NGPC

NGP Capital Resources Company

Annual Report

For The Year Ended December 31, 2008

NGPC

NGP Capital Resources Company

Dear Fellow Stockholders,

We are pleased to issue our fifth annual report of NGP Capital Resources Company and to report to you on the status of our company as we enter our fifth full year of operations.

With respect to taxable income and dividends, NGPC completed another record year in 2008 and remains positioned to weather the current downturn in the economy and the energy markets.

In 2008, we distributed $33.2 million, or $1.61 per common share, to our stockholders, up from $1.44 per common share in 2007. The year was marked by bringing two portfolio investments to fruition and generating capital gains realizations from those investments of $14.9 million, or $0.69 per common share, after deduction of estimated federal income taxes. Net investment income for the year was $18.7 million, or $0.93 per common share. At the end of 2008, we had investments in 19 portfolio companies totaling $296 million, with commitments to fund an additional $68.5 million on total committed amounts of $364.5 million.

As a consequence of the general economic downturn and associated weakness in the energy markets, we recorded unrealized depreciation for several of our portfolio investments at the end of 2008. As of the end of the year, we assess that the fair value of our investments in portfolio companies is $248 million, resulting in a net asset value of $266 million or $12.29 per common share. This compares to $250 million or $14.30 per common share at the end of 2007. As you know, virtually all of our investments are in negotiated, and often illiquid, securities of energy companies. While we believe these types of investments have good long run prospects for total return, we may not be able to realize those returns in today's markets. Even though some of our investments may experience stress in the current environment, we believe that they generally have cost structures that should tolerate it. And while restructuring of some investments may be required, subject to general economic and commodity market conditions in the long term, we do not currently foresee significant permanent long-deterioration in the existing portfolio.

At the same time, the current economic downturn and broad contraction of credit availability is creating a fertile environment for new investments. These should present excellent opportunities for long term value creation for our stockholders. These investment opportunities include our traditional top to bottom mezzanine investments, traditional subordinated debt investments, and structured financial applications for larger companies. We believe that additional opportunities in all three of these areas will arise as banks and other financing sources reduce borrowing bases or otherwise reduce loan commitments and availability to energy companies. The recent widening of credit spreads also presents opportunities for attractive purchases of second lien and high yield securities in the secondary market. Additionally, the potential exists for purchase of portfolios or parts of portfolios of other mezzanine investors who are exiting the space as a result of their overall, individual economic circumstances.

As of the date of this filing, the Company has $10 million in outstanding borrowings under the Investment Facility, leaving $77.5 million available for borrowing. The availability under our Investment Facility along with scheduled repayments should provide approximately $100 million for new investments in 2009. However, we expect that new investment opportunities could potentially exceed this availability. As a result, we may need to raise new capital as appropriate.

Looking forward with our expectation for soft and volatile markets throughout the coming year, it is not clear that our portfolio will generate capital gains in 2009, such realizations being deferred to later years. However, we expect to see improvement in spreads and total coupon from previous levels on new and extended or restructured transactions throughout the year.

Lastly, we want to thank our directors and the employees of our advisor for their consistent guidance and hard work. They were the foundation for NGPC's success in 2008 and for positioning our company for continued profitable performance in today's unsure financial and energy markets. Most importantly, we thank our stockholders for their continued commitment and support of NGPC.

Throughout 2009 and beyond, we expect to maintain our historic discipline in the selection of new investments for our available capital. We believe that we are positioned for stability and opportunistic growth in this turbulent market and economy.

Sincerely,

Kenneth Hersh
Chairman of the Board

John Homier
President and Chief Executive Officer

NGP CAPITAL RESOURCES COMPANY

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PART I.

Item 1. Business.

Introduction

NGP Capital Resources Company

We are a financial services company organized in July 2004 as a Maryland corporation 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. Our investment objective is to generate both current income and capital appreciation primarily through debt investments with certain equity components. We are a closed-end, non-diversified management investment company that has elected to be regulated as a business development company, or BDC, under the Investment Company Act of 1940 (the ''1940 Act''). 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 (the ''Code'').

A key focus area for our targeted investments in the energy industry is domestic upstream businesses that produce, develop, acquire and explore for oil and natural gas. We also evaluate investment opportunities in such businesses as coal, power, electricity, energy services and alternative energy. Our investments 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 or property component, and subordinated loans, sometimes with equity components. We may also invest in preferred stock and other equity securities on a stand-alone basis.

Our Manager

Our operations are conducted by our external manager, NGP Investment Advisor, LP, (the ''Manager''), pursuant to an investment advisory agreement between us. Our Manager is owned by NGP Energy Capital Management, L.L.C. (''NGP'') and NGP Administration, LLC, (our ''Administrator''). NGP manages the Natural Gas Partners private equity funds (''NGP Funds''), which have specialized in providing equity capital to the energy industry since November 1988. Kenneth A. Hersh and David R. Albin, who serve on our Board of Directors, have directed the investment of the NGP Funds during the twenty-year period since the inception of the initial fund in 1988.

Our Manager's day-to-day operations are directed by our executive officers: John H. Homier, President and Chief Executive Officer; Stephen K. Gardner, Chief Financial Officer, Secretary and Treasurer; and R. Kelly Plato, Senior Vice President, who have more than 50 years combined experience in the energy and finance industries. Prior to founding NGP Capital Resources Company, Mr. Homier had more than 28 years of industry experience including two separate major financial institutions where he was responsible for building and managing successful energy finance businesses. Mr. Gardner has over 15 years of experience in financial and transactional management in the oil and gas industry and has served as a Chief Financial Officer of both public and private energy companies. Mr. Plato began his career as a petroleum engineer for an independent exploration, production and refining company, after which he has spent more than 10 years in the energy finance business.

Our Manager's investment decisions are reviewed and approved (by majority determination) by its investment committee, consisting of Mr. Homier, our Chief Investment Officer, Mr. Hersh, our Board Chairman, and Richard L. Covington and William J. Quinn, each of whom is a senior NGP investment professional. The investment committee is supported by NGP Investment Advisor, LP's team of nine investment professionals.

