the stockholder, or his or her broker, specifically “opts out” of the dividend reinvestment plan and elects to receive cash dividends. It is customary practice for many brokers to “opt out” of dividend reinvestment plans on behalf of their clients unless specifically instructed otherwise. As of July 11, 2008, holders of 1,655,552 shares, or approximately 9.4% of outstanding shares, were participants in the Company’s dividend reinvestment plan.

The Company’s dividend reinvestment plan provides for the plan agent to purchase shares in the open market for credit to the accounts of plan participants unless the average of the closing sales prices for the shares for the five days immediately preceding the payment date exceeds 110% of the most recently reported net asset value per share.

The table below summarizes participation in the Company’s dividend reinvestment plan:

Dividend Reinvestment Plan Participation

Dividend	Participating Shares	Percentage of		Total Distribution	Cash Dividends	Common Stock Dividends		
		Outstanding Shares				Purchased in Open Market	Newly Issued Shares Amount Shares	
March 2005	-	0.0%		\$ 2,088,012	\$ 2,088,012	\$ -	\$ -	-
June 2005	1,215,870	7.0%		\$ 2,175,013	\$ 2,023,029	\$ 151,984	\$ -	-
September 2005	1,488,904	8.6%		\$ 2,436,014	\$ 2,227,567	\$ 208,447	\$ -	-
December 2005	1,660,140	9.5%		\$ 4,785,028	\$ 4,328,488	\$ 456,540	\$ -	-
March 2006	1,618,940	9.3%		\$ 2,784,016	\$ 2,524,986	\$ 259,030	\$ -	-
June 2006	1,410,227	8.1%		\$ 3,132,018	\$ 2,878,177	\$ 253,841	\$ -	-
September 2006	1,270,634	7.3%		\$ 4,350,025	\$ 4,032,366	\$ 317,659	\$ -	-
December 2006	1,111,045	6.4%		\$ 5,742,033	\$ 5,375,388	\$ -	\$ 366,645	22,168
March 2007	1,355,671	7.8%		\$ 4,616,901	\$ 4,257,648	\$ -	\$ 359,253	22,692
June 2007	1,363,066	7.8%		\$ 5,407,938	\$ 4,985,387	\$ -	\$ 422,550	24,694
September 2007	1,438,143	8.2%		\$ 6,114,379	\$ 5,611,029	\$ -	\$ 503,350	30,678
December 2007	1,605,164	9.2%		\$ 9,012,670	\$ 8,186,010	\$ 826,659	\$ -	-
March 2008	1,693,284	9.7%		\$ 7,000,133	\$ 6,322,815	\$ -	\$ 677,318	41,482
June 2008	1,655,552	9.4%		\$ 8,651,281	\$ 7,989,060	\$ 662,221	\$ -	(1)

(1) Shares were purchased on July 11, 2008 for the June 2008 dividend. See above and Note 4 for further detail.

Note 3: Credit Facilities and Borrowings

Under the terms of the Company's Treasury Secured Revolving Credit Agreement (as amended, the "Treasury Facility"), the lenders party thereto and SunTrust Bank, as administrative agent for the lenders, have extended credit available under the Treasury Facility to an amount not to exceed \$175 million by obtaining additional commitments from existing lenders or new lenders. The total amount committed and outstanding under the Treasury Facility as of June 30, 2008 was \$126.25 million, which was unchanged compared to the committed and outstanding amounts as of December 31, 2007. Proceeds from the Treasury Facility are used to facilitate the growth of the Company's investment portfolio and provide flexibility in the sizing of its portfolio investments. The Treasury Facility has a three-year term and bears interest, at the Company's option, at either (i) LIBOR plus 25 basis points or (ii) the base rate. As of June 30, 2008, the interest rate on the Company's outstanding borrowings under the Treasury Facility was 2.7325% (LIBOR rate of 2.4825% plus 25 basis points) on \$126.25 million. The obligations under the Treasury Facility are collateralized by certain securities and are guaranteed by the Company's existing and future subsidiaries, other than special purpose subsidiaries and certain other subsidiaries. The Treasury Facility contains affirmative and reporting covenants and certain financial ratio and restrictive covenants, including: (a) maintaining a ratio of net asset value to consolidated total indebtedness (excluding net hedging liabilities) of the Company and its subsidiaries, of not less than 2.25:1.0, (b) maintaining a ratio of net asset value to consolidated total indebtedness (including net hedging liabilities) of the Company and its subsidiaries, of not less than 2.0:1.0, (c) maintaining a ratio of net income (excluding revenue from cash collateral) plus interest, taxes, depreciation and amortization expenses ("EBITDA") to interest expense (excluding interest on loans under the Treasury Facility) of the Company and its subsidiaries of not less than 3.0:1.0, (d) maintaining a ratio of collateral to the aggregate principal amount of loans under the Treasury Facility of not less than 1.01:1.0, (e) limitations on additional indebtedness, (f) limitations on liens, (g) limitations on mergers and other fundamental changes, (h) limitations on dividends, (i) limitations on disposition of assets other than in the normal course of business, (j) limitations on transactions with affiliates, (k) limitations on agreements that prohibit liens on properties of the Company and its subsidiary guarantors, (l) limitations on sale and leaseback transactions, (m) limitations on speculative hedging transactions, and (n) limitations on the aggregate amount of unfunded commitments.

Under the terms of the Company's Amended and Restated Revolving Credit Agreement (as amended, the "Investment Facility"), the lenders have agreed to extend revolving credit to the Company in an amount not to exceed \$100 million, with the ability to increase the credit available to an amount not to exceed \$175 million by obtaining additional commitments from existing lenders or new lenders. The total amount committed was \$100 million and \$98 million was outstanding under the Investment Facility as of June 30, 2008. By comparison, the total amount committed as of December 31, 2007 was \$100 million and \$89.75 million was outstanding under the Investment Facility. The Investment Facility has a three-year term and bears interest, at the Company's option, at either (i) LIBOR plus 125 to 225 basis points, based on the degree of leverage of the Company or (ii) the base rate plus 0 to 75 basis points, based on the degree of leverage of the Company. Proceeds from the Investment Facility will be used to supplement the Company's equity capital to make portfolio investments. As of June 30, 2008, the interest rates were 5.25% (Prime rate of 5.00% plus 25 basis points) on \$57 million, 4.22688% (LIBOR rate of 2.47688% plus 175 basis points) on \$36 million and 4.19813% (LIBOR rate of 2.44813% plus 175 basis points) on \$5 million.

The obligations under the Investment Facility are collateralized by substantially all of the Company's assets, except certain assets that collateralize the Treasury Facility and are guaranteed by the Company's existing and future subsidiaries, other than special purpose subsidiaries and certain other subsidiaries. The Investment Facility contains affirmative and reporting covenants and certain financial ratio and restrictive covenants, including: (a) maintaining a ratio of net asset value to consolidated total indebtedness (excluding net hedging liabilities) of the Company and its subsidiaries, of not less than 2.25:1.0, (b) maintaining a ratio of net asset value to consolidated total indebtedness (including net hedging liabilities) of the Company and its subsidiaries, of not less than 2.0:1.0, (c) maintaining a ratio of EBITDA (excluding revenue from collateral under the Treasury Facility) to interest expense (excluding interest on loans under the Treasury Facility) of the Company and its subsidiaries of not less than 3.0:1.0, (d) limitations on additional indebtedness, (e) limitations on liens, (f) limitations on mergers and other fundamental changes, (g) limitations on dividends, (h) limitations on disposition of assets other than in the normal course of business, (i) limitations on transactions with affiliates, (j) limitations on agreements that prohibit liens on properties of the Company and its subsidiary guarantors, (k) limitations on sale and leaseback transactions, (l) limitations on speculative hedging transactions and (m) limitations on the aggregate amount of unfunded commitments.

From time to time, certain of the lenders may provide customary commercial and investment banking services to the Company.

The Manager has agreed to waive permanently, subsequent to September 30, 2007, that portion of the management fee attributable to U.S. Treasury securities acquired with borrowings under the Company's credit facilities to the extent the amount of such securities exceeds \$100 million.

In addition to the Company's credit facility, the Company may also fund a portion of its investments with issuances of equity or senior debt securities. The Company may also securitize a portion of its investments in mezzanine or senior secured loans or other assets. The Company expects its primary use of funds to be investments in portfolio companies, cash distributions to holders of its common stock and payment of fees and other operating expenses.

Note 4: Issuance of Common Stock

On August 6, 2004, the Company, in its initial capitalization transaction, sold 100 shares of common stock to NGP Energy Capital Management, L.L.C. (formerly known as Natural Gas Partners, L.L.C.) for \$15.00 per share. On November 9, 2004, the Company's Registration Statement on Form N-2 (Registration No. 333-118279) was declared effective by the SEC in connection with the public offering of 16,000,000 shares of common stock (plus up to 2,400,000 additional shares of common stock upon the exercise of the underwriters' over-allotment option), which commenced on November 10, 2004. The number of securities covered by the registration statement, including the shares of common stock subject to the underwriters' over-allotment option, was 18,400,000, of which 17,400,000 were sold to the public at a price of \$15.00 per share.

The net proceeds from this offering, after deducting expenses of approximately \$2,308,000 and underwriting discounts and commissions of \$0.825 per share, were approximately \$244,337,000.

On February 6, 2008, the Company's Registration Statement on Form N-2 (Registration No. 333-146715) was declared effective by the SEC in connection with the public offering of an additional 3,700,000 shares of common stock (plus up to 555,000 additional shares of common stock upon the exercise of the underwriters' over-allotment option), which commenced on April 10, 2008. The number of securities covered by this registration statement, including the shares of common stock subject to the underwriters' over-allotment option, was 4,255,000, of which 4,086,388 were sold to the public at a price of \$16.00 per share.

The net proceeds from this offering, after deducting expenses of approximately \$739,000 and underwriting discounts and commissions of \$0.80 per share, were approximately \$61,370,000.

The Company has established a dividend reinvestment plan for the Company's common stockholders, which provides for reinvestment of distributions paid by the Company, on behalf of each plan participant, by the Company's transfer agent, in accordance with the plan terms. The purpose of the plan is to provide stockholders of record of the Company's common stock, par value \$.001 per share, with a method of investing cash dividends and distributions in additional shares at the current market price without charges for record-keeping, custodial, and reporting services. However, the plan is an "opt-out" plan. This means, if the Company declares a cash dividend, a stockholder's cash dividend will be automatically reinvested in additional shares of its common stock unless the stockholder specifically "opts out" of the dividend reinvestment plan in writing, and elects to receive cash dividends. Any stockholder of record may elect to partially participate in the plan, or begin or resume participation at any time, by providing the plan agent with written notice. It is customary practice for many brokers to "opt out" of dividend reinvestment plans on behalf of their clients unless specifically instructed otherwise.

The Company issued 22,168 and 78,064 shares of common stock, respectively, in 2006 and 2007 to participants in the dividend reinvestment plan. As of June 30, 2008, holders of 1,655,552 shares, or approximately 9.4% of outstanding shares, were participants in the Company's dividend reinvestment plan. As a result, of the \$8,651,281 total amount distributed for the 2008 second quarter dividend, \$662,221 was used by the dividend reinvestment plan agent to acquire shares in the open market for credit to the accounts of the plan participants. See Dividends in Note 2.

Note 5: Investment Management

Investment Advisory Agreement

The Company has entered into an investment advisory agreement with the Manager under which the Manager, subject to the overall supervision of the Company's Board of Directors, manages the day-to-day operations of, and provides investment advisory services to, the Company.

For providing these services, the Manager receives a fee from the Company, consisting of two components — a base management fee and an incentive fee.

Under the investment advisory agreement, the base management fee is calculated quarterly as 0.45% of the average of total assets of the Company as of the end of the two previous quarters, and is payable quarterly in arrears. The Manager has agreed to waive permanently, subsequent to September 30, 2007, that portion of the management fee attributable to U.S. Treasury securities acquired with borrowings under the Company's credit facilities to the extent the amount of such securities exceeds \$100 million. All of the \$1,838,009 management and incentive fees payable to the Manager as of June 30, 2008 is attributable to the base management fee for the quarter ended June 30, 2008. The base management fee for the quarter ended June 30, 2007 was \$1,585,494.

The incentive fee under the investment advisory agreement consists of two parts. The first part, which is calculated and payable quarterly in arrears, equals 20% of the excess, if any, of the Company's net investment income for the quarter that exceeds a quarterly hurdle rate equal to 2% (8% annualized) of the Company's net assets.

For this purpose, net investment income means interest income, dividend income, and any other income (including any other fees, such as commitment, origination, syndication, structuring, diligence, managerial assistance, monitoring, and consulting fees or other fees that the Company receives from portfolio companies) accrued during the fiscal quarter, minus the Company's operating expenses for the quarter (including the base management fee, expenses payable under the administration agreement, any interest expense and dividends paid on issued and outstanding preferred stock, if any, but excluding the incentive fee). Accordingly, the Company may pay an incentive fee based partly on accrued interest, the collection of which is uncertain or deferred. Net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind interest 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 incentive fees due in any fiscal quarter will be calculated as follows:

- No incentive fee in any fiscal quarter in which the Company's net investment income does not exceed the hurdle rate.
- 20% of the amount of the Company's net investment income, if any, that exceeds the hurdle rate in any fiscal quarter.

No investment income incentive fees were earned for the second quarter of 2008. The investment income incentive fees earned for the second quarter of 2007 were \$88,060.

The second part of the incentive fee (the "Capital Gains Fee") is determined and payable in arrears as of the end of each fiscal year (or upon termination of the investment advisory agreement, as of the termination date), and equals (1) 20% of (a) the Company's net realized capital gain (realized capital gains less realized capital losses) on a cumulative basis from the closing date of the Company's initial public offering to the end of such fiscal year, less (b) any unrealized capital depreciation at the end of such fiscal year, less (2) the aggregate amount of all Capital Gains Fees paid to the Manager in prior fiscal years. There were no Capital Gains Fees earned for the second quarter of 2008. An accrual of \$966,298 was made for estimated Capital Gains Fees for the second quarter of 2007.

Realized capital gains on a security are calculated as the excess of the net amount realized from the sale or other disposition of such security over the amortized cost for the security. Realized capital losses on a security are calculated as the amount by which the net amount realized from the sale or other disposition of such security is less than the amortized cost of such security. Unrealized capital depreciation on a security is calculated as the amount by which the original cost of such security exceeds the fair value of such security at the end of a fiscal year. All period-end valuations are determined by the Company in accordance with GAAP and the 1940 Act.

The Manager has agreed that, to the extent permissible under federal securities laws and regulations, including Regulation M, it will utilize 30% of the fees it receives from the capital gains portion of the incentive fee (up to a maximum of \$5 million of fees received in the aggregate) to purchase shares of the Company's common stock in open market purchases through an independent trustee or agent. Pursuant to this voluntary agreement, with respect to the capital gains incentive fees earned for 2007, the Manager will devote approximately \$105,000 to the purchase of the Company's stock. Any sales of such stock will comply with any applicable six-month holding period under Section 16(b) of the Securities Act of 1933, as amended, and all other restrictions contained in any law or regulation, to the fullest extent applicable to any such sale. Any change in this voluntary agreement will not be implemented without at least 90 days' prior notice to stockholders and compliance with all applicable laws and regulations.

The investment advisory agreement was originally approved by the Company's Board of Directors on November 9, 2004. The investment advisory agreement provides that unless terminated earlier as described below, the agreement shall remain in effect from year-to-year after November 9, 2006, provided continuation is approved at least annually by the Company's Board of Directors or by the affirmative vote of the holders of a majority of the Company's outstanding voting securities, including, in either case, approval by a majority of the members of the Company's Board of Directors who are not interested persons. On November 1, 2007, the Company's Board of Directors, including all of the independent directors, approved an extension of the investment advisory agreement through November 9, 2008.

The agreement may be terminated at any time, without the payment of any penalty, by a vote of the Company's Board of Directors or the holders of a majority of the Company's shares on 60 days' written notice to the Manager, and would automatically terminate in the event of its "assignment" (as defined in the 1940 Act). The agreement may be terminated by either party without penalty upon not more than 60 days' written notice to the other.

The investment advisory agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or the reckless disregard of its duties and obligations, the Manager and its officers, manager, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from the Company for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of the Manager's services under the investment advisory agreement or otherwise as the Company's Manager.

Pursuant to the investment advisory agreement, the compensation and routine overhead expenses of the investment professionals of the Company's management team and their respective staffs, when and to the extent engaged in providing management and investment advisory services to the Company, will be paid for by the Manager. The Company will bear all other costs and expenses of its operations and transactions.

The Manager, NGP Investment Advisor, LP, was formed in 2004 and maintains an office at 1221 McKinney Street, Suite 2975, Houston, Texas 77010. The Manager's sole activity is to perform management and investment advisory services for the Company. The Manager is a registered investment adviser under the Investment Advisers Act of 1940.

The foregoing description of the investment advisory agreement is qualified in its entirety by reference to the full text of the document, a copy of which was filed as Exhibit 10.1 to the Company's Form 10-K for the year ended December 31, 2004, and is incorporated herein by reference.

Administration Agreement

The Company has entered into an administration agreement with the Administrator, under which the Administrator furnishes the Company with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities. Under the administration agreement, the Administrator also performs, or oversees the performance by third parties of, the Company's required administrative services, which include being responsible for the financial records that the Company is required to maintain and preparing reports to the Company's stockholders and reports filed with the SEC. In addition, the Administrator assists in determining and publishing the Company's net asset value, oversees the preparation and filing of the Company's tax returns and the printing and dissemination of reports to the Company's stockholders and generally oversees the payment of the Company's expenses and the performance of administrative and professional services rendered to the Company by others. To the extent permitted under the 1940 Act, the Administrator may also provide on the Company's behalf, significant managerial assistance to the Company's portfolio companies. Payments under the agreement are equal to amounts based upon the allocable portion of the Administrator's costs and expenses incurred in connection with administering the Company's business. The Administrator bills the Company for charges under the administration agreement monthly in arrears. The agreement may be terminated by either party without penalty upon 60 days' written notice to the other party and will automatically terminate in the event of its "assignment" (as defined in the 1940 Act).

Of the \$595,572 in accounts payable as of June 30, 2008, \$206,121 was due to the Administrator for expenses incurred on the Company's behalf for the month of June 2008. By comparison, \$208,789 was due to the Administrator for expenses incurred on the Company's behalf for the month of June 2007.

The administration agreement was originally approved by the Company's Board of Directors on November 9, 2004. The administration agreement provides that unless terminated earlier the agreement will continue in effect until November 9, 2006, 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 members of the Company's Board of Directors who are not parties to the administration agreement or "interested persons" of any such party. On November 1, 2007, the Company's Board of Directors, including all of the independent directors, approved the continuation of the administration agreement through November 9, 2008.

The foregoing description of the administration agreement is qualified in its entirety by reference to the full text of the document, a copy of which was filed as Exhibit 10.2 to the Company's Form 10-K for the year ended December 31, 2004, and is incorporated herein by reference.

Note 6: Federal Income Taxes

The Company operates so as to be treated for tax purposes as a RIC under Subchapter M of Chapter 1 of the Code. As a RIC, the Company generally will not be subject to federal income tax on the portion of its investment company taxable income and net capital gain (i.e., realized net long term capital gains in excess of realized net short term capital losses) distributed to stockholders. To qualify as a RIC, the Company is required, among other things, to distribute to its stockholders at least 90% of investment company taxable income, as defined by the Code, and to meet certain asset diversification requirements. At December 31, 2004, the Company's temporary investments included commercial paper of certain issuers that exceeded 5% of the value of its total assets. These investments were classified as cash equivalents for financial statement purposes. The Company was advised, however, that for purposes of the federal income tax rules governing RIC status, these commercial paper investments could not be classified as cash items, in which case the Company did not meet the RIC asset diversification requirements at December 31, 2004 and was instead treated as a "C" corporation for tax purposes for 2004.

For the years ended December 31, 2005, 2006 and 2007, the Company met all RIC requirements. The Company distributed substantially all of its investment company taxable income for 2005, 2006 and 2007. Thus, the Company did not incur any federal income tax liability for any of these periods.

Differences between the effective income tax rate and the statutory federal tax rate for the periods ended June 30, 2008 and June 30, 2007 were as follows:

	For the Six Months Ended	
	June 30, 2008	June 30, 2007
	(Unaudited)	(Unaudited)
Statutory federal rate on loss from continuing operations	34%	34%
Effect of net deferred tax assets	(34)%	(34)%
Effective tax rate on earnings from continuing operations	0%	0%

The tax effects of temporary differences that give rise to the deferred tax assets and liabilities are as follows:

	For the Six Months Ended	
	June 30, 2008	June 30, 2007
	(Unaudited)	(Unaudited)
Deferred tax assets		
Net operating loss carryforwards	\$ 33,866	\$ 156,674
Net organization costs	51,921	99,848
Total gross deferred tax assets	85,787	256,522
Less valuation allowance	(85,787)	(256,522)
Net deferred tax assets	-	-
Deferred tax liabilities		
Unrealized gains, net	-	-
Prepaid expenses	-	-
Total gross deferred tax liabilities	-	-
Net deferred tax assets	\$ -	\$ -

When a “C” corporation qualifies to be taxed as a RIC, it is subject to corporate-level tax on appreciation inherent in its assets on the date it becomes a RIC (i.e., built-in gain) that it recognizes within the first 10 years of its RIC status. A RIC generally may use loss carry forwards arising in taxable years while it was a “C” corporation to reduce its net recognized built-in gain, although a RIC is not otherwise allowed to utilize such loss carry forwards. Because the Company intends to qualify as a RIC under Subchapter M of the Code for 2005 and later years, it is uncertain whether the Company will fully utilize the tax benefit of its loss carryforward of approximately \$142,000 at December 31, 2004. The valuation allowance for deferred tax assets for the period August 6, 2004 (commencement of operations) through December 31, 2004 was primarily included to reflect this uncertainty. After reducing the deferred tax asset by this allowance, the amount of the remaining deferred tax asset of \$266,013 would entirely offset the deferred tax liability of \$266,013 estimated as of December 31, 2004 should the Company recognize its built-in gain in future years. Because the loss carryforward is expected to offset the built-in gain, no provision for federal income taxes has been recorded for the period August 6, 2004 (commencement of operations) through December 31, 2004. The loss carryforward will expire in the year 2024.

The Company’s consolidated subsidiaries, NGPC Asset Holdings, LP, NGPC Asset Holdings II, LP, NGPC Asset Holdings III, LP, NGPC Asset Holdings IV, LP and NGPC Asset Holdings V, LP, collectively (“NGPCAH”), are or were subject to federal income taxes. For the year ended December 31, 2005 (its first year of operations), NGPCAH operated at a loss and thus, at December 31, 2005, NGPCAH had a deferred tax asset of approximately \$15,000, composed of net operating loss carry forwards. For the year ended December 31, 2006, NGPCAH operated at a small profit, resulting in a reduction of the deferred tax asset composed of net operating loss carry forwards of approximately \$1,000. For the year ended December 31, 2007, NGPCAH had net operating income of approximately \$315,000 resulting in a reduction of the deferred tax asset composed of net operating loss carry forwards of approximately \$122,808. Realization of the net deferred tax asset is not likely based on current levels of estimated taxable income and, accordingly, NGPCAH recorded valuation allowances of approximately \$15,000, \$14,000 and \$109,000 at December 31, 2005, 2006, and 2007, respectively. For the period ended June 30, 2008, NGPCAH operated at a modest loss and, accordingly, NGPCAH recorded no provision for income taxes for the period ended June 30, 2008.

Note 7: Reclassifications

GAAP requires that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on total net assets or net asset value per share. For the years ended December 31, 2007, 2006 and 2005, \$64,170, \$15,710 and \$586,225, respectively, were reclassified to undistributed net investment income (loss) from paid-in capital in excess of par. These reclassifications were primarily due to non-deductible meal expenses, non-deductible excise taxes and income and expenses from a wholly-owned subsidiary.

Note 8: Commitments and Contingencies

As of June 30, 2008, the Company had investments in or commitments to fund loan facilities to 18 portfolio companies totaling \$358 million, on which \$334 million was drawn. In addition, the Company has continuing obligations under the investment advisory agreement with the Manager and the administration agreement with the Administrator. The agreements provide that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, the Manager, the Administrator and its officers, managers, agents, employees, controlling persons, members and any other person or entity affiliated with them will be entitled to indemnification from the Company for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of the Manager's or Administrator's services under the agreements or otherwise as the Company's investment adviser or administrator. The agreements also provide that the Manager, the Administrator and their affiliates will not be liable to the Company or any stockholder for any error of judgment, mistake of law, any loss or damage with respect to any of the Company's investments or any action taken or omitted to be taken by the Manager or the Administrator in connection with the performance of any of their duties or obligations under the agreements or otherwise as investment adviser or administrator to the Company, except to the extent specified in Section 36(b) of the 1940 Act concerning loss resulting from a breach of fiduciary duty with respect to the receipt of compensation for services. In the normal course of business, the Company enters into a variety of undertakings containing a variety of representations that may expose the Company to some risk of loss. The amount of future loss, if any, arising from such undertakings, while not quantifiable, is not expected to be significant.

Note 9: Fair Value

In September 2006, FASB issued Statement 157, which establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. Statement 157 applies to fair value measurements already required or permitted by existing standards. Statement 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current generally accepted accounting principles from the application of this Statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements.

As of January 1, 2008, the Company adopted Statement 157. The Company has performed an analysis of all existing investments and derivative instruments to determine the significance and character of all inputs to their fair value determination. Based on this assessment, the adoption of this standard did not have a material effect on the Company's net asset value. However, the adoption of the standard does require the Company to provide additional disclosures about the inputs used to develop the measurements and the effect of certain measurements on changes in net assets for the reportable periods as contained in the Company's periodic filings.

Statement 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into the following three broad categories:

- *Level 1* — Quoted unadjusted prices for identical instruments in active markets to which the Company has access at the date of measurement.
- *Level 2* — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 2 inputs are those in markets for which there are few transactions, the prices are not current, little public information exists or instances where prices vary substantially over time or among brokered market makers.
- *Level 3* — Model derived valuations in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are those inputs that reflect the Company's own assumptions that market participants would use to price the asset or liability based on the best available information.

The following table sets forth by level within the fair value hierarchy the Company's financial assets that were accounted for at fair value on a recurring basis as of June 30, 2008. As required by Statement 157, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. The fair value of the crude oil and natural gas options are estimated using a combined income and market based valuation methodology based upon forward commodity price and volatility curves. The curves are obtained from independent pricing services reflecting broker market quotes.

The following table presents the Company's assets measured at fair value on a recurring basis at June 30, 2008:

Assets at Fair Value	Total	Quoted Prices in Active Markets (Level 1)	Prices with Observable Market Inputs (Level 2)	Unobservable Inputs (Level 3)
Long term investments	\$ 346,896,083	\$ -	\$ -	\$ 346,896,083
Short term investments	177,958,876	177,958,876	-	-
Crude oil put options	1,103,659	-	-	1,103,659
Natural gas put options	228,195	-	-	228,195
Total assets at fair value	\$ 526,186,813	\$ 177,958,876	\$ -	\$ 348,227,937

The Company did not have any liabilities that were measured at fair value on a recurring basis at June 30, 2008.

The following table presents the Company's assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at December 31, 2007 and at June 30, 2008.

Assets at Fair Value Using Unobservable Inputs (Level 3)	Long Term Investments
Balance as of December 31, 2007	\$ 272,348,573
Transfers in (out) of Level 3	20,835,500
Net investment income (loss)	589,096
Net realized gains (losses)	-
Net unrealized gains (losses)	(134,823)
Purchases, sales and redemptions	54,589,591
Balance as of June 30, 2008	\$ 348,227,937

The \$134,823 of net unrealized losses presented in the table above relates to investments that are still held at June 30, 2008, and the Company presents these unrealized losses on the Consolidated Statement of Operations as net increase (decrease) in unrealized appreciation (depreciation) on portfolio securities, corporate notes and commodity derivative instruments.