Corporate Information

Our executive offices are located at 1221 McKinney Street, Suite 2975, Houston, Texas 77010 and our telephone number is (713) 752-0062.

Our corporate website is *www.ngpcrc.com.* We make available free of charge on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Our website address is included in this document as an inactive textual reference only and the information contained on our website is not incorporated into this Form 10-K.

Our Energy Investment Focus

We focus our investments in the energy industry in companies that have an existing asset base or that will acquire assets that are expected to provide security for most of our investments. The energy industry broadly includes three sectors, generally categorized as follows:

- *Upstream* — businesses that find, develop and extract energy resources, including natural gas, crude oil and coal from onshore and offshore geological reservoirs and companies that provide services to those businesses.
- *Midstream* — businesses that gather, process, store and transmit energy resources and their byproducts in a form that is usable by wholesale power generation, utility, petrochemical, industrial and gasoline customers, including businesses that own pipelines, gas processing plants, liquefied natural gas facilities and other energy infrastructure.
- *Downstream* — businesses that refine, market and distribute refined energy resources, such as customer-ready natural gas, propane and gasoline, to end-user customers; businesses engaged in the generation, transmission and distribution of power and electricity and businesses engaged in the production of alternative energy.

Within these broad sectors, our key area of focus is small and mid-size energy companies in the upstream and midstream sectors. In addition, we seek investment opportunities in the downstream sector.

Investment Structures

Our targeted investments primarily consist of:

- debt instruments including senior and subordinated loans combined in one facility sometimes with an equity component, which we refer to as vertical loans;
- subordinated loans; and
- subordinated loans with equity components, which we refer to as mezzanine investments.

In many cases, we arrange to receive an equity participation interest in the properties, projects and/or companies that we finance as a part of our compensation for extending credit. These equity components may take a variety of forms. In many of our investments, we anticipate that we will receive a property-based equity interest. In addition, in certain investments, we may also receive a right to acquire equity securities of the borrowing company, such as a warrant or option, or we may receive a direct preferred equity interest or other similar participating interest in the company's equity.

We also may invest a portion of our assets in loans to, or securities of, foreign companies. We will limit any such investments to less than 10% of our assets.

Investment Activity

Since commencing investment operations in November 2004 through December 31, 2008, we have invested \$613.6 million in twenty-eight portfolio companies, all energy-related, and received principal repayments and realizations of \$317.6 million. Most of our portfolio companies are exploration and production ("E&P") businesses engaged in the acquisition, development and production of oil and natural gas properties in and along the Gulf Coast, in the state and federal waters of the Gulf of Mexico, Permian Basin, Mid-continent and Rocky Mountain areas. We also have investments in an oilfield service company with operations in Arkansas, Louisiana and Texas; a Kentucky-based specialty coal company with mining and processing operations in the Central Appalachian region of the United States and an alternative fuels and specialty chemicals company based in Quincy, Massachusetts.

Our Investment Approach

Our investment approach seeks attractive returns while attempting to limit the risk of potential losses. In the process of screening and evaluating potential investment opportunities our Manager considers the following general criteria. However, not all of these criteria may be met by each prospective investment.

- *Strong Management.* We recognize the importance of strong, committed management teams to the success of an investment and seek to invest in companies with management teams that generally have strong technical, financial, managerial, and operational capabilities and a competitive edge in certain aspects of their businesses, which may come from extensive experience and knowledge in certain geographical areas and/or superior technological or transactional capabilities.
- *Identified Properties with Development-Oriented Risk.* Our investment philosophy places a premium on investments having strong underlying asset values established by engineering and technical analysis, rather than investments that rely solely on rising energy commodity prices, exploratory drilling success, or factors beyond the control of a portfolio company. We focus on companies that have strong potential for enhancing asset value through factors within their control. Examples of these types of factors include operating cost reductions and revenue increases driven by improved operations of previously under-performing or under-exploited assets. These factors involve implementing engineering and operational plans to increase cash flow through such means as development drilling of upstream assets or optimizing the performance of midstream or downstream assets like pipelines, processing plants or power plants that have been underutilized.
- *Collateral Security.* Most of our targeted investments are secured by the same assets that would secure traditional senior bank debt, in either a first or second lien position. However, in certain instances, we may make investments in our portfolio companies on an unsecured basis. In instances where we are providing subordinated debt only and there is senior debt provided by another party, we generally seek to obtain a second lien on the borrowing company's assets behind that of the senior lender.
- *Capacity to Return Investment Principal.* We perform financial sensitivity analyses when evaluating and structuring investments to analyze the effect of a confluence of unfavorable events on the investment's ability to return investment principal. For an upstream transaction, these might include poor reserve development coupled with falling commodity prices or higher than expected costs. We seek to make and be compensated for investments in which the return on, and the timing of the return of, our investment capital may be at risk, but not the return of our capital.
- *Exit Strategy.* We seek to invest in companies that have multiple means of repayment of our investment, including: a steady stream of cash flow; the completion of asset development activities that allow a company to be able to refinance our facility, often with senior debt; or the sale of the portfolio company's assets or the entire company.

Our Manager generally structures investments that have collateral coverage from the value of the underlying assets and from the cash flows of those assets. We perform extensive due diligence, exercise discipline with respect to company valuations and institute appropriate structural protections in our investment agreements. We believe that our management team's experience in utilizing fundamental engineering and technical analysis on energy assets and in dealing with the fundamental dynamics of the energy finance market allows us to:

- assess the engineering and technical aspects of the identified assets;
- value the assets and associated cash flows that support our investments;
- structure investments to increase the likelihood of full principal repayment and realization of yield and upside potential; and
- have our portfolio companies implement financial hedging strategies to mitigate the effects of events such as declines in energy commodity prices.

We believe that this approach enables our Manager to identify investment opportunities throughout the economic cycles.