Note 10: Commodity Derivative Instruments

The Company acquired a limited term royalty interest from ATP Oil & Gas Corporation and will receive royalty payments from this investment that are based on crude oil and natural gas production and prices. As a result, the Company is exposed to fluctuations in crude oil and natural gas prices. As of June 4, 2008, the Company has entered into option contracts to manage the price risk associated with these royalty payments. The Company accounts for derivative instruments and hedging activities in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. The Company has decided not to designate these instruments as hedging instruments for financial accounting purposes, and as a result, we recognize the change in the instruments' fair value currently on the Consolidated Statement of Operations as net increase (decrease) in unrealized appreciation (depreciation) on portfolio securities, corporate notes and commodity derivative instruments.

Investments in derivative instruments represent future commitments or options to purchase or sell other financial instruments or commodities at specific prices at specified future dates, which expose the Company to market risk if the market value of the contract is higher or lower than the contract price at the maturity date. Additionally, these derivative instruments expose the Company to credit risk arising from the potential inability of counterparties to perform under the terms of the contracts.

The components of gains (losses) on commodity derivative instruments are as follows:

	For the Six Months Ended	
	June 30, 2008	June 30, 2007
Unrealized gains (losses) on commodity derivatives	\$ (214,846)	\$ -
Realized gains (losses) on commodity derivatives	-	-
Total gains (losses) on commodity derivative instruments	\$ (214,846)	\$ -

Below is a summary of the Company's commodity derivative instruments as of June 30, 2008.

	Volumes Bbls/MMBtu	Weighted Average Strike Price per Bbl/MMBtu	Fair Value at June 30, 2008
Oil:			
Put options:			
Remainder of 2008	126,000	\$ 101.00	\$ 549,610
2009	137,500	\$ 98.00	527,380
2010	7,000	\$ 85.00	26,669
Total oil	270,500		\$ 1,103,659
Natural gas:			
Put options:			
Remainder of 2008	373,000	\$ 10.00	\$ 189,356
2009	242,000	\$ 10.00	38,839
Total natural gas	615,000		\$ 228,195
Total oil & natural gas put options			\$ 1,331,854

Note 12: Recent Accounting Pronouncements

In March 2008, FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, ("SFAS No. 161"). SFAS No. 161 requires enhanced disclosure about the fair value of derivative instruments and their gains or losses in tabular format and information about credit risk related contingent features in derivative agreements, counterparty credit risk, and the company's strategies and objectives for using derivative instruments. SFAS No. 161 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and as such, will be adopted by the Company on January 1, 2009. The Company is currently evaluating the effect of adopting SFAS No. 161 on its financial statements.

In September 2006, FASB issued Statement 157, *Fair Value Measurements*, which establishes a framework for measuring fair value and requires additional disclosures about fair value measurements. Beginning January 1, 2008, the Company partially applied Statement 157 as allowed by FASB Staff Position (FSP) 157-2, which delayed the effective date of Statement 157 for nonrecurring fair value measurements associated with the Company's nonfinancial assets and liabilities. As of January 1, 2008, the Company has applied the provisions of Statement 157 to its recurring fair value measurements and the impact was not material. See Note 9 for disclosure of fair value measurements for the Company's financial instruments. Under FSP 157-2, the Company will be required to apply Statement 157 to its nonrecurring fair value measurements associated with its nonfinancial assets and liabilities beginning January 1, 2009. The Company is currently reviewing the applicability of Statement 157 to our nonrecurring fair value measurements associated with its nonfinancial assets and liabilities as well as the potential impact on the Company's consolidated financial statements.

Note 13: Subsequent Events

As previously announced, in connection with Resaca Exploitation, Inc.'s ("Resaca") \$105.5 million initial public offering of shares of common stock on the Alternative Investment Market of the London Stock Exchange, the Company converted its Senior Subordinated Secured Convertible Term Loan into shares of common stock of Resaca and sold 1.554 million of those shares in the offering for gross proceeds of \$4 million. The Company continues to hold 6.8 million shares of Resaca common stock or approximately 6.9% of Resaca's fully diluted common shares having a gross value of \$17.0 million based on the closing price of Resaca's common shares on August 4, 2008.

Immediately following its initial public offering, Resaca repaid its Senior Secured Tranche B Term Loan in full and repurchased overriding royalty interests held by the Company. The Company has become Resaca's sole lender, providing it with a \$60 million Senior Secured Multiple-Advance Term Loan. At present, approximately \$22 million is outstanding under this facility.

The sale of the overriding royalty interest resulted in realized long term capital gains of approximately \$2.7 million and the sale of the common stock resulted in short term capital gains of approximately \$3.3 million, which will be recognized in the third quarter of 2008. Such gains may result in incentive fees payable to the Manager according to the terms of the investment advisory agreement.

On July 21, 2008, the Company exchanged its \$13.4 million Senior Secured Note and warrants for preferred membership interests in DeanLake Operator, LLC ("DeanLake"). In addition, the Company has agreed to make available an additional \$3.6 million to DeanLake to be used for capital expenditures on DeanLake's properties.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the notes thereto contained elsewhere in this report.

Forward-Looking Statements

The safe harbor for forward-looking statements under the Private Securities Litigation Reform Act of 1995 does not apply to business development companies and statements made in this report. Nonetheless, certain statements in this report that relate to estimates or expectations of our future performance or financial condition may be forward-looking. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections in our industry, our beliefs and our assumptions. These statements are not guarantees of future performance and are subject to various risks and uncertainties, which could cause actual results and conditions to differ materially from those projected, including, but not limited to,

- uncertainties associated with the timing of transaction closings;
- changes in the prospects of our portfolio companies;
- changes in interest rates;
- changes in regional, national or international economic conditions and their impact on the industries in which we invest;
- the future operating results of our portfolio companies and their ability to achieve their objectives;
- changes in the conditions of the industries in which we invest;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- the ability of our external manager, NGP Investment Advisor, LP, which we refer to as our Manager, to locate suitable investments for us and to monitor and administer the investments; and
- other factors enumerated in our filings with the Securities and Exchange Commission, or the SEC.

We may use words such as “anticipates,” “believes,” “estimates,” “expects,” “intends,” “will,” “should,” “may” and similar expressions to identify forward-looking statements. Such statements are based on currently available operating, financial and competitive information and are subject to various risks and uncertainties that could cause actual results to differ materially from our historical experience and present expectations. Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions also could be inaccurate. Undue reliance should not be placed on such forward-looking statements, as such statements speak only as of the date on which they are made. Additional information regarding these and other risks and uncertainties is contained in our periodic filings with the SEC.

Overview

We are a financial services company created to invest primarily in debt securities of small and mid-size private energy companies, which until July 21, 2008, we generally defined as companies that have net asset values or annual revenues of less than \$500 million and are not issuers of publicly traded securities. On July 21, 2008, the Securities and Exchange Commission expanded the definition of eligible portfolio companies to include domestic operating companies with securities listed on a national securities exchange so long as the company has a market capitalization of less than \$250 million. We have elected to be regulated as a business development company, or a BDC, under the Investment Company Act of 1940, as amended, or the 1940 Act, and, as such, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in “qualifying assets,” which are securities of private or thinly traded public U.S. companies, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. In addition, for federal income tax purposes we operate so as to be treated as a regulated investment company, or RIC, under the Internal Revenue Code of 1986, as amended, or the Code. Pursuant to these elections, we generally will not have to pay corporate-level taxes on any income and capital gains we distribute to our stockholders.

Our investment objective is to generate both current income and capital appreciation primarily through debt and equity investments with certain equity components. A key focus area for our targeted investments in the energy industry is domestic exploration and production businesses and midstream businesses that gather, process and transport oil and natural gas. We also evaluate investment opportunities in such businesses as coal, power, electricity, energy services and alternative energy. Our investments will generally range in size from \$10 million to \$50 million; however, we may invest more or less depending on market conditions and our Manager's view of a particular investment opportunity. Our targeted investments primarily consist of debt instruments, including senior and subordinated loans combined in one facility, sometimes with an equity component, and subordinated loans with equity components. We may also invest in preferred stock and other equity securities on a stand-alone basis.

Our level of investment activity can and does vary substantially from period to period depending on many factors, including the amount of debt and equity capital available to energy companies, the level of acquisition and divestiture activity for such companies, the level and volatility of energy commodity prices, the general economic environment and the competitive environment for the types of investments we make. We believe that, for energy companies, the availability of debt capital from banks, mezzanine providers and alternative investment vehicles such as hedge funds has remained strong over the last 12 months and has continued to put downward pressure on spreads. However, we do not expect this availability of capital to impair our ability to make attractive long-term investment decisions with our capital. We remain committed to our underwriting and investment disciplines in selectively investing in appropriate risk-reward opportunities within the energy sector.

We generate revenue in the form of interest income on the debt securities that we own, dividend income on any common or preferred stock that we own and capital gains or losses on any debt or equity securities that we acquire in portfolio companies and subsequently sell. Our investments, if in the form of debt securities, typically have a term of three to seven years and bear interest at a fixed or floating rate. To the extent achievable, we seek to collateralize our investments by obtaining security interests in our portfolio companies' assets. We also may acquire minority or majority equity interests in our portfolio companies, which may pay cash or in-kind dividends on a recurring or otherwise negotiated basis. In addition, we may generate revenue in other forms including commitment, origination, structuring, administration or due diligence fees; fees for providing managerial assistance; and possibly consultation fees. Any such fees generated in connection with our investments are recognized as earned.

Portfolio and Investment Activity

During the quarter ended June 30, 2008, we added three new companies to our portfolio. On April 30, 2008, we closed a \$30 million Senior Secured Credit Facility (the "Facility") with Greenleaf Investments, LLC, a private company based in Victoria, Texas ("Greenleaf"). We acted as agent and sole lender for the Facility. Initial availability under the Facility is \$12.5 million with approximately \$10.5 million funded at closing. The Facility is secured by first liens on substantially all of Greenleaf's assets. As partial consideration for providing the Facility, we received an overriding royalty interest in Greenleaf's properties. Proceeds from the Facility will be used by Greenleaf to acquire certain properties in Victoria County, Texas, to develop additional oil and gas properties and to fund capital expenditures. Greenleaf is an oil and gas producer with interests in production located along the Texas Gulf Coast.

Also on April 30, 2008, we made a follow-on investment in Tammany Oil & Gas, LLC, an existing portfolio company. Availability under this facility was increased from \$30.0 million to \$34.0 million. We funded an additional \$6.2 million, which was used to acquire certain producing properties in the federal waters of the Gulf of Mexico. Following the investment and as of June 30, 2008, there was approximately \$29.5 million outstanding under this facility.

In June 2008, we acquired a limited term royalty interest from ATP Oil & Gas Corporation in certain oil and gas producing properties in offshore Gulf of Mexico for approximately \$32.8 million. The royalty interest will continue until we have received 292 MBo of crude oil and 648,000 MMBtu of natural gas. In conjunction with this investment, we purchased a series of oil and gas put options from BP Corporation North America Inc. to hedge against downside price movements while preserving upside potential.

Following these transactions, as of June 30, 2008, our investment portfolio consisted of 18 portfolio companies invested as follows: 34.9% in senior secured term loans, 5.9% in senior subordinated secured notes, 0.3% in participating convertible preferred stock, 1.6% in corporate notes, 5.5% in member and partnership units, 10.3% in net profits interests, 6.1% in limited term royalty interests, and 0.2% in other investments. The balance of our investment portfolio (as a percentage of the whole portfolio) was comprised 33.1% of U.S. Treasury Bills and 2.1% of cash and cash equivalents.

At June 30, 2008, the weighted average yield on targeted portfolio investments, exclusive of capital gains, was 8.94%. The weighted average yield of our corporate notes was 5.82%. The weighted average yield of our U.S. Treasury Bills and cash equivalents was 1.01%. The weighted average yield on our total capital invested at June 30, 2008 was 6.04%. The yield on targeted portfolio investments and the yield on our total capital invested did not include income amounts on our \$32.8 million limited term royalty interest. This investment was acquired during the month of June and no income was received from it during the quarter ended June 30, 2008. Additionally, these yields do not include income from our four investments on non-accrual status. See additional discussion in Portfolio Credit Quality below.

By comparison, at June 30, 2007, the weighted average yield on targeted portfolio investments, exclusive of capital gains, was 12.2%. The weighted average yield of our corporate notes was 5.5%. The weighted average yield of our U.S. Treasury Bills and cash equivalents was 4.8%. The weighted average yield on our total capital invested at June 30, 2007 was 9.4%.

Yields are computed using interest rates as of the balance sheet date and include amortization of loan discount points, original issue discount and market premium or discount, royalty interest income, net profits income and other similar investment income, weighted by their respective costs when averaged.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and income and expenses during the periods reported. Actual results could materially differ from those estimates. We have identified the following as critical accounting policies.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States, and include the accounts of the company and its wholly owned subsidiaries. The consolidated financial statements reflect all adjustments and reclassifications which, in the opinion of management, are necessary for the fair presentation of the results of the operations and financial condition for the periods presented. All significant intercompany balances and transactions have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, liquid investments in a money market fund. Cash and cash equivalents are carried at cost which approximates fair value.

Prepaid Assets

Prepaid assets may consist of premiums paid for directors' and officers' insurance and fidelity bonds with policy terms of one year, fees associated with the establishment of the credit facility, and registration expenses related to our shelf filing. Such premiums and fees are amortized monthly on a straight line basis over the term of the policy or credit facility. Registration expenses, if any, are deferred and will be charged as a reduction of capital upon the sale of shares.

Concentration of Credit Risk

We place our cash and cash equivalents with financial institutions and, at times, cash held in checking accounts may exceed the Federal Deposit Insurance Corporation insured limit.

Valuation of Investments

Investments are carried at fair value, as determined in good faith by our Board of Directors. On a quarterly basis, the investment team of our Manager prepares valuations for all of the assets in our portfolio and presents the valuations to our valuation committee and Board of Directors. The valuations are determined and recommended by the valuation committee to our Board of Directors, which reviews and ratifies the final portfolio valuations.

Investments in securities for which market quotations are readily available are recorded in the financial statements at such market quotations as of the valuation date adjusted for appropriate liquidity discounts, if applicable. For investments in securities for which market quotations are unavailable, or which have various degrees of trading restrictions, the investment team of our Manager prepares valuation analyses, as generally described below.

Using the most recently available financial statements, forecasts and, when applicable, comparable transaction data, the investment team of our Manager prepares valuation analyses for the various securities in our investment portfolio. These valuation analyses are prepared using traditional valuation methodologies, which rely on estimates of the asset values and enterprise values of portfolio companies issuing securities.

The methodologies for determining asset valuations include estimates based on: the liquidation or sale value of a portfolio company's assets, the discounted value of expected future net cash flows from the assets and third party valuations of a portfolio company's assets, such as engineering reserve reports of oil and natural gas properties. Our Manager considers some or all of the above valuation methods to determine the estimated asset value of a portfolio company.

The methodologies for determining enterprise valuations include estimates based on: valuations of comparable public companies, recent sales of comparable companies, the value of recent investments in the equity securities of a portfolio company and also on the methodologies used for asset valuations. The investment team of our Manager considers some or all of the above valuation methods to determine the estimated enterprise value of a portfolio company.

Debt Securities: We record our investments in non-convertible debt securities at fair value which generally approximates cost plus amortized original issue discount, or OID, to the extent that the estimated asset or enterprise value of the portfolio company exceeds the outstanding debt of the portfolio company. We record our investment in convertible debt securities at fair value which generally approximates the higher of: 1) cost plus amortized OID, to the extent that the estimated asset or enterprise value of the portfolio company equals or exceeds the outstanding debt of the portfolio company; and 2) our pro rata share, upon conversion, of the residual equity value of the portfolio company available after deducting all outstanding debt from its estimated enterprise value. If the estimated asset or enterprise value is less than the sum of the value of our debt investment and all other debt securities of the portfolio company *pari passu* or senior to our debt investment, we reduce the value of our debt investment beginning with our junior-most debt investment such that the asset or enterprise value less the value of the outstanding *pari passu* or senior debt is zero. Investments in debt securities for which market quotations are readily available are recorded in the financial statements at such market quotations as of the valuation date adjusted for appropriate liquidity discounts, if applicable.

Equity Securities: We record our investments in preferred and common equity securities (including warrants or options to acquire equity securities) at fair value based on our pro rata share of the residual equity value available after deducting all outstanding debt from the estimated enterprise value.

Property-Based Equity Participation Rights: We record our investments in overriding royalty and net profits interests at fair value based on a multiple of cash flows generated by such investments, multiples from transactions involving the sale of comparable assets and/or the discounted value of expected future net cash flows from such investments. Appropriate cash flow multiples are derived from the review of comparable transactions involving similar assets. The discounted value of future net cash flows is derived, when appropriate, from third party valuations of a portfolio company's assets, such as engineering reserve reports of oil and gas properties.

Due to the uncertainty inherent in the valuation process, such estimates of fair value may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. Additionally, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different from the valuations currently assigned.

In September 2006, the FASB issued Statement 157 which establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. Statement 157 applies to fair value measurements already required or permitted by existing standards. Statement 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current generally accepted accounting principles from the application of Statement 157 relate to the definition of fair value, the methods used to measure fair value and the expanded disclosures about fair value measurements.

As of January 1, 2008, we adopted Statement 157. We performed an analysis of all existing investments to determine the significance and character of all inputs to their fair value determination. Based on this assessment, the adoption of this standard did not have a material effect on our net asset value.

Valuation of Commodity Derivative Instruments

Current accounting rules require that all derivative instruments, other than those that meet specific exclusions, be recorded at fair value. Quoted market prices are the best evidence of fair value. If quotations are not available, management's best estimate of fair value is based on the quoted market price of derivatives with similar characteristics or on valuation techniques. Our derivative instruments are either exchange traded or transacted in an over-the-counter market. Valuation is determined by reference to readily available public data. Option fair values for the natural gas transactions are based on the Black-Scholes pricing model and the crude oil transactions are based on the Turnbull-Wakeman pricing model and verified against the applicable counterparty's fair values.

Securities Transactions, Interest and Dividend Income Recognition

All securities transactions are accounted for on a trade-date basis. Interest income is recorded on the accrual basis to the extent that such amounts are expected to be collected. Premiums and discounts are accreted into interest income using the effective interest method. Detachable warrants, other equity securities or property interests such as overriding royalty interests obtained in conjunction with the acquisition of debt securities are recorded separately from the debt securities at their initial fair value, with a corresponding amount recorded as a discount to the associated debt security. Income from overriding royalty interests is recognized as received and the recorded assets are charged depletion using the unit of production depletion method. The portion of the loan origination fees paid that represent additional yield or discount on a loan are deferred and accreted into interest income over the life of the loan using the effective interest method. Upon the prepayment of a loan or debt security, any unamortized loan origination fees are recorded as interest income and any unamortized premium or discount is recorded as a realized gain or loss. Market premiums or discounts on acquired loans or fixed income investments are accreted into interest income using the effective interest method. Dividend income is recognized on the ex-dividend date. Accruing interest or dividends on investments is deferred when it is determined that the interest or dividend is not collectible. Collectability of the interest and dividends is assessed, based on many factors including the portfolio company's ability to service its loan based on current and projected cash flows as well as the current valuation of the portfolio company's assets.

Payment-in-Kind Interest

We may have investments in our portfolio that contain payment-in-kind, or PIK, provisions. PIK interest or dividends, computed at the contractual rate specified in each investment agreement, are added to the principal balance of the investment and recorded as interest or dividend income. For investments with PIK interest or dividends, we base income accruals on the principal balance including any PIK. If the portfolio company's asset valuation is not sufficient to cover the contractual interest, we will not accrue interest or dividend income on the investment. To maintain our RIC status, this non-cash source of income must be paid out to stockholders in the form of dividends, even though we have not yet collected the cash.

Fee Income Recognition

Fees primarily include financial advisory, transaction structuring, loan administration, commitment and prepayment fees. Financial advisory fees represent amounts received for providing advice and analysis to companies and are recognized as earned when such services are performed provided collection is probable. Transaction structuring fees represent amounts received for structuring, financing, and executing transactions and are generally payable only if the transaction closes. Such fees are deferred and accreted into interest income over the life of the loan using the effective interest method. Commitment fees represent amounts received for committed funding and are generally payable whether or not the transaction closes. On transactions that close within the commitment period, commitment fees are deferred and accreted into interest income over the life of the loan using the effective interest method. Commitment fees on transactions that do not close are generally recognized over the time period the commitment is outstanding. Prepayment and loan administration fees are recognized as they are received.

Net Realized Gains or Losses and Net Change in Unrealized Appreciation or Depreciation

Realized capital gains or losses on portfolio securities, corporate notes and commodity derivative instruments are measured by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, considering unamortized fees and prepayment premiums and without regard to unrealized appreciation or depreciation previously recognized, and include investments charged off during the year, net of recoveries. Net unrealized appreciation or depreciation reflects the change in portfolio investment values during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation, when capital gains or losses are realized.

Derivative accounting rules require that fair value changes of derivative instruments that do not qualify for hedge accounting be reported in current period, rather than in the period the derivatives are settled and/or the hedged transaction is settled. This can result in significant earnings volatility. The company has decided not to designate these instruments as hedging instruments for financial accounting purposes. Net unrealized appreciation or depreciation reflects the change in derivative values during the reporting period including the reversal of previously recorded unrealized appreciation or depreciation, when settled gains or losses are realized.

Dividends

Dividends to stockholders are recorded on the ex-dividend date. We currently intend that our distributions each year will be sufficient to maintain our status as a RIC for federal income tax purposes and to eliminate our liability for federal excise taxes. We intend to make distributions to stockholders on a quarterly basis of substantially all net taxable income. We also intend to make distributions of net realized capital gains, if any, at least annually. However, we may in the future decide to retain capital gains for investment and designate such retained dividends as a deemed distribution. The amount to be paid out as a dividend is determined by our Board of Directors each quarter and is based on the annual taxable earnings estimated by our Manager. Based on that estimate, a dividend is declared each quarter and paid shortly thereafter.

Results of Operations

Investment Income

Investment income for the quarter ended June 30, 2008 was \$8.2 million with \$7.5 million attributable to targeted investments in 18 portfolio companies, \$0.2 million from corporate notes, \$0.5 million attributable to investments in cash equivalents and less than \$0.1 million in fee income from third parties and affiliates. This compares to investment income for the quarter ended June 30, 2007 of \$9.7 million with \$7.7 million attributable to targeted investments in nineteen portfolio companies, \$0.3 million from corporate notes, \$1.6 million attributable to investments in cash equivalents and \$0.1 million in fee income from third parties and affiliates.

For the six months ended June 30, 2008, investment income decreased by \$0.5 million, or 2.7%, to \$17.7 million from \$18.2 million for the same period in 2007. For the six months ended June 30, 2008, we recorded \$15.7 million attributable to targeted investments in portfolio companies, \$0.3 million from corporate notes, \$1.6 million attributable to investments in cash equivalents, and \$0.1 million in fee income from third parties and affiliates. This compares to investment income of \$14.4 million attributable to targeted investments in portfolio companies, \$0.5 million from corporate notes, \$3.1 million attributable to investments in cash equivalents, and \$0.2 million in fee income from third parties and affiliates, for the same period in 2007.

While our total targeted portfolio balance increased by approximately \$113 million from June 30, 2007 to June 30, 2008, the balance of non-accruing and non-income producing investments increased from approximately \$26 million to approximately \$72 million during the same period. Also, a \$32.8 million investment purchased in June 2008 is not expected to accrue income until July 2008. Although LIBOR rates dropped significantly from the second quarter of 2007 compared to the second quarter of 2008, this had a minimal effect on our targeted investment income because of LIBOR floors established for new clients and certain other existing clients during 2008. Conversely, significantly lower U.S. Treasury Bill rates during 2008 reduced interest from cash and cash equivalents. Also, the second quarter of 2007 included \$1.4 million in non-recurring income premiums from client repayments.

Operating Expenses

For the quarter ended June 30, 2008, operating expenses were \$4.4 million compared to \$5.2 million for the quarter ended June 30, 2007. The 2008 amount consisted of investment advisory and management fees of \$1.8 million, insurance expenses, administrative services fees, professional fees, directors' fees and other general and administrative expenses of \$1.2 million and credit facility interest and fees of \$1.4 million. This compares to investment advisory and management and incentive fees of \$2.6 million, insurance expenses, administrative services fees, professional fees, directors' fees and other general and administrative expenses of \$1.0 million and credit facility interest and fees of \$1.6 million for the quarter ended June 30, 2007. Approximately \$1.0 million of incentive fees were accrued in the second quarter of 2007.

For the six months ended June 30, 2008, operating expenses were \$9.8 million compared to \$9.3 million for the same period of 2007. The 2008 amount consisted of investment advisory and management and incentive fees of \$3.6 million, insurance expenses, administrative services fees, professional fees, directors' fees, organization costs and other general and administrative expenses of \$2.3 million and credit facility interest and fees of \$3.9 million. This compares to investment advisory and management fees of \$4.2 million, insurance expenses, administrative services fees, professional fees, directors' fees, organization costs and other general and administrative expenses of \$1.9 million and credit facility interest and fees of \$3.2 million for the six months ended June 30, 2007.

Operating expenses for the three and six month periods include our allocable portion of the total organizational and operating expenses incurred by us, our Manager, and NGP Administration, LLC, which we refer to as our Administrator, as determined by our Board of Directors and representatives of our Manager and our Administrator. According to the terms of the investment advisory agreement, the base management fee is calculated quarterly as 0.45% of the average of our total assets as of the end of the two previous quarters.

Net Investment Income

For the quarter ended June 30, 2008, net investment income was \$3.8 million compared to \$4.5 million for the quarter ended June 30, 2007, primarily due to decreased interest income caused by the overall decrease in variable interest rates and the increase in portfolio loans in a non-accrual status partially offset by lower incentive fees and interest expenses.

Net investment income for the six months ended June 30, 2008 was \$7.9 million compared to \$8.9 million for six months ended June 30, 2007 primarily due to decreased interest income caused by the overall decrease in variable interest rates, the increase in portfolio loans in a non-accrual status, and higher management fees and interest expenses.

Unrealized Appreciation or Depreciation on Investments

For the quarter ended June 30, 2008, the increase in net unrealized appreciation was \$1.6 million, comprised of a \$1.6 million increase in targeted portfolio fair value, a \$0.2 million increase in the fair value of corporate notes and a \$0.2 million decrease in the fair value of commodity derivative instruments. This compares to an increase of \$2.3 million net unrealized appreciation for the quarter ended June 30, 2007, consisting of a \$2.7 million increase in targeted portfolio fair value and a \$0.4 million decrease in the fair value of corporate notes.

For the six months ended June 30, 2008, the increase in net unrealized depreciation was \$0.1 million, comprised of an increase in targeted portfolio fair value of \$0.2 million, a \$0.1 million decrease in the fair value of corporate notes and a \$0.2 million decrease in the fair value of commodity derivative instruments. This compares to an increase of \$6.0 million net unrealized appreciation for the six months ended June 30, 2007, consisting of a \$6.2 million increase in portfolio fair value and a \$0.2 million decrease in the fair value of corporate notes.

Net Realized Gains

There were no realized capital gains or losses for the quarter ended June 30, 2008. For the quarter ended June 30, 2007, we realized a capital gain of \$6.7 million from the sale of portfolio company warrants and overriding royalty interests.

Net Increase in Stockholders' Equity from Operations

For the quarter ended June 30, 2008, we had a net increase in stockholders' equity (net assets) resulting from operations of \$5.4 million, or \$0.25 per share, compared to \$13.5 million, or \$0.78 per share for the quarter ended June 30, 2007. The \$8.1 million, or \$0.53 per share difference is largely attributable to the \$6.7 million net realized capital gain on portfolio securities recorded during the second quarter of 2007.

For the six months ended June 30, 2008 the net increase in stockholders' equity (net assets) resulting from operations was \$7.8 million, or \$0.36 per share, compared to \$21.6 million, or \$1.25 per share for the six months ended June 30, 2007.