Targeted Investments

Once we have determined that a prospective portfolio company is suitable for investment, we work with the management of that company and its other capital providers, including other senior, junior and equity capital providers, if any, to structure an investment. We negotiate among these parties to agree on how our investment is expected to perform relative to the other capital in the portfolio company's capital structure. Our primary consideration when structuring an investment is that the total return on our investments (including interest income, equity or other similar income and potential equity appreciation) appropriately compensates us for our risk. The targeted investments that comprise the substantial majority of our portfolio generally fall within one of the following categories:

- *Vertical Loans — Combining Senior Secured Loans and Subordinated Loans with Equity Enhancements*

  These investments consist of a senior secured loan tranche and a subordinated loan tranche. The senior tranche produces a current cash yield and typically is secured by a first lien on cash flow producing assets. The subordinated loan tranche typically includes a current cash yield component coupled with a property based equity participation right. In some cases, a warrant or option in the company may be obtained in addition to, or in lieu of, a property based equity participation right. The subordinated tranche generally is secured by a second lien on the company's assets. Additionally, these loans may have indirect asset coverage through a series of covenants that prohibit additional liens on the company's assets, limit additional debt or require maintenance of minimum asset coverage ratios. Generally, these loans have a term of three to five years, but in many cases will be repaid before maturity. Additionally, in a number of these loans, there may be amortization of principal during the entire life of the loan.

  These loans will likely be made to energy companies with assets that provide cash flow that is sufficient to support a typical senior secured debt facility but not sufficient to support the extra debt needed to acquire or develop non-cash flowing assets.

- *Stand-Alone Subordinated Loans*

  These investments typically consist of subordinated loans with relatively high, fixed interest rates. Generally, these loans are collateralized by a subordinated lien on some or all of the assets of the portfolio company, or in some cases, a first priority lien on assets not otherwise securing senior debt of the borrower. Additionally, these loans may have indirect asset coverage through a series of covenants that prohibit additional liens senior to ours on the company's assets, limit additional debt senior to ours or require maintenance of minimum asset coverage ratios.

  These loans will likely be made to energy companies possessing assets that produce sufficient current cash flow and that have sufficient asset value to avoid the issuance of any equity rights that would be dilutive to the equity owners. For example, such loans could be made to a company that needs to access capital to develop non-producing oil and natural gas reserves but that has sufficient cash flow from its other assets to provide for the payment of the higher recurring cash payments required by this type of instrument. However, in some instances these loans may have a lower interest rate and an equity participation to compensate us for the lower current income. Generally, these loans have a term of five to seven years, but in many cases will be repaid before maturity. Additionally, amortization of principal may be deferred to the later years of these loans or the loans may be structured as non-amortizing.

  These investments should generally provide us with the highest amount of current income, but the least amount of capital gains, of any of the targeted investment structures.

- *Mezzanine Investments*

  These investments are generally in the form of combined senior and subordinated loans, subordinated loans, partnership or limited liability company investments or preferred equity, with a meaningful property based equity participation right.

  These investments will likely be made in energy companies that possess assets that do not produce sufficient current cash flow to amortize the principal throughout the life of a loan, but have sufficient collateral to support the investment. For example, such an investment could be made in a company that owns proved non-producing oil and natural gas reserves and requires capital to finance development drilling to initiate the production of the reserves and generate cash flow. Generally, these investments will have a term of three to seven years, but in many instances will be repaid before maturity. Additionally, amortization of principal is generally deferred to the later years of these investments or the investments may be structured as non-amortizing.

  These investments should generally provide us with the least amount of current income, but the highest amount of capital gains, of any of the targeted investment structures.

- *Other Targeted Investments*

  We may also make investments in high grade bonds, high yield bonds, other securities of public energy companies that are not thinly traded, bridge loans, asset backed securities, financial guarantees, distressed debt, lease assets, commercial loans or private equity. In general, these investments will have character and structure similar to the other categories of targeted investments.

We seek to negotiate or otherwise participate in structures that protect our rights and manage our risk, while creating incentives for our portfolio companies to achieve their business plans and enhance their profitability. The typical structural elements that we seek to negotiate in connection with our investments are covenants that afford portfolio companies as much flexibility in managing their businesses as possible, while also seeking to preserve our invested capital. Such restrictions may include affirmative and negative covenants, collateral value covenants, default penalties, lien protection, change of control provisions and governance rights, including either board seats or observation rights.

While we may from time to time elect to offer co-investment opportunities to third parties, we expect to hold most of our investments to maturity or repayment. We will sell our investments earlier if circumstances warrant or if a liquidity event, such as the sale or recapitalization of a portfolio company, occurs.

Competitive Strengths

We believe we have the following competitive strengths:

Established Track Record

Because of the history, market presence, and long-term relationships that our investment team and NGP have developed with energy company management teams, we believe that we have established ourselves as a consistent and reliable capital provider to the energy industry. We focus on originating a substantial number of our investment opportunities, rather than investing as a participant in transactions originated by other firms, although we may do so from time to time.

Flexible Transaction Structuring Capabilities

We are not subject to many of the regulatory limitations that govern traditional lending institutions. As a result, we can provide speed of execution and flexibility in structuring investments and selecting the types of securities in which we invest. The members of our management team have substantial experience in seeking investments that balance the needs of energy company entrepreneurs with appropriate risk control.

Efficient Tax Structure

We operate our business so as to qualify as a regulated investment company for federal tax purposes, so that we generally will not have to pay corporate-level federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends. Thus, our stockholders will not be subject to double taxation on dividends, unlike investors in typical corporations. Furthermore, investors in our stock generally are not required to recognize unrelated business taxable income (''UBTI''), unlike investors in public master limited partnerships.

Valuation Process

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 our Board of Directors. Investments for which market quotations are readily available are recorded in our financial statements at such market quotations adjusted for appropriate liquidity discounts, if applicable. However, few of our investments have market quotations, in which case our Board of Directors undertakes a multi-step valuation process each quarter for our investments that are not publicly traded, as described below:

- *Investment Team Valuation.* The investment professionals of our Manager initially value each portfolio company or investment.
- *Investment Team Valuation Documentation.* The investment team documents and discusses its preliminary valuation conclusions with senior management of our Manager.
- *Presentation to Valuation Committee.* Senior management presents the valuation analyses and conclusions to the Valuation Committee of our Board of Directors.
- *Third Party Valuation Activity.* The Valuation Committee and our Board of Directors may retain an independent valuation firm to review on a selective basis the valuation analysis provided by the investment team of our Manager.
- *Board of Directors and Valuation Committee.* The Board of Directors and Valuation Committee reviews and discusses the preliminary valuations provided by the investment team of our Manager and the analysis of the independent valuation firm, if applicable.
- *Final Valuation Determination.* Our Board of Directors discusses the valuations recommended by the Valuation Committee and determines the fair value of each investment in our portfolio, in good faith, based on the input of the investment team of our Manager, our Valuation Committee and the independent valuation firm, if any.

The types of factors that we may take into account in fair value pricing our investments include, as relevant, the nature and realizable value of any collateral; the portfolio company's enterprise value, historical and projected financial results, ability to make payments, net income, revenue, discounted cash flow and book value; the markets in which the portfolio company does business; comparison to a peer group of publicly traded securities; the size and scope of the portfolio company and its specific strengths and weaknesses; recent purchases or sales of securities by the portfolio company; recent offers to purchase the portfolio company; the estimated value of comparable securities; and other relevant factors.

Competition

Historically, our primary competitors in this market have consisted of public and private funds, commercial and investment banks, and commercial finance companies. Although these competitors regularly provide finance products to energy companies similar to our targeted investments, a number of them focus on different aspects of this market. We also have faced competition from other firms that do not specialize in energy finance but which are substantially larger and have considerably greater financial and marketing resources than we do. Some of our competitors have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors have higher risk tolerances or different risk assessments, which allow them to consider a wider variety of investments and establish more portfolio relationships than we can. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a business development company; nor are they subject to the requirements imposed on RICs by the Code. Nevertheless, we believe that the relationships of the senior professionals of our Manager and of the senior partners of NGP enable us to learn about, and compete effectively for, attractive investment opportunities. Additionally, we believe that the recent dislocation in the credit markets and decline in energy commodity prices should favorably impact the competitive environment, in that it is reducing the debt capital available to energy companies from other sources.

Employees

The Company has no employees. John H. Homier, our President and Chief Executive Officer, Stephen K. Gardner, our Chief Financial Officer, Secretary and Treasurer and R. Kelly Plato, our Senior Vice President comprise our senior management. Each of our officers also serves as an officer of our Manager and our Administrator. Our day-to-day investment operations are conducted by our Manager and our Administrator, which currently has a staff of sixteen individuals, including nine investment professionals.

Regulation

Business Development Company

We have elected to be regulated as a business development company under the 1940 Act. By electing to be treated as a business development company, we are subject to various provisions of the 1940 Act. The 1940 Act contains prohibitions and restrictions relating to transactions between business development companies and their affiliates (including any investment advisers or sub-advisers), principal underwriters and affiliates of those affiliates or underwriters and requires that a majority of the directors be persons other than ''interested persons,'' as that term is defined in the 1940 Act. We may not change the nature of our business so as to cease to be, or withdraw our election to be treated as, a business development company without first obtaining the approval of a majority of our outstanding voting securities.

The Investment Adviser's Act of 1940 (the ''Advisers Act'') generally permits the payment of compensation based on capital gains in an investment advisory contract between an investment adviser and a business development company. We have elected to be regulated as a business development company in order to provide incentive compensation to our Manager based on the capital appreciation of our portfolio.

The following is a brief description of the requirements of the 1940 Act, and is qualified in its entirety by reference to the full text of the 1940 Act and the rules thereunder.

To maintain our status as a business development company, generally, at least 70 percent of our total assets must be invested in securities of certain specified types of companies (''70 percent basket''). Among other things, the 70 percent basket may include securities of ''eligible portfolio companies''.

We may invest up to 100% of our assets in securities acquired directly from issuers in privately negotiated transactions. With respect to such securities, we may, for the purpose of public resale, be deemed an ''underwriter'' as that term is defined in the Securities Act of 1933, as amended (the ''Securities Act''). Our intention is to not write (sell) or buy put or call options to manage risks associated with the publicly traded securities of our portfolio companies, except (a) that we may enter into hedging transactions to manage the risks associated with commodity price and interest rate fluctuations, (b) to the extent we purchase or receive warrants to purchase the common stock of our portfolio companies or conversion privileges in connection with acquisition financing or other investments, and (c) in connection with an acquisition, we may acquire rights to require the issuers of acquired securities or their affiliates to repurchase them under certain circumstances.

We do not intend to acquire securities issued by any investment company that exceed the limits imposed by the 1940 Act. Under these limits, we generally are prohibited from (a) acquiring more than 3% of the voting stock of any investment company, (b) investing more than 5% of the value of our total assets in the securities of one investment company, or (c) investing more than 10% of the value of our total assets in the securities of investment companies in the aggregate. With regard to that portion of our portfolio invested in securities issued by investment companies, it should be noted that such investments might subject our stockholders to additional expenses. We also do not intend to (a) purchase or sell real estate or interests in real estate or real estate investments trusts (except to the extent that oil or natural gas royalty, net profits, or leasehold interests may be considered interests in real estate), (b) sell securities short (except with respect to managing risks associated with publicly traded securities issued by portfolio companies), or (c) purchase securities on margin (except to the extent that we purchase securities with borrowed money or we grant a security interest in our assets (including our portfolio securities) to a lender). None of these policies is fundamental and all may be changed without stockholder approval.