Financial Condition, Liquidity and Capital Resources

During the quarter ended June 30, 2008, we generated cash from operations, including interest earned on our portfolio securities, as well as our investments in corporate notes, U.S. government securities and other high quality debt securities that mature in one year or less. At June 30, 2008, we had cash and cash equivalents of \$11.1 million, investments in U.S. Treasury Bills of \$178.0 million and investments in corporate notes of \$8.8 million. As of June 30, 2008, we had investments in or commitments to fund loan facilities to 18 portfolio companies totaling \$358 million, of which \$334 million was drawn. We expect to fund our investments in 2008 from income earned on our portfolio and temporary investments, repayments or realizations of existing investments and from borrowings under our Credit Facilities. (See description under "Note 3: Credit Facility" in the accompanying notes to consolidated financial statements.) In the future, we may also fund a portion of our investments with issuances of equity or senior debt securities. We may also securitize a portion of our investments. We expect our primary use of funds to be investments in portfolio companies, cash distributions to holders of our common stock and payment of fees and other operating expenses.

Commodity Derivative Instruments

We use commodity derivative instruments to manage our exposure to commodity price fluctuations. We do not designate these instruments as hedging instruments for financial accounting purposes, and, as a result, we recognize the change in the instruments' fair value currently on the Consolidated Statement of Operations as net increase (decrease) in unrealized appreciation (depreciation) on portfolio securities, corporate notes and commodity derivative instruments.

We acquired a limited term royalty interest from ATP Oil & Gas Corporation and the royalty payments associated with this investment are subject to fluctuations in natural gas and oil prices. To manage this risk, we purchased oil and natural gas put options on approximately 93% of our royalty interest. These transactions limit exposure to declines in prices. See "Note 10: Commodity Derivative Instruments" in the accompanying notes to the consolidated financial statements for further description of our put options.

Contractual Obligations

A summary of our contractual payment obligations at June 30, 2008 is as follows:

Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
June 30, 2008:					
Long-term debt obligations — revolving credit facilities (1)	\$ 224,250,000	\$ -	\$ 224,250,000	\$ -	\$ -
Total	\$ 224,250,000	\$ -	\$ 224,250,000	\$ -	\$ -

(1) Excludes accrued interest amounts.

Off-Balance Sheet Arrangements

Currently, we do not engage in any off-balance sheet arrangements, including any risk management of commodity pricing or other hedging practices.

Dividends

We have elected to operate our business so as to be taxed as a RIC under Subchapter M of the Code. To maintain our RIC status, we must distribute at least 90% of our "investment company taxable income" (which generally consists of ordinary income and realized net short-term gains in excess of realized net long-term capital losses, if any, reduced by deductible expenses) and net tax-exempt interest. In order to avoid certain excise taxes imposed on RICs, we will be required to distribute at least 98% of our ordinary income and net capital gains, and 100% of any income realized, but not distributed or deemed distributed, in preceding years. We currently intend to make sufficient distributions to satisfy the annual distribution requirement and to avoid the excise taxes.

We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of these distributions from time to time. In addition, we may be limited in our ability to make distributions due to the asset coverage test for borrowings when applicable to us as a BDC under the 1940 Act and due to provisions in our credit facilities. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including possible loss of our status as a RIC. We cannot assure stockholders that they will receive any distributions or distributions at a particular level.

Portfolio Credit Quality

We maintain a system to evaluate the credit quality of our investments. While incorporating quantitative analysis, this system is a qualitative assessment. This system is intended to reflect the overall performance of a portfolio company's business, the collateral coverage of an investment and other relevant factors. Based on this system, the overall credit quality of our targeted investment portfolio remained satisfactory in the quarter ended June 30, 2008. Of the 23 rated investments as of June 30, 2008, 1 investment declined in rating, 6 investments improved in rating, 13 retained the same rating, and 3 new investments were previously unrated, when compared to the 20 rated investments as of March 31, 2008. Investments approximating \$74 million, or 22% of the \$331.6 million cost basis of targeted investments, are carried on our watch list due to slower than expected development of the assets supporting the investments or deterioration in asset coverage. During the quarter ended June 30, 2008, we did not record any additional unrealized depreciation on the fair value of targeted investments to reflect any potential for loss of capital inherent in those investments. Our investment in Formidable, LLC was placed on non-accrual status effective April 1, 2008. Two portfolio companies, BSR Loco Bayou, LLC and DeanLake Operator, LLC, were issued written notices of default.

Recently Issued Accounting Pronouncements

See Note 12: New Accounting Interpretations and Standards in the accompanying notes to consolidated financial statements for details of recently issued accounting pronouncements and their expected impact on our financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes from the information provided in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2007 other than the addition of the market risk described below:

Commodity Price Risk

We acquired a limited term royalty interest from ATP Oil & Gas Corporation on a transaction dated June 4, 2008. We will receive royalty payments from this investment which will be impacted by fluctuations in the price of crude oil and natural gas. We have purchased put options to protect a portion of our royalty payments from declines in prices. These instruments ensure that a minimum level of royalty payments is established in the event prices decline below the minimum price set by the put option. At June 30, 2008, our open commodity derivative instruments were in a net asset position with a fair value of approximately \$1.3 million.

Investments in derivative instruments represent future commitments or options to purchase or sell other financial instruments or commodities at specific prices at specified future dates, which expose us to market risk if the market value of the contract is higher or lower than the contract price at the maturity date. Additionally, these derivative instruments expose us to credit risk arising from the potential inability of counterparties to perform under the terms of the contracts.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain controls and procedures designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is recorded, processed, summarized and reported on a timely basis and accumulated and made known to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. Based on an evaluation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report conducted by our management, with the participation of our Chief Executive and Chief Financial Officers, our Chief Executive and Chief Financial Officers believe that as of June 30, 2008, these controls and procedures are effective to ensure that we are able to collect, process and disclose the information we are required to disclose in the reports we file with the SEC within the required time periods.

In evaluating changes in internal control over financial reporting during the quarter ended June 30, 2008, management identified no changes in its internal control over financial reporting that occurred during the quarter ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently a defendant in any material legal proceeding, nor to our knowledge, is any material legal proceeding threatened against us.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed under Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 other than the addition of the risk described below under the heading "Additional Risk Factor" and the revisions to the following risk factors (the complete text of which are set forth below under the heading "Revised Risk Factors").

Additional Risk Factor

We may be subject to the risks associated with the ethanol industry.

The ethanol industry is subject to many risks which may adversely affect the market price of ethanol. For example, overcapacity in the ethanol industry may result in a decrease in the market price of ethanol if the demand for ethanol does not grow at the same pace as increases in supply. In addition, the ethanol industry is highly competitive, and other companies presently in the market, or that are about to enter the market, could adversely affect the market price of ethanol. Moreover, because corn is the principal raw material used to produce ethanol, ethanol companies in general are directly affected by the cost and supply of corn. Changes in the price and supply of corn are subject to and determined by market forces over which we have no or little control, including overall supply and demand, government programs and policies, weather, and other factors. Furthermore, because growth and demand for ethanol may be driven primarily by federal and state government policies, a change in government policies favorable to ethanol may cause demand for ethanol to decline. These favorable government policies include the national renewable fuels standard, and various federal ethanol tax incentives that assist the ethanol industry. The continuation of these policies is uncertain, which means that demand for ethanol may decline if these policies change or are discontinued. A decline in the demand of ethanol is likely to cause lower ethanol prices. In addition, tariffs on imported ethanol, which currently effectively limit imported ethanol into the United States, could be reduced or eliminated, which may in turn negatively affect the demand for domestic ethanol and the price at which domestic ethanol is sold.

Revised Risk Factors

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

General interest rate fluctuations may have a negative impact on our investments and investment opportunities and, accordingly, may have a material adverse effect on investment objectives and our rate of return on invested capital. Because we may borrow money to make investments, our net investment income is dependent upon the difference between the rate at which we borrow funds and the rate at which we invest these funds. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. As of June 30, 2008, approximately 17% of the investments at fair value in our portfolio were at fixed rates, while approximately 83% were at variable rates. Trading prices for debt that pays a fixed rate of return tend to fall as interest rates rise. Trading prices tend to fluctuate more for fixed-rate securities that have longer maturities. Although we have no policy governing the maturities of our investments, under current market conditions we expect that we will invest in a portfolio of debt generally having maturities of three to seven years, but may have longer maturities. This means that, to the extent we fund longer term fixed rate investments with shorter term floating rate borrowings, we will be subject to greater risk (other things being equal) than a fund invested solely in shorter term securities. A decline in the prices of the debt we own could adversely affect the trading price of our shares.

If we issue senior securities, such as debt or preferred stock, we will be exposed to additional risks.

We may issue debt securities or preferred stock, and/or borrow money from banks or other financial institutions, which we refer to collectively as senior securities, up to the maximum amount permitted by the 1940 Act. We may issue senior securities to make new or follow-on investments, to maintain our RIC status or to pay contingencies and expenses. We are permitted under the 1940 Act to issue senior securities if, immediately after the borrowing or issuance, we will have an asset coverage of at least 200%. That is, we may borrow funds in an amount up to 50% of the value of our assets (including investments made with borrowed funds). As of June 30, 2008, our asset coverage for senior securities was 241%.

The amount and nature of any borrowings will depend on a number of factors over which we have no control, including general economic conditions and conditions in the financial markets. We may also need to borrow funds to make qualifying investments to maintain our RIC status. Therefore, we may need to raise additional capital, which we may elect to finance in part through a credit facility. We may not be able to obtain a credit facility on terms that we find acceptable, if at all. The unavailability of funds from commercial banks or other sources on favorable terms could inhibit the growth of our business and have a material adverse effect on our performance.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

- (a) Our annual meeting of stockholders was held on Wednesday, May 14, 2008.
- (b) Proxies were solicited by our Board of Directors pursuant to Regulation 14A under the Securities and Exchange Act of 1934. There was no solicitation in opposition to the Board of Directors' nominee for director as listed in the proxy statement, and such nominee was duly elected as reported below.
- (c) Out of a total of 17,500,332 shares of our common stock outstanding and entitled to vote, 15,500,158 shares were present in person or by proxy, representing approximately 89% of the outstanding shares.

Our Board of Directors is divided into three classes, which we refer to as Class I, Class II and Class III directors. The only matter voted on by the stockholders at the 2008 annual meeting, as fully described in the proxy statement for the annual meeting, was the election of one Class I director. The following table presents the number of shares voted for and withheld for each nominee for director.

Nominees For Director	Number Of Votes For	Number Of Votes Withheld
Edward W. Blessing	14,941,945	558,213

The terms of the Class II directors, Mr. David R. Albin and Mr. Lon C. Kile, expire at our 2009 annual meeting of stockholders, and the terms of the Class III directors, Mr. Kenneth A. Hersh and Mr. James R. Latimer, III, expire at our 2010 annual meeting of stockholders.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

No.	Exhibit
3.1	- Articles of Incorporation of NGP Capital Resources Company dated as of July 15, 2004 (filed as Exhibit (a)(1) to the Company's Registration Statement on Form N-2 dated November 9, 2004 (Registration No. 333-118279) and incorporated herein by reference)
3.2	- Articles of Amendment and Restatement of NGP Capital Resources Company dated as of October 29, 2004 (filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated herein by reference)
3.3	- Bylaws of NGP Capital Resources Company (filed as Exhibit (b) to the Company's Registration Statement on Form N-2 dated August 16, 2004 (Registration No. 333-118279) and incorporated herein by reference)
10.1	- Investment Advisory Agreement dated as of November 9, 2004, between NGP Capital Resources Company and NGP Investment Advisor, LP (filed as Exhibit 10.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated herein by reference)
10.2	- Administration Agreement dated as of November 9, 2004, by and between NGP Capital Resources Company and NGP Administration, LLC (filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated herein by reference)
10.3	- License Agreement dated as of November 9, 2004, by and between NGP Capital Resources Company and NGP Energy Capital Management, L.L.C. (formerly known as Natural Gas Partners, L.L.C.) (filed as Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated herein by reference)
10.4	- Amended and Restated Joint Code of Ethics
10.5	- Form of Indemnity Agreement (filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated herein by reference)
10.6	- Amended and Restated Revolving Credit Agreement dated as of August 31, 2006, by and between NGP Capital Resources Company, the lenders from time to time party thereto and SunTrust Bank (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006, and incorporated herein by reference)
10.7	- First Amendment to Amended and Restated Revolving Credit Agreement effective as of August 31, 2006, by and between NGP Capital Resources Company, the lenders from time to time party thereto and SunTrust Bank (filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006, and incorporated herein by reference)
10.8	- Treasury Secured Revolving Credit Agreement dated as of August 31, 2006, by and between NGP Capital Resources Company, the lenders from time to time party thereto and SunTrust Bank (filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006, and incorporated herein by reference)
10.9	- First Amendment to Treasury Secured Revolving Credit Agreement effective as of August 31, 2006, by and between NGP Capital Resources Company, the lenders from time to time party thereto and SunTrust Bank (filed as Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006, and incorporated herein by reference)
10.10	- Second Amendment to Treasury Secured Revolving Credit Agreement effective as of September 28, 2007, by and between NGP Capital Resources Company, the lenders from time to time party thereto and SunTrust Bank (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K on October 24, 2007, and incorporated herein by reference)
10.11	- Second Amendment to Amended and Restated Revolving Credit Agreement effective as of March 13, 2008, by and between NGP Capital Resources Company, the lenders from time to time party thereto and SunTrust Bank
10.12	- Third Amendment to Treasury Secured Revolving Credit Agreement effective as of March 13, 2008, by and between NGP Capital Resources Company, the lenders from time to time party thereto and SunTrust Bank

- 31.1 - Certification required by Rule 13a-14(a)/15d-14(a) by the Chief Executive Officer
- 31.2 - Certification required by Rule 13a-14(a)/15d-14(a) by the Chief Financial Officer
- 32.1 - Section 1350 Certification by the Chief Executive Officer
- 32.2 - Section 1350 Certification by the Chief Financial Officer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NGP CAPITAL RESOURCES COMPANY

By: /s/ John H. Homier
John H. Homier
President and Chief Executive Officer

NGP CAPITAL RESOURCES COMPANY

By: /s/ Stephen K. Gardner
Stephen K. Gardner
Chief Financial Officer, Treasurer and Secretary

Date: August 6, 2008

Index to Exhibits

No.	Exhibit
3.1	- Articles of Incorporation of NGP Capital Resources Company dated as of July 15, 2004 (filed as Exhibit (a)(1) to the Company's Registration Statement on Form N-2 dated November 9, 2004 (Registration No. 333-118279) and incorporated herein by reference)
3.2	- Articles of Amendment and Restatement of NGP Capital Resources Company dated as of October 29, 2004 (filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated herein by reference)
3.3	- Bylaws of NGP Capital Resources Company (filed as Exhibit (b) to the Company's Registration Statement on Form N-2 dated August 16, 2004 (Registration No. 333-118279) and incorporated herein by reference)
10.1	- Investment Advisory Agreement dated as of November 9, 2004, between NGP Capital Resources Company and NGP Investment Advisor, LP (filed as Exhibit 10.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated herein by reference)
10.2	- Administration Agreement dated as of November 9, 2004, by and between NGP Capital Resources Company and NGP Administration, LLC (filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated herein by reference)
10.3	- License Agreement dated as of November 9, 2004, by and between NGP Capital Resources Company and NGP Energy Capital Management, L.L.C. (formerly known as Natural Gas Partners, L.L.C.) (filed as Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated herein by reference)
10.4	- Amended and Restated Joint Code of Ethics
10.5	- Form of Indemnity Agreement (filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated herein by reference)
10.6	- Amended and Restated Revolving Credit Agreement dated as of August 31, 2006, by and between NGP Capital Resources Company, the lenders from time to time party thereto and SunTrust Bank (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006, and incorporated herein by reference)
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NGP CAPITAL RESOURCES COMPANY
NGP INVESTMENT ADVISOR, LP

AMENDED AND RESTATED
JOINT CODE OF ETHICS

Adopted July 31, 2008

This Amended and Restated Code of Ethics (the “Code”) has been adopted by the Board of Directors, including a majority of the Directors who are not interested persons, of NGP Capital Resources Company (the “Company”) and the general partner of NGP Investment Advisor, LP (the “Adviser”) in order to satisfy the requirements of Rule 17j-1 under the Investment Company Act of 1940 (the “1940 Act”) and Section 204A of the Investment Advisers Act of 1940 (the “Advisers Act”).