Qualifying Assets

As a business development company, we may not acquire any asset other than ‘‘qualifying assets’’ unless at the time of acquisition the value of our qualifying assets comprise at least 70% of the value of our total assets. The principal categories of qualifying assets relevant to our business are:

- securities of an eligible portfolio company that are purchased in transactions not involving any public offering. An ‘‘eligible portfolio company’’ is defined under the 1940 Act to include any issuer that:
    - is organized and has its principal place of business in the U.S.;
    - is not an investment company or a company operating pursuant to certain exemptions under the 1940 Act, other than a small business investment company wholly owned by a business development company; and
    - does not have any class of publicly traded securities with respect to which a broker may extend margin credit;
    - does not have a class of securities listed on a national securities exchange or has a class of securities listed on a national securities exchange, but has an aggregate market value of outstanding voting and non-voting common equity of less than $250 million;
    - is controlled by the business development company and has an affiliate of a business development company on its board of directors; or
    - meets such other criteria as may be established by the SEC.
- securities received in exchange for or distributed with respect to securities described in the bullet above or pursuant to the exercise of options, warrants, or rights relating to those securities; and
- cash, cash items, government securities, or high quality debt securities (as defined in the 1940 Act), maturing in one year or less from the time of investment.

Control, as defined by the 1940 Act, is presumed to exist where a business development company beneficially owns more than 25% of the outstanding voting securities of the portfolio company.

Non-Qualifying Assets

We may invest up to 30% of our total assets in assets that are not qualifying assets and are not subject to the limitations referenced above. These investments would generally include securities of companies that are listed on a national securities exchange with a market capitalization of more than $250 million, securities of companies not organized under the laws of, or having their principal places of business in, the United States of America, or securities that are otherwise qualifying assets purchased in the secondary market.

If the value of non-qualifying assets should at any time exceed 30% of our total assets, we will be precluded from acquiring any additional non-qualifying assets until such time as the value of our qualifying assets again equals at least 70% of our total assets.

Managerial Assistance to Portfolio Companies

In order to count portfolio securities as qualifying assets for the purpose of the 70% Test, as a BDC, we must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than certain small and solvent companies described above) significant managerial assistance. Making available significant managerial assistance means, among other things, (1) any arrangement whereby we, through our directors, officers or employees, offer to provide, and, if accepted, do so provide, significant guidance and counsel concerning the management, operations, or business objectives and policies of a portfolio company, (2) the exercise of a controlling influence over the management or policies of a portfolio company by us acting individually or as part of a group acting together to control such company, or (3) with respect to SBICs, the making of loans to a portfolio company. We may satisfy the requirements of clause (1) with respect to a portfolio company by purchasing securities of such company as part of a group of investors acting together if one person in such group provides the type of assistance described in such clause. However, we will not satisfy the general requirement of making available significant managerial assistance if we only provide such assistance indirectly through an investor group. We need only extend significant managerial assistance with respect to portfolio companies that are treated as ‘‘qualifying assets’’ for the purpose of satisfying the 70% Test.

Temporary Investments

Pending investment in other types of ‘‘qualifying assets,’’ as described above, our investments generally consist of cash, cash equivalents, U.S. government securities or high-quality debt maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments. Typically, we invest in commercial paper, U.S. Treasury Bills or in repurchase agreements, provided that such agreements are fully collateralized by cash or securities issued by the U.S. Government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price that is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25% of our total assets constitute repurchase agreements from a single counterparty, we would not meet the asset diversification requirements in order to qualify as a RIC for federal income tax purposes. Thus, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit. Our Manager will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

Senior Securities

We are permitted, under specified conditions, to issue multiple classes of senior indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. In addition, while any senior securities remain outstanding, we are required to make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We are also permitted to borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage.

Sale and Purchase of Shares

We may sell shares of our common stock at a price below our prevailing net asset value per share only upon the approval of the policy by security holders holding a majority of the shares we have issued, including a majority of shares held by nonaffiliated security holders except in connection with an offering to our existing stockholders (including a rights offering), upon conversion of a convertible security, or upon exercise of certain warrants. We may repurchase our shares subject to the restrictions of the 1940 Act.

Regulated Investment Company

We operated our business in calendar year 2008 so as to be taxed as a regulated investment company under Subchapter M of the Code. As long as we qualify as a regulated investment company, we are not taxed on our investment company taxable income (which generally consists of ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, reduced by deductible expenses), or realized net capital gains, to the extent that such investment company taxable income or gains are distributed, or deemed to be distributed, to stockholders on a timely basis.

Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expense, and generally excludes net unrealized appreciation or depreciation, as such gains or losses are not included in taxable income until they are realized. In addition, gains realized for financial reporting purposes may differ from gains included in taxable income as a result of our election to recognize gains using installment sale treatment, which results in the deferral of gains for tax purposes until notes received as consideration from the sale of investments are collected in cash. Dividends declared and paid by the Company in a year generally differ from taxable income for that year as such dividends may include the distribution of current year taxable income, the distribution of prior year taxable income carried forward into and distributed in the current year, or returns of capital.

We are generally required to distribute 98% of our taxable income during the year the income is earned, and 100% of any income realized, but not distributed or deemed distributed, in preceding years, to avoid paying an excise tax. If this requirement is not met, the Code imposes a nondeductible excise tax generally equal to 4% of the amount by which the required distribution exceeds the distribution for the year. The taxable income on which an excise tax is paid is generally carried forward and distributed to stockholders in the next tax year. Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income.

In order to maintain our status as a regulated investment company, we must, in general, (1) continue to qualify as a business development company; (2) derive at least 90% of our gross income from dividends, interest, gains from the sale of securities and other specified types of income; (3) meet asset diversification requirements as defined in the Code; and (4) timely distribute to stockholders at least 90% of our annual investment company taxable income as defined in the Code.

Investment Advisory Agreement

Management Services

The Manager manages our investments and business pursuant to an investment advisory agreement. Subject to the overall supervision of our Board of Directors, the Manager acts as investment adviser to us and manages the investment and reinvestment of our assets in accordance with our investment objectives and policies. Under the terms of the investment advisory agreement, the Manager provides any and all investment advisory services necessary for the operation and conduct of our business and:

- determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes;
- identifies, evaluates and negotiates the structure of our investments;
- monitors the performance of, and manages our investments;
- determines the securities and other assets that we purchase, retain or sell and the terms on which any such securities are purchased and sold;
- arranges for the disposition of our investments;
- recommends to our Board of Directors the fair value of our investments that are not publicly traded debt or equity securities based on our valuation guidelines;
- votes proxies in accordance with the proxy voting policy and procedures adopted by our Manager; and
- provides us with such other investment advice, research and related services as our Board of Directors may, from time to time, reasonably require for the investment of our assets.

The Manager's services under the investment advisory agreement are not required to be exclusive, and it is free to furnish the same or similar services to other entities, including businesses that may directly or indirectly compete with us for particular investments, so long as its services to us are not impaired by the provision of such services to others. Under the investment advisory agreement and to the extent permitted by the 1940 Act, the Manager will also provide on our behalf significant managerial assistance to those portfolio companies to which we are required to provide such assistance under the 1940 Act and who require such assistance from us.

Management Fee

Pursuant to the investment advisory agreement, we pay the Manager a fee for management services 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 our total assets 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 our credit facilities to the extent the amount of such securities exceeds $100 million. All of the $2,016,214 management and incentive fee payable to the Manager as of December 31, 2008 was the base management fee for the quarter ended December 31, 2008.

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 our net investment income for the quarter that exceeds a quarterly hurdle rate equal to 2% (8% annualized) of our net assets. Our incentive fee does not have a "catch-up" feature component.

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, monitoring, and consulting fees or other fees that we receive from portfolio companies) accrued during the fiscal quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the administration agreement, interest expense and dividends paid on issued and outstanding preferred stock, if any, but excluding the incentive fee). Accordingly, we 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 we have not yet received in cash. Net investment income does not include any realized capital gains, realized capital losses, or unrealized capital appreciation or depreciation.

No investment income incentive fee was earned during the calendar year 2008 compared to $88,060 earned during the calendar year 2007. The incentive fees due in any fiscal quarter are calculated as follows:

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

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) our net realized capital gains (realized capital gains less realized capital losses) on a cumulative basis from the closing date of our 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 was no capital gains fee earned for the year 2008 compared to $348,515 for the year 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 us 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 in the aggregate) to purchase shares of our common stock in open market purchases through an independent trustee or agent. Any sales of such stock will comply with any applicable six-month holding period under Section 16(b) of the Securities Act 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 our 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 our Board of Directors or by the affirmative vote of the holders of a majority of our outstanding voting securities, including, in either case, approval by a majority of our directors who are not interested persons. On October 30, 2008, our Board of Directors, including a majority of the independent directors, approved an extension of the investment advisory agreement through November 9, 2009.

The investment advisory agreement may be terminated at any time, without the payment of any penalty, by a vote of our Board of Directors or the holders of a majority of our shares on 60 days’ written notice to the Manager, and will 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 by reason of the reckless disregard of its duties and obligations, the Manager, its partners and the Managers' and its partners' respective officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from us 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 or obligations under the investment advisory agreement or otherwise as our investment adviser.

Pursuant to the investment advisory agreement, the compensation and routine overhead expenses of the investment professionals of our management team and their respective staffs, when and to the extent engaged in providing management and investment advisory services to us, will be paid for by the Manager. We will bear all other costs and expenses of our 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 us. 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 our Form 10-K for the year ended December 31, 2004, and is incorporated herein by reference.

Administration Agreement

Pursuant to a separate administration agreement, our Administrator furnishes us 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, our required administrative services, which include responsibility for the financial records that we are required to maintain and preparation of reports to our stockholders and reports filed with the SEC. In addition, the Administrator assists us in determining and publishing our net asset value, oversees the preparation and filing of our tax returns, and the printing and dissemination of reports to our stockholders, and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. To the extent permitted under the 1940 Act, the Administrator may also provide, on our behalf, significant managerial assistance to our portfolio companies. Payments under the administration agreement will be equal to the costs and expenses incurred by the Administrator in connection with administering our business. The administration agreement may be terminated at any time, without the payment of any penalty, by a vote of our Board of Directors or by the Administrator 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 $512,926 in accounts payable as of December 31, 2008, $203,080 is due to the Administrator for expenses incurred on our behalf for the month of December 2008.

The administration agreement was originally approved by our Board of Directors on November 9, 2004. The administration agreement provides that unless terminated earlier as described below, the agreement will continue in effect from year-to-year thereafter, provided continuation is approved at least annually by (i) our Board of Directors and (ii) a majority of our directors who are not parties to the administration agreement or ''interested persons'' of any such party. On October 30, 2008, the Board of Directors, including a majority of the independent directors, approved an extension of the administration agreement through November 9, 2009.

The administration agreement provides 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, its partners and the Managers' and its partners' respective officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of the Administrator's services under the administration agreement or otherwise as our administrator.

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 our Form 10-K for the year ended December 31, 2004, and is incorporated herein by reference.

Item 1A. Risk Factors.

Risks Related to Our Business and Investments

Economic downturns and the volatility of oil and natural gas prices could impair our portfolio companies' operations and ability to satisfy obligations to their respective lenders, including us, which could negatively impact our ability to pay dividends and cause the loss of all or part of your investment.

Our portfolio companies will generally be affected by the conditions and overall strength of the national, regional and international economies, including interest rate fluctuations, changes in capital markets and changes in the prices of their primary commodities and products. These factors could adversely impact the results of operations of our portfolio companies.

Our portfolio companies may be susceptible to economic downturns and may be unable to repay our loans during these periods. Therefore, our non-performing assets are likely to increase and the value of our portfolio is likely to decrease during these periods. Adverse economic conditions also may decrease the value of collateral securing some of our loans and the value of our equity investments. Economic downturns could lead to financial losses in our portfolio and decreases in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in decisions by lenders not to extend credit to us. Additionally, oil and natural gas prices are volatile, and a decline in oil and natural gas prices could significantly affect the business, financial condition and results of operations of our portfolio companies and their ability to meet financial commitments. These events could prevent us from making additional investments and harm our operating results.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on the assets securing such loans, which could trigger cross-defaults under other agreements and jeopardize our portfolio company's ability to meet its obligations under the debt securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company. In addition, if one of our portfolio companies were to go bankrupt, even though we may have structured our interest as senior debt, depending on the facts and circumstances, including the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might recharacterize our debt holding and subordinate all or a portion of our claim to that of other creditors. This could negatively affect our ability to pay dividends and cause the loss of all or part of your investment.