As it relates to Rule 17j-1 of the 1940 Act, the purpose of the Code is to establish standards and procedures that are reasonably designed for the detection and prevention of activities by which persons having knowledge of the investments and investment intentions of the Company may abuse their fiduciary duties to the Company and otherwise deal with the types of conflicts of interest situations to which Rule 17j-1 is addressed. As it relates to Section 204A of the Advisers Act, the purpose of this Code is to establish procedures that, taking into consideration the nature of the Adviser’s business, are reasonably designed to prevent the misuse of material non-public information in violation of the federal securities laws by persons associated with the Adviser.

SECTION 1

DEFINITIONS

- 1.1. “Access Person” means (a) the Adviser, (b) any director, general partner, or officer of the Adviser or the Company, and (c) any Advisory Person.
- 1.2. “Advisory Person” means any (a) employee of the Company (or any company in a Control relationship with the Company) who, in connection with his or her regular functions or duties, makes, participates in, or obtains information regarding the purchase or sale of Covered Securities by the Company or whose functions relate to the making of any recommendations with respect to such purchases or sales, and (b) employee of the Adviser who has access to nonpublic information regarding the Company’s purchase or sale of securities, or nonpublic information regarding the portfolio holdings of the Company, or who, in connection with his or her regular functions or duties is involved in making securities recommendations to the Company, or has access to such recommendations that are not public.

- 1.3. “Annual Certification” means an Annual Certification of Compliance with Code of Ethics, in the form attached as Schedule F.
- 1.4. “Automatic Investment Plan” means a program in which regular periodic purchases (or withdrawals) are made automatically in (or from) investment accounts in accordance with a predetermined schedule and allocation and includes a dividend reinvestment plan.
- 1.5. “Beneficial Ownership” has the meaning set forth in paragraph (a)(2) of Rule 16a-1 under the Securities Exchange Act of 1934, and for purposes of this Code includes any interest by which an Access Person or any Immediate Family Member of an Access Person can directly or indirectly derive monetary or other economic benefit from the purchase, sale (or other acquisition or disposition), or ownership of a security, including any such interest that arises as a result of: a general partnership interest in a general or limited partnership, an interest in a trust, a right to dividends that is separated or separate from the underlying security, a right to acquire equity securities through the exercise or conversion of a derivative security (whether or not presently exercisable), and a performance related advisory fee (other than an asset based fee).
- 1.6. “Board Member” means each individual who serves as a director of the Company.
- 1.7. “Committee of Independent Directors” means a committee comprised of all of the directors of the Company who are not “interested persons” of the Company as defined in Section 2(a)(19) of the 1940 Act acting as a committee of the whole.
- 1.8. “Compliance Officer” means the person designated by the Adviser to serve as the chief compliance officer of the Adviser.
- 1.9. “Control” has the meaning set forth in Section 2(a)(9) of the 1940 Act, and includes the power to exercise a controlling influence over the management or policies of a company, unless such power is solely the result of an official position with the company. Control shall be presumed to exist where a person owns beneficially, either directly or through one or more companies, more than 25% of the voting securities of a company.
- 1.10. “Covered Security” means a security as defined in Section 2(a)(36) of the 1940 Act and includes any and all stock, debt obligations, and similar instruments of whatever kind, including any right or warrant to purchase a security, or option to acquire or sell a security, a group or index of securities. References to a security in this Code shall be deemed to refer to and include any warrant for, option in, or security immediately convertible into that security, and shall also include any financial instrument that has an investment return or value that is based, in whole or in part, on that security (collectively “derivatives”).

The term “Covered Security” does not include: (a) direct obligations of the Government of the United States, (b) bankers’ acceptances, bank certificates of deposit, commercial paper, and high quality short-term debt instruments, including repurchase agreements, (c) shares issued by money market funds, (d) any shares issued by an open-end investment company, and (e) shares issued by unit investment trusts that are invested exclusively in one or more open-end investment companies.

A Covered Security is “being considered for purchase or sale” when a recommendation to purchase or sell the security has been made or communicated and, with respect to the person making the recommendation, when such person seriously considers making such a recommendation.

- 1.11. “Immediate Family Member” means a person who shares the same household as the Access Person and is related to the Access Person by blood, marriage, or adoption.
- 1.12. “Independent Board Member” means each individual who serves as a director of the Company who is not an “interested person,” as defined in Section 2(a)(19) of the 1940 Act, of the Company.
- 1.13. “Initial Certification” means an Initial Certification of Compliance with Code of Ethics, in the form attached as Schedule E.
- 1.14. “Initial Public Offering” means an offering of securities registered under the Securities Act of 1933, the issuer of which, immediately before the registration was not subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934.
- 1.15. “Investment Personnel” mean (a) any employee of the Company or the Advisor (or of any company in a control relationship to the Company or the Advisor who, in connection with his or her regular functions or duties, makes or participates in making recommendations regarding the purchase or sale of securities by the Company or (b) any natural person who controls the Company or the Advisor and who obtains information concerning recommendations made by the Company regarding the purchase or sale of securities by the Company.
- 1.16. “Limited Offering” means an offering that is exempt from registration pursuant to Section 4(2) of Section 4(6) of the Securities Act of 1933 or Rule 504, 505, or 506 thereunder.
- 1.17. “Related Party” means an employee’s spouse, minor children, other relative who live in the employee’s household and trusts and similar entities with respect to which an employee is trustee or otherwise enjoys beneficial ownership.

- 1.18. “Restricted Securities” has the meaning ascribed to such term in Section 3.1.
- 1.19. “Restricted Securities List” means the list of Restricted Securities maintained by the Compliance Officer as it exists at such time.
- 1.20. “Security Held or to be Acquired by the Company” means (a) any Covered Security that, within the most recent 15 days: (i) is or has been held by the Company, or (ii) is being or has been considered by the Company or the Advisor for purchase by the Company, and (b) any option to purchase or sell, and any securities convertible into or exchangeable for, a Covered Security described in clause (a).

SECTION 2

STATEMENT OF GENERAL PRINCIPLES

The general fiduciary principles that govern the trading activities by an Access Person are as follows:

- (a) The duty at all times to place the interests of the stockholders of the Company first.
- (b) The requirement that all personal securities transactions be conducted in a manner that does not interfere with the Company’s portfolio transactions so as to avoid any actual or potential conflict of interest or any abuse of an individual’s position of trust and responsibility.
- (c) The fundamental standard that Access Persons should not take inappropriate or unfair advantage of their relationship with the Company or the Adviser.
- (d) The duty of all Access Persons to comply with all applicable federal securities laws.

Access Persons must adhere to these general principles as well as comply with the Code’s specific provisions.

SECTION 3

PROHIBITED PURCHASES AND SALES

3.1 Except as permitted pursuant to Section 4 or 5 below, no Access Person shall purchase or sell, directly or indirectly, any Covered Security in which he or she has, or by reason of such transaction acquires, any direct or indirect beneficial ownership and which he or she knows or should know at the time of such purchase or sale: (a) has been purchased or sold by the Company within the last 15 calendar days or held by the Company for less than 60 calendar days, (b) is currently being purchased or sold by the Company, or (c) is being, or within the most recent 15 calendar days has been, considered for purchase or sale by the Company (“Restricted Securities”). These prohibitions shall continue until the time that the Adviser or any such Access Person decides not to recommend such purchase or sale, or if such recommendation is made, until the time that the Company decides not to enter into, or completes, such recommended purchase or sale.

3.2 No Access Person shall recommend any securities transaction by the Company without having disclosed his interest, if any, in such securities or the issuer of the securities, including without limitation: (a) his or her direct or indirect beneficial ownership of any securities of any such issuer, (b) any contemplated transaction by such person in such securities, (c) any position with such issuer or its affiliates, or (d) any present or proposed business relationship between such issuer or its affiliates and such person or any party in which such person has a significant interest.

3.3 No Access Person shall, directly or indirectly in connection with the purchase or sale of any Security Held or to be Acquired by the Company: (a) employ any device, scheme, or artifice to defraud the Company, (b) make to the Company any untrue statement of a material fact or omit to state to the Company a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading, (c) engage in any act, practice, or course of business that operates or would operate as a fraud or deceit upon the Company, or (d) engage in any manipulative practice with respect to the Company.

3.4 No Access Person or Investment Personnel shall: (a) purchase, directly or indirectly, or by reason of such transaction acquire, any direct or indirect beneficial ownership of any Covered Securities in an Initial Public Offering or a Limited Offering without prior approval in accordance with this Code or (b) (i) seek or accept favors, preferential treatment or any other personal benefit because of his or her association with the Adviser or the Company, (ii) accept any entertainment, gift or other personal benefit that may create or appears to create a conflict between the interests of such person and the Adviser or the Company, or (iii) receive any gift or other personal benefit of more than de minimis value from any person or entity that does business with or on behalf of the Adviser or the Company. For purposes of this Code, de minimis is defined as reasonable and customary gifts, benefits or business entertainment (such as dinners, tickets to sporting events or theater, or comparable entertainment) which is neither so frequent nor so extensive as to raise any question of propriety. Any questions regarding the receipt of any gift or other personal benefit should be directed to the Compliance Officer.

SECTION 4

EXEMPT PURCHASES AND SALES

The prohibitions in Section 3 of this Code shall not apply to:

- (a) purchases or sales effected in any account over which an Access Person has no direct or indirect influence or control;
- (b) purchases or sales of securities that are not listed on the Restricted Securities List, other than securities acquired in an Initial Public Offering or a Limited Offering;
- (c) purchases or sales of securities that are U.S. Treasury obligations, commercial paper and high quality debt instruments (including repurchase agreements) with a stated maturity of 12 months or less, bankers' acceptances, and bank certificates of deposit;
- (d) purchases and redemptions of shares of registered open-end investment companies (mutual funds), but not shares of funds advised by the Adviser, closed-end funds, or exchange traded funds;
- (e) purchases effected upon exercise of rights issued by an issuer pro rata to all holders of a class of its securities to the extent such rights were acquired from such issuer, and sales of such rights to be acquired;
- (f) involuntary (i.e., non-volitional) purchases and sales of securities;
- (g) transactions effected pursuant to an Automatic Investment Plan;
- (h) joint investments permitted pursuant to an exemptive order issued by the Securities and Exchange Commission; or
- (i) purchases or sales for which the Access Person has received prior approval from the Compliance Officer in accordance with this Code.

SECTION 5

PRIOR CLEARANCE OF TRANSACTIONS

No Access Person or Investment Personnel shall acquire any beneficial ownership in any Covered Securities in an Initial Public Offering or in a Limited Offering, without obtaining prior written clearance from the Compliance Officer or a person designated by the Compliance Officer to pre-clear transactions. The Compliance Officer and these designated persons are referred to as a "Clearing Officer." A Clearing Officer seeking pre-clearance with respect to his or her own transaction shall obtain such clearance from another Clearing Officer.

Any Access Person or Investment Personnel who effects a purchase or sale of any Covered Security after obtaining prior written clearance shall be deemed not to be in violation of Section 3 of this Code by reason of such purchase or sale. Upon written request from an Access Person or Investment Personnel as provided in Paragraph 5.1 below, a Clearing Officer shall have the sole discretion to pre-approve a personal securities transaction, and thereby exempt such transaction from the restrictions of this Code. The Clearing Officer shall make such determination in accordance with the following:

- (a) Prior approval shall be granted only if a purchase or sale of securities is consistent with the purposes of this Code and Section 17(j) of the 1940 Act. To illustrate, a purchase or sale shall be considered consistent with those purposes if such purchase or sale is only remotely potentially harmful to the Company or the Adviser because such purchase or sale would be unlikely to affect a highly institutional market, or because such purchase or sale is clearly not related economically to the securities held, purchased, or sold by the Company.
- (b) Prior approval shall take into account, among other factors:
 - (i) whether the investment opportunity should be reserved for the Company and whether the opportunity is being offered to the Access Person or Investment Personnel by virtue of the Access Person's or Investment Personnel's position with the Company or the Adviser;
 - (ii) whether the amount or nature of the transaction or person making it is likely to affect the price or market for the security;
 - (iii) whether the Access Person or Investment Personnel making the proposed purchase or sale is likely to benefit from purchases or sales being made or being considered by the Company;
 - (iv) whether the security proposed to be purchased or sold is one that would qualify for purchase or sale by the Company;
 - (v) whether the transaction is non-volitional on the part of the individual, such as receipt of a stock dividend or a sinking fund call;
 - (vi) whether the chance of a conflict of interest is remote; and
 - (vii) whether the transaction is likely to effect the Company adversely.
- (c) An Access Person or Investment Personnel must submit in writing a completed and executed Request for Permission to Engage in a Personal Securities Transaction (a form of which is attached hereto as Schedule A), which shall set forth the details of the proposed transaction. Approval of the transaction as described on such form shall be evidenced by the signature of the Clearing Officer thereon. A copy of all prior approval forms, with all required signatures, shall be retained by the Compliance Officer.