Difficult conditions in the capital markets and the economy may materially and adversely affect our business and results of operations and we do not expect these conditions to improve in the near future.

Our business and results of operations are affected by conditions in the capital markets and the economy generally. The stress experienced by capital markets that began in the second half of 2007 continued and substantially increased during 2008. Recently, concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit, the United States (U.S.) mortgage market and a declining real estate market in the U.S. have contributed to increased volatility and diminished expectations for the economy and the markets going forward. These factors, combined with volatile oil and gas prices, declining business and consumer confidence and increased unemployment, have precipitated an economic slowdown. Many economists are now predicting that the U.S. economy, and possibly the global economy, may enter into a prolonged recession or depression as a result of the deterioration in the credit markets and the related financial crisis, as well as a variety of other factors. Both expected and, to a greater extent, actual downturns in the U.S. or global economy could hurt our business in a number of ways, including by decreasing the prices our portfolio companies receive for oil and natural gas production, increasing their various counterparty risks, increasing the likelihood of non-cash asset writedowns and goodwill impairments, and reducing our ability to comply with financial and restrictive covenants related to our indebtedness. Furthermore, a prolonged tightening of the credit market could adversely impact our access to capital, which would reduce our ability to make additional investments. Any of these effects could have a material adverse effect on our revenues, financial condition and results of operations.

We are unable to predict the effect that governmental actions for the purpose of stabilizing the financial markets will have on such markets generally or on the Company in particular.

In response to the financial crises affecting the banking system and financial markets and going concern threats to investment banks and other financial institutions, on October 3, 2008, then-President Bush signed the Emergency Economic Stabilization Act of 2008, or the EESA, into law. Pursuant to the EESA, the U.S. Treasury has the authority to, among other things, purchase up to $700 billion of mortgage-backed and other securities from financial institutions for the purpose of stabilizing the financial markets. Subsequently, on February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009, or the ARRA, a $787 billion stimulus bill for the purpose of stabilizing the economy by, among other things, creating jobs. The U.S. federal government and other governmental and regulatory bodies have taken or are considering taking other actions to address the financial crisis. We are unable to predict the effect that any such governmental actions will have on the financial markets generally or on the Company's competitive position, business and financial condition in particular.

High oil and natural gas prices may increase the availability of alternative sources of capital and reduce demand for our targeted investments.

During periods of higher oil and natural gas prices, energy companies may have less financial need for borrowing than in a lower commodity price environment. At higher commodity price levels, borrowers may use the additional cash flow to reduce outstanding debt under senior secured facilities, which typically makes future borrowing capacity available to such borrowers. In addition, to the extent senior lenders base borrowing capacity on reserve value calculations, higher commodity prices typically increase reserve values, thereby creating additional borrowing capacity. Because interest rates under senior secured facilities will generally be lower than the interest rates of our targeted investments, demand for our targeted investments may be reduced if energy companies have the ability to borrow additional amounts under their senior debt facilities. As a result, high commodity prices may have the effect of reducing the number of energy companies seeking financing similar to our targeted investments or causing us to achieve lower total returns on our targeted investments.

Our ability to grow will depend on our ability to raise capital.

Periodically, we will need to access the capital markets to raise cash to fund new investments. Unfavorable economic conditions could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. An inability to successfully access the capital markets could limit our ability to grow our business and fully execute our business strategy and could decrease our earnings, if any. With certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowing. The amount of leverage that we employ will depend on our investment adviser's and our Board of Directors' assessment of market and other factors at the time of any proposed borrowing. We cannot assure you that we will be able to maintain our current Facilities or obtain another line of credit at all or on terms acceptable to us.

In addition to issuing securities to raise capital as described above, we may in the future seek to securitize our loans to generate cash for funding new investments. To securitize loans, we may create a wholly-owned subsidiary and contribute a pool of loans to the subsidiary. This could include the sale of interests in the subsidiary on a non-recourse basis (except for customary repurchase obligations for breach of representations and warranties) to purchasers whom we would expect to be willing to accept a lower interest rate to invest in investment grade loan pools, and we would expect that we would retain a subordinated interest in the assets and participate (most likely on a first loss basis) in losses related to the securitized assets to the extent of that interest. However, the exact structure and provisions of any securitization will be based upon then-current market conditions and may vary from the description in this prospectus. An inability to securitize our loan portfolio successfully could limit our ability to grow our business, fully execute our business strategy and decrease our earnings, if any. Moreover, the successful securitization of our loan portfolio might expose us to losses, as the residual loans in which we do not sell interests will tend to be those that are riskier and more apt to generate losses.

We operate in a highly competitive market for investment opportunities.

A large number of entities compete with us to make the types of investments that we make in energy companies. We compete with public and private funds, commercial and investment banks, commercial financing companies, and, to the extent they provide an alternative form of financing, private equity funds. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a business development company. The competitive pressures that we face may have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we may not be able to identify and make investments that are consistent with our investment objectives.

We do not seek to compete solely based on the interest rates we offer to prospective portfolio companies. However, some of our competitors may make loans with interest rates comparable to or lower than the rates we offer. We may lose investment opportunities if we do not match our competitors' pricing, terms and structures. If we match our competitors' pricing, terms and structures, we may experience decreased net interest income or capital gains and increased risk of credit loss, and the value of our shares or the amount of dividends paid may decline.

We are a relatively new company with a limited operating history.

We were incorporated in July 2004 and commenced investment operations in November 2004. We are subject to all of the business risks and uncertainties associated with any new business, including the risk that we will not achieve our investment objectives and that the value of your investment could decline substantially.

Investing in privately-held companies may be riskier than investing in publicly-traded companies due to the lack of available public information.