- (d) If approval is given to the Access Person or Investment Personnel in accordance with this Code to engage in a securities transaction, the Access Person or Investment Personnel is under an affirmative obligation to disclose that position if such Access Person or Investment Personnel plays a material role in the Company's subsequent investment decision regarding the same issuer. In such circumstances, an independent review of the Company's investment decision to purchase securities of the issuer by investment personnel with no personal interest in the issuer shall be conducted.
- (e) Approval granted to an Access Person or Investment Personnel in accordance with this Code is only effective for seven days from the date of such approval; provided, however, that a pre-clearance expires upon the Access Person or Investment Personnel receiving pre-clearance becoming aware of facts or circumstances that would prevent a proposed trade from being pre-cleared were such facts or circumstances made known to a Clearing Officer. Accordingly, if an Access Person or Investment Personnel becomes aware of new or changed facts or circumstances that give rise to a question as to whether pre-clearance could be obtained if a Clearing Officer was aware of such facts or circumstances, the Access Person or Investment Personnel shall be required to so advise a Clearing Officer and obtain a new pre-clearance before proceeding with such transaction.

SECTION 6

REPORTING

6.1 Every Access Person must submit an Initial Holdings Report, Quarterly Transactions Reports, and Annual Holdings Reports on such dates as shall be determined by the Compliance Officer containing the information set forth below about each transaction, if any, by which the Access Person acquires any direct or indirect beneficial ownership of a Covered Security; provided, however, that:

- (a) an Access Person shall not be required to include in such reports any transaction effected for any account over which such Access Person does not have any direct or indirect influence or control; and
- (b) Independent Board Members of the Company shall not be required to submit an Initial Holdings Report or Annual Holdings Reports, and shall be required to submit a Quarterly Transaction Report of a transaction only if such person, at the time of that transaction, knew, or in the ordinary course of fulfilling his official duties as a director of the Company should have known, that during the 15-day period immediately preceding or after the date of the transaction by such person, the security such person purchased or sold is or was purchased or sold by the Company or was being considered for purchase or sale by the Company or the Adviser.

6.2 Each Access Person within ten days of the date that he or she becomes an Access Person (which information must be current as of a date no more than 45 days prior to the date the person becomes an Access Person) shall furnish to the Compliance Officer an Initial Holdings Report in the form attached as Schedule B containing the following information: (a) the title, number of shares, and principal amount of each Covered Security that he or she beneficially owns, directly or indirectly, (b) the name of any broker, dealer, or bank with whom the Access Person maintained an account in which any Covered Securities held, purchased, or sold (“personal securities account”) for the direct or indirect benefit of the Access Person as of the date the person became an Access Person, and (c) the date the report is submitted by the Access Person.

Timely submission of an Initial Holdings Report, along with a copy of the most recent monthly statement for each personal securities account and copies of all confirmation of transactions effected after the date of such statement, shall satisfy the requirements of this Section 6.2 regarding submission of an Initial Holdings Report.

6.3 An Access Person must submit no later than 30 days after the end of each calendar quarter to the Compliance Officer (a) a report containing the name of any broker, dealer, or bank with whom the Access Person established an account in which any Covered Securities were held during the quarter for such person’s direct or indirect benefit, the date the account was established, and the date the report is submitted, and (b) a Quarterly Transactions Report in the form attached as Schedule C containing the following information with respect to any transaction during the quarter in a Covered Security in which the Access Person had any direct or indirect beneficial ownership:

- (a) the date of the transaction, the title, the interest rate and maturity date (if applicable) and the number of shares, and the principal amount of each security involved;
- (b) the nature of the transaction (i.e., purchase, sale or other acquisition or disposition);
- (c) the price at which the transaction was effected;
- (d) the name of the broker, dealer or bank with or through whom the transaction was effected; and
- (e) the date that the report is submitted by the Access Person.

An Access Person need not file a Quarterly Transaction Report for a calendar quarter if the Compliance Officer is being furnished with (a) confirmations and statements for all personal securities accounts of such Access Person, (b) duplicate monthly brokerage statements for all personal securities accounts on all transactions required to be reported hereunder, or (c) the requisite information on all transactions required to be reported hereunder through a transaction monitoring system, which may or may not be automated, in a manner acceptable to the Compliance Officer, provided that the Access Person has no reportable transactions other than those reflected in the confirmations and statements for such accounts.

6.4 Every Access Person must submit an Annual Holdings Report in the form attached as Schedule D to the Compliance Officer, which information must be current as of a date no more than 45 days before the report is submitted containing the following information:

- (a) the title and the number of shares, and the principal amount of each Covered Security in which the Access Person had any direct or indirect beneficial ownership;
- (b) the name of any broker, dealer or bank with whom the Access Person maintains an account; and
- (c) the date that the report is submitted by the Access Person.

Submission of the Annual Holdings Report, along with copies of the most recent monthly statement for each person's securities account, shall satisfy the requirements of this Section 6.4 regarding submission of an Annual Holdings Report.

6.5 Any report may also contain a statement declaring that the reporting or recording of any such transaction shall not be construed as an admission that the Access Person making the report has any direct or indirect beneficial ownership in the security to which the report relates.

6.6 An Access Person to the Advisor need not make a separate report to the Advisor under this Section 6 to the extent the information in the report would duplicate information required to be recorded under Rule 204-2(a)(13) under the Investment Advisers Act of 1940.

SECTION 7

ADMINISTRATION AND PROCEDURAL MATTERS

7.1 The Compliance Officer shall:

- (a) maintain a current list of the names of all Access Persons, with an appropriate description in each case of the titles or employment of such persons, including a notation of any directorships held by Access Persons, and the date each such person became an Access Person.
- (b) on an annual basis, furnish a copy of this Code to each Access Person;
- (c) notify each Access Person of his or her obligation to file reports as provided by this Code;
- (d) obtain Initial and Annual Holdings Reports from Access Persons and review Initial and Annual Holdings Reports;
- (e) report to the Board Members of the Company the facts contained in any reports filed with the Compliance Officer pursuant to this Code when any such report indicates that an Access Person purchased or sold a security held or to be acquired by the Company;

- (f) supervise the implementation of this Code by the Adviser and the enforcement of the terms hereof by the Adviser;
- (g) determine whether any particular securities transaction should be exempted pursuant to the provisions of this Code;
- (h) issue either personally or with the assistance of counsel as may be appropriate, any interpretation of this Code that may appear consistent with the objectives of Rule 17j-1 and this Code;
- (i) conduct such inspections or investigations as shall reasonably be required to detect and report any apparent violations of this Code to the Board Members of the Company;
- (j) review reports submitted pursuant to this Code;
- (k) maintain and cause to be maintained in an easily accessible place, the following records:
 - (i) a copy of any Code adopted pursuant to Rule 17j-1 which has been in effect during the past five years;
 - (ii) a record of any violation of any such Code and of any action taken as a result of such violation;
 - (iii) a copy of each report made by the Compliance Officer during the past five years;
 - (iv) a list of all persons who are, or within the past five years have been, required to make reports pursuant to Rule 17j-1, or who are or were responsible for reviewing these reports, with an appropriate description of their title or employment;
 - (v) a copy of each report made by an Access Person as required by Section 6 of the Code, including any information provided in lieu of the reports under Section 6 of the Code, during the past five years; and
 - (vi) a copy of each report to the Board Members of the Company required by Section 7.1(e) during the past five years; and
- (l) perform such other duties as are set forth in this Code.

7.2 This Code may not be amended or modified except in a written form that is specifically approved by the Board Members of the Company, including a majority of the Independent Board Members, within six months after such amendment or modification.

In connection with any such amendment or modification the Board Members must receive a certification from the Compliance Officer certifying the procedures reasonably necessary to prevent Access Persons from violating the Code, as proposed to be amended or modified, have been adopted.

7.3 The Compliance Officer may delegate to one or more other officers of the Adviser such responsibilities of the Compliance Officer as he or she may deem appropriate; provided, that: (a) any such delegation shall be set forth in writing and retained as part of the records of the Company and the Adviser and (b) it shall be the responsibility of the Compliance Officer to supervise the performance by such persons of the responsibilities that have been delegated to them.

SECTION 8

PROHIBITION AGAINST INSIDER TRADING

This Section is intended to satisfy the requirements of Section 204A of the Advisers Act, which is applicable to the Adviser and requires that the Adviser establish and enforce procedures designed to prevent the misuse of material, non-public information by its associated persons. It applies to all employees of the Company and the Adviser as well as to Board Members of the Company. Trading securities while in possession of material, non-public information, or improperly communicating that information to others, may expose an employee or Board Member to severe penalties. Criminal sanctions may include a fine of up to \$1,000,000 and/or imprisonment for up to ten years (25 years if their actions constitute fraud). The SEC can recover the profits gained or losses avoided through the violative trading, a penalty of up to three times the illicit windfall, and an order permanently barring an Adviser Employee from the securities industry. Finally, an employee or Board Member may be sued by investors seeking to recover damages for insider trading violations.

8.1 Prohibited Transactions. When an employee or Board Member of the Company or the Adviser knows material, nonpublic information about the Company, he or she may not: (a) trade in the Company's securities, (b) advise others to buy, hold, or sell the Company's securities, (c) have others trade for him or her in Company securities, (d) disclose or communicate the information to anyone else who might then trade ("tip"), or (e) assist anyone in any of these activities. Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency) are not an exception to the prohibition on insider trading. In addition, a Related Party of an employee or Board Member of the Company or the Adviser may not purchase Company securities while such employee or Board Member, as applicable, is in possession of material, nonpublic information, even if the employee or Board Member does not actually "tip" the Related Party regarding such information, and (ii) a Related Party of a Section 16 Employee (as hereinafter defined) or an Access Person is subject to the preclearance and trading window restrictions set forth below.

8.2 Transactions in Securities of Portfolio Companies. Employees and Board Members also may learn material, nonpublic information about other companies from time to time as a result of their positions. Prohibitions against insider trading apply equally to transactions in those companies' securities while the employee or Board Member is in possession of their material, nonpublic information. Contacts with portfolio companies or prospective portfolio companies will sometimes be a part of an employee's research efforts. Employees of the Adviser may make investment decisions on the basis of conclusions formed through such contacts and analysis of publicly available information. Difficult legal issues arise, however, when, in the course of these contacts, an employee or Board Member becomes aware of material, non-public information. This could happen, for example, if a portfolio company's chief financial officer prematurely discloses quarterly results to an employee or an investor relations representative makes selective disclosure of adverse news to a handful of investors. In such situations, an employee or Board Member must make a judgment as to his or her further conduct. To protect yourself, clients, the Company, and the Adviser, an employee and Board Member should contact the Compliance Officer immediately if he or she believes that he or she may have received material, non-public information.

8.3 Short Sales. Employees and Board Members of the Company and the Adviser, regardless of whether or not they are aware of material, nonpublic information about the Company, may not engage in short sales of the Company's securities.

8.4 Material Information. Information is "material" where there is a substantial likelihood that a reasonable investor would consider it important in making his or her investment decisions. Generally, this includes any information the disclosure of which will have a substantial effect on the price of a security. No simple test exists to determine when information is material; assessments of materiality involve a highly fact specific inquiry. For this reason, employees and Board Members should direct any questions about whether information is material to the Compliance Officer. Material information often relates to a company's results and operations, including, for example, quarterly and year-end earnings and significant changes in financial performance, outlook, or liquidity; portfolio valuation and net asset value announcements; changes in dividend policies or amounts; changes in previously released earnings estimates; significant merger or acquisition proposals or agreements; major litigation, liquidity problems; stock splits; private or public securities offerings; and extraordinary management developments. Material information may also relate to the market for a company's securities. Information about a significant order to purchase or sell securities may, in some contexts, be material. Pre-publication information regarding reports in the financial press may also be material.

8.5 Nonpublic Information. Information is "public" when it has been disseminated broadly to investors in the marketplace. For example, information is public after it has become available to the general public through a public filing with the SEC or some other government agency, the Dow Jones "tape" or *The Wall Street Journal* or some other publication of general circulation, and after sufficient time has passed so that the information has been disseminated widely. Generally, no transaction should take place until the next business day after the disclosure of material information.

8.6 Review Prior to Executing a Trade. An employee or Board Member of the Company or the Adviser, before executing any trade for himself or herself, or others, including the Company or other accounts managed by the Adviser or by a stockholder of the Adviser, or any affiliate of the stockholder (“Client Accounts”), must determine whether he or she has material, non-public information. An employee or Board Member who believes he or she is in possession of material, non-public information must take the following steps:

- (a) Report the information and proposed trade immediately to the Compliance Officer;
- (b) Do not purchase or sell the securities on behalf of anyone, including Client Accounts; and
- (c) Do not communicate the information to any person, other than to the Compliance Officer.

After the Compliance Officer has reviewed the issue, the Adviser will determine whether the information is material and non-public and, if so, what action the Adviser and the employee or Board Member, as applicable, should take. Employees and Board Members must consult with the Compliance Officer before taking any action. This degree of caution will protect employees, Board Members, clients, the Company, and the Adviser.

8.7 Rule 10b5-1 Trading Plans. An employee or Board Member of the Company or the Adviser may trade in Company securities regardless of his or her awareness of material, nonpublic information if the transaction is made pursuant to a pre-arranged trading plan that was entered into when the employee was not in possession of material, nonpublic information (a “Rule 10b5-1 Trading Plan”). Any such Rule 10b5-1 Trading Plans must (a) be written, (b) specify the amount of, date(s) on, and price(s) at which the securities are to be traded or establish a formula for determining such items, and (c) receive prior approval from the Compliance Officer. A Rule 10b5-1 Trading Plan may not be adopted when an employee or Board Member is in possession of material, nonpublic information about the Company. Furthermore, an employee or Board Member may amend or replace his or her Rule 10b5-1 Trading Plan only during periods when trading is permitted in accordance with this Code.

8.8 Preclearance Procedures for Section 16 Employees and Access Persons. Certain Company employees who are subject to the reporting provisions and the trading restrictions of Section 16 of the Securities Exchange Act of 1934, as amended (“Section 16 Employees”), as well as Access Persons, may trade in Company securities only at certain times throughout the year (“trading windows”) and only after first obtaining prior approval for a trade from the Compliance Officer at least two (2) days, but no more than five (5) days, prior to the proposed trade.

The Compliance Officer may reject any trading request made by a Section 16 Employee or an Access Person at his or her sole and reasonable discretion. An employee or Board Member who is deemed by the Company to be a Section 16 Employee and/or Access Person will be notified of such a decision by the Compliance Officer.

8.9 Trading Windows for Section 16 Employees. Subject to being precleared by the Compliance Officer, Section 16 Employees may trade in Company securities only during the period beginning on the first full trading day following the Company's widespread public release of quarterly or year-end earnings, and ending at the close of trading on the last business day of the second month of the fiscal quarter in which the earnings are released (e.g., if the Company releases first quarter earnings on Tuesday, May 6th, Section 16 Employees will have a trading window that is open from Wednesday, May 7th, through the last business day in May).

8.10 Trading Windows for Access Persons. Subject to being precleared by the Compliance Officer, an Access Person may trade in Company securities only during the period beginning on the first full trading day following the Company's widespread public release of quarterly or year-end earnings, and ending at the close of trading on the last business day of the fiscal quarter in which the earnings are released (e.g., if the Company releases first quarter earnings on Tuesday, May 6th, Access Persons will have a trading window that is open from Wednesday, May 7th, through the last business day in June).

8.11 Hardship Cases. The Compliance Officer may, on a case-by-case basis, authorize trading in Company securities by Section 16 Employees and Access Persons outside of the applicable trading windows due to financial hardship or other hardships, but only if: (a) the employee or Board Member who wishes to trade has, at least two (2) days prior to the anticipated trade date, notified the Compliance Officer in writing of the circumstances of the hardship and the amount and nature of the proposed trade(s) and (b) the person trading is not in possession of material, nonpublic information concerning the Company and has certified that fact in writing to the Compliance Officer.

8.12 Additional Prohibited Transactions. The Company considers it improper and inappropriate for any Section 16 Employee or Access Person to engage in speculative transactions in the Company's securities. It is therefore the Company's policy that, in addition to the prohibited transactions described above, Section 16 Employees and Access Persons may not engage in any of the following transactions with respect to the Company's securities: (a) publicly traded options and (b) hedging transactions (such as zero-cost collars and forward sales contracts).

8.13 Reporting Violations. Any employee or Board Member who becomes aware of a violation of this insider trading policy should report such violation to his or her supervisor or the Compliance Officer.

8.14 Legal Review. Whenever an employee or Board Member has any questions about a transaction or compliance with this insider trading policy or seeks an exception from this policy, he or she should consult with the Compliance Officer before the transaction takes place. Although the Compliance Officer's advice should not be considered investment advice or a guarantee that no liability will arise, all decisions by the Compliance Officer with respect to this policy will be final.

SECTION 9

SANCTIONS

Any violation of this Code shall be subject to the imposition of such sanctions by the Company and the Adviser as may be deemed appropriate under the circumstances to achieve the purposes of Rule 17j-1 and this Code. Any sanctions to be imposed by the Company shall be determined by the Committee of Independent Directors of the Company. Any sanctions to be imposed by the Adviser shall be designated by the Adviser. Sanctions may include, but are not limited to, suspension or termination of employment, a letter of censure and/or restitution of an amount equal to the difference between the price paid or received by the Company and the more advantageous price paid or received by the offending person.

SECTION 10

REVIEW OF REPORTS

The Compliance Officer shall be responsible for reviewing all reports filed with the Company or the Adviser pursuant to Section 6 of this Code. Such officer shall indicate on each report the date of his review and shall sign each report to indicate that it has been reviewed. Such officer shall report to the Committee of the Independent Directors of the Company any violations of this Code that come to his or her attention in such review.

SECTION 11

INVESTMENT ADVISERS

Prior to retaining the services of an investment adviser or principal underwriter for the Company, the Board of Directors of the Company shall review the Code of Ethics adopted pursuant to paragraph (b)(1)(i) of Rule 17j-1 under the 1940 Act by such investment adviser or principal underwriter, and shall receive a certification from such investment adviser or principal underwriter that it has adopted such procedures as are necessary to prevent Access Persons from violating such code.

SECTION 12

PERIODIC REVIEW

The Board of Directors (including a majority of the Independent Directors) of the Company shall review and evaluate this Code and the Reports filed by Access Persons at least once a year to determine that each Access Person is complying with the requirements of the Code and to determine that this Code contains such provisions as are reasonably necessary to prevent Access Persons from engaging in any act, practice, or course of business prohibited by paragraph (a) of Rule 17j-1.

No less frequently than annually, the Compliance Officer shall furnish the Board of Directors of the Company a report:

- (a) Describing issues arising under this Code of Ethics since the last report to the Board, including but not limited to, information about material violations of the Code, sanctions imposed in response to such violations, changes made to the Code or procedures, and any proposed or recommended changes to the Code or procedures, and
- (b) Certifying that the Company and the Adviser each have adopted such procedures as are reasonably necessary to prevent Access Persons from violating the Code.

SECTION 13

CONFIDENTIALITY

All information obtained from any Access Person hereunder shall be kept in strict confidence, except that reports of securities transactions hereunder will be made available to the SEC or any other regulatory or self-regulatory organization only to the extent required by law or regulation.

SECTION 14

OTHER LAWS, RULES AND STATEMENTS OF POLICY

Nothing contained in this Code shall be interpreted as relieving any Access Person from acting in accordance with the provisions of any applicable law, rule or regulation or any other statement of policy or procedure governing the conduct of such person adopted by the Company or the Adviser.

SECTION 15

FURTHER INFORMATION

If any person has any question with regard to the applicability of the provisions of this Code generally or with regard to any securities transaction or transactions, he or she should consult the Compliance Officer. As of the date hereof, the Compliance Officer is John H. Homier or such person or persons to whom he shall delegate such duty from time to time.

SECTION 16

CERTIFICATION OF ACCESS PERSONS

All Access Persons of the Company must submit a certificate (a form of which is attached as Schedule E) that they have read and understand this Code and recognize that as an Access Person they are subject to the terms of this Code. All Access Persons of the Company or the Adviser shall agree to certify on an annual basis (a form of which is attached as Schedule F) that they have complied with the requirements of this Code and that they have disclosed or reported all personal securities transactions required to be disclosed or reported pursuant to the requirements of this Code.

Dated: July 31, 2008

SCHEDULE A

NGP CAPITAL RESOURCES COMPANY
NGP INVESTMENT ADVISOR, LP

REQUEST FOR PERMISSION TO
ENGAGE IN PERSONAL SECURITIES TRANSACTION

To the Clearing Officer:

On each of the dates proposed below, I hereby request permission to effect a transaction in securities as indicated below on behalf of myself, my family (spouse, minor children, or adults living in my household), trusts of which I am trustee of or other accounts in which I have a beneficial ownership interest or legal title.

(Use approximate dates and amounts of proposed transactions)

Name of Security	Proposed Date of Transaction	No. of Shares or Principal Amount	Dollar Amount of Transaction	Nature of Transaction (Purchase, Sale, Other)	Broker/Dealer or Bank	Share Price

Name: _____

Position with Company: _____

Date: _____

Signature: _____

Permission Granted _____

Permission Denied _____

Date: _____

Signature: _____

Clearing Officer

SCHEDULE B

NGP CAPITAL RESOURCES COMPANY
NPG INVESTMENT ADVISOR, LP

INITIAL REPORT OF SECURITIES

To the Compliance Officer:

On the date indicated, the following are Covered Securities of which I, my family (spouse, minor children, or adults living in my household) or trusts of which I am trustee, possessed direct or indirect "beneficial ownership." If there were no such securities, I have so indicated by typing or printing "NONE." I certify that all my personal securities accounts are listed below. I further certify that, other than those securities listed below, I hold no Covered Securities in which I may be deemed to have beneficial ownership other than in the personal securities accounts listed.*

Name of Security	No. of Shares or Principal Amount	Broker/Dealer or Bank	Account No.

This report (i) excludes transactions with respect to which I had no direct or indirect influence or control, (ii) any other transactions not required to be reported under the Code and (iii) is not an admission that I have or had any direct or indirect beneficial ownership in the securities listed above.

Date: _____

Signature: _____

Printed Name _____

Company: _____

Position with Company: _____

* Information may be provided by attaching the most recent monthly statement for each account, along with confirmations of any transactions effected since the date of such statements. Information must be current as of a date no more than 45 days prior to the date the person becomes an Access Person.

SCHEDULE C

NGP CAPITAL RESOURCES COMPANY
NPG INVESTMENT ADVISOR, LP

QUARTERLY REPORT OF SECURITIES TRANSACTIONS

To the Compliance Officer:

I certify that this report, together with the confirmations and statements for any personal securities accounts as to which I have arranged for the Compliance Officer to receive duplicate confirmations and statements, identifies all transactions, if any, during the calendar quarter which were effected in securities of which I, my family (spouse, minor children, or adults living in my household), or trusts of which I am trustee, participated or acquired or disposed of, direct or indirect "beneficial ownership." If no such transactions were effected, I have so indicated by typing or printing "NONE." Use reverse side if additional space is needed.

Name of Security	Date	No. of Shares and Principal Amount	Dollar Amount of Transaction	Nature of Transaction (Purchase, Sale, Other)	Account	Executing Broker

This report (i) excludes transactions with respect to which I had no direct or indirect influence or control, (ii) any other transactions not required to be reported under the Code and (iii) is not an admission that I have or had any direct or indirect beneficial ownership in the securities listed above.

Date: _____

Signature: _____

Printed Name: _____

Company: _____

Position with Company: _____



SCHEDULE D

NGP CAPITAL RESOURCES COMPANY
NPG INVESTMENT ADVISOR, LP

ANNUAL REPORT OF SECURITIES

To the Compliance Officer:

On the date indicated, the following are Covered Securities of which I, my family (spouse, minor children, or adults living in my household) or trusts of which I am trustee, possessed direct or indirect "beneficial ownership." If there were no such securities, I have so indicated by typing or printing "NONE." I certify that all my personal securities accounts are listed below. I further certify that, other than those securities listed below, I hold no Covered Securities in which I may be deemed to have beneficial ownership other than in the personal securities accounts listed.*

Name of Security	No. of Shares or Principal Amount	Broker/Dealer or Bank	Account No.

This report (i) excludes transactions with respect to which I had no direct or indirect influence or control, (ii) any other transactions not required to be reported under the Code and (iii) is not an admission that I have or had any direct or indirect beneficial ownership in the securities listed above.

Date: _____

Signature: _____

Printed Name: _____

Company: _____

Position with Company: _____

* Information may be provided by attaching the most recent monthly statement for each account, along with confirmations of any transactions effected since the date of such statements



SCHEDULE E

CERTIFICATION OF COMPLIANCE WITH CODE OF ETHICS

Attention: Compliance Officer

I certify that I have read and understand the Amended and Restated Code of Ethics of NGP Capital Resources Company and NGP Investment Advisor, LP (the "Code"), a copy of which has been provided to me., I recognize that the provisions of the Code apply to me and agree to comply in all respects with the procedures described therein.

I hereby agree to certify on an annual basis that I have complied with the requirements of the Code and I have disclosed or reported all personal securities transactions required to be disclosed or reported pursuant to the requirements of the Code.

I am a director of the following public and private companies:

IN WITNESS WHEREOF, the undersigned has caused this Certification to be executed and delivered as of the date hereof.

Name: _____

Title: _____

Dated: _____

SCHEDULE F

ANNUAL CERTIFICATION OF COMPLIANCE WITH CODE OF ETHICS

Attention: Compliance Officer

I certify that I have read and understand the Amended and Restated Code of Ethics of NGP Capital Resources Company and NGP Investment Advisor, LP (the "Code"), a copy of which has been provided to me., I recognize that the provisions of the Code apply to me and agree to comply in all respects with the procedures described therein.

I certify that I have complied in all respects with the requirements of the Code as in effect during the past year. I also certify that all transactions during the past year that were required to be reported by me pursuant to the Code have been reported in Quarterly Transaction Reports that I have filed or in confirmations and statements for my personal securities accounts that have been sent to you.

I am a director of the following public and private companies:

IN WITNESS WHEREOF, the undersigned has caused this Certification to be executed and delivered as of the date hereof.

Name: _____

Title: _____

Dated: _____

**Certification Required by Rule 13a-14(a)
or Rule 15d-14(a)**

I, John H. Homier, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NGP Capital Resources Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2008

By: /s/ John H. Homier

John H. Homier

President and Chief Executive Officer

**Certification Required by Rule 13a-14(a)
or Rule 15d-14(a)**

I, Stephen K. Gardner certify that:

1. I have reviewed this quarterly report on Form 10-Q of NGP Capital Resources Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2008

By: /s/ Stephen K. Gardner

Stephen K. Gardner

Chief Financial Officer, Treasurer and Secretary

**Certification required by Rule 13a-14(b) or
Rule 15d-14(b) and 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of
the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of NGP Capital Resources Company (the "Company") on Form 10-Q for the period ended June 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John H. Homier, President and Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2008

By: /s/ John H. Homier
John H. Homier
President and Chief Executive Officer

**Certification required by Rule 13a-14(b) or
Rule 15d-14(b) and 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of
the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of NGP Capital Resources Company (the "Company") on Form 10-Q for the period ended June 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John H. Homier, President and Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 6, 2008

By: /s/ Stephen K. Gardner

Stephen K. Gardner

Chief Financial Officer, Treasurer and Secretary