We invest primarily in privately-held companies, which may be subject to higher risk than investments in publicly-traded companies. Generally, little public information exists about these companies, and we are required to rely on the ability of our management team to obtain adequate information to evaluate the potential risks and returns involved in investing in these companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose some or all of the money we invest in these companies. These factors could subject us to greater risk than investments in publicly-traded companies and negatively affect our investment returns, which could negatively affect our ability to pay dividends and cause the loss of all or part of your investment.

Many of our portfolio investments are not publicly traded and, as a result, there is uncertainty as to the value of our portfolio investments.

A large percentage of our portfolio investments (other than our short-term cash investments) are, and will continue to be, in the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded may not be readily determinable. We value these securities quarterly at fair value in accordance with procedures as determined in good faith by our Board of Directors. However, we may be required on a more frequent basis to value our securities to reflect significant events affecting the value of our securities. The types of factors that may be considered in fair value pricing of an investment include the nature and realizable value of any collateral, the portfolio company's earnings and ability to make payments, the markets in which the portfolio company does business, comparison to publicly traded companies, discounted cash flow and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate during short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. As a result, we may not be able to dispose of our holdings at a price equal to or greater than our determined fair value. Our net asset value could be adversely affected if our determinations regarding the fair value of our investments are materially higher than the values that we ultimately realize upon the disposal of such securities. In addition, the subjective nature of such valuations may cause the shares of our common stock to trade at a discount to our net asset value.

Our equity investments may lose all or part of their value, causing us to lose all or part of our investment in those companies.

The equity interests in which we invest may not appreciate or may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience. As a result, our equity interests may decline in value, causing us to lose all or part of our equity investment in those companies, and may negatively affect our ability to pay dividends and cause the loss of all or part of your investment.

The energy industry is subject to many risks.

We concentrate our investments in the energy industry. The revenues, income (or losses) and valuations of energy companies can fluctuate suddenly and dramatically due to any one or more of the following factors:

Commodity Pricing Risk. Energy companies in general are directly affected by energy commodity prices, such as the market prices of crude oil, natural gas, coal and wholesale electricity, especially for those who own the underlying energy commodity. In addition, the volatility of commodity prices can affect other energy companies due to the impact of prices on the volume of commodities produced, transported, processed, stored or distributed and on the cost of fuel for power generation companies. The volatility of commodity prices can also affect energy companies' ability to access the capital markets in light of market perception that their performance may be directly tied to commodity prices. Historically, energy commodity prices have been cyclical and exhibited significant volatility. Some of our portfolio companies may not engage in hedging transactions to minimize their exposure to commodity price risk. Those companies that engage in such hedging transactions remain subject to market risks, including market liquidity and counterparty creditworthiness.

Regulatory Risk. The profitability of energy companies could be adversely affected by changes in the regulatory environment. The businesses of energy companies are heavily regulated by federal, state and local governments in diverse matters, such as the way in which energy assets are constructed, maintained and operated and the prices energy companies may charge for their products and services. Such regulation can change over time in scope and intensity. For example, a particular by-product of an energy process may be declared hazardous by a regulatory agency, which can unexpectedly increase production costs. Moreover, many state and federal environmental laws provide for civil penalties as well as regulatory remediation, thus adding to the potential liability an energy company may face.

Production Risk. The profitability of energy companies may be materially impacted by the volume of crude oil, natural gas or other energy commodities available for producing, transporting, processing, storing, distributing or generating power. A significant decrease in the production of natural gas, crude oil, coal or other energy commodities, due to the decline of production from existing facilities, import supply disruption, depressed commodity prices, political events, OPEC actions or otherwise, could reduce revenue and operating income or increase operating costs of energy companies and, therefore, their ability to pay debt or dividends.

Demand Risk. A sustained decline in demand for crude oil, natural gas, refined petroleum products and electricity could materially affect revenues and cash flows of energy companies. Factors that could lead to a decrease in market demand include a recession or other adverse economic conditions, increases in the market price of the underlying commodity, higher taxes or other regulatory actions that increase costs, or shifts in consumer demand for such products.

Depletion and Exploration Risk. A portion of an energy company's assets may consist of natural gas, crude oil and/or coal reserves and other commodities that naturally deplete over time. Depletion could have a material adverse impact on such company's ability to maintain its revenue. Further, estimates of energy reserves may not be accurate and, even if accurate, reserves may not be produced profitably. In addition, exploration of energy resources, especially of oil and natural gas, is inherently risky and requires large amounts of capital.

Weather Risk. Unseasonable extreme weather patterns could result in significant volatility in demand for energy and power or may directly affect the operations of individual companies. This weather-related risk may create fluctuations in earnings of energy companies.

Operational Risk. Energy companies are subject to various operational risks, such as failed drilling or well development, unscheduled outages, underestimated cost projections, unanticipated operation and maintenance expenses, failure to obtain the necessary permits to operate and failure of third-party contractors, such as energy producers and shippers, to perform their contractual obligations. In addition, energy companies employ a variety of means of increasing cash flow, including increasing utilization of existing facilities, expanding operations through new construction, expanding operations through acquisitions, or securing additional long-term contracts. Thus, some energy companies may be subject to construction risk, acquisition risk or other risks arising from their specific business strategies.

Competition Risk. The energy companies in which we may invest will face substantial competition in acquiring properties, enhancing and developing their assets, marketing their commodities, securing trained personnel and operating their properties. Many of their competitors, including major oil companies, natural gas utilities, independent power producers and other private independent energy companies, may have financial and other resources that substantially exceed their resources. The businesses in which we may invest face greater competition in the production, marketing and selling of power and energy products brought about in part from the deregulation of the energy markets.

Valuation Risk. The targeted investments made by us are based upon valuations of our portfolio companies' assets that are subject to uncertainties inherent in estimating quantities of reserves of oil, natural gas and coal and in projecting future rates of production and the timing of development expenditures, which are dependent upon many factors beyond our control. The estimates rely on various assumptions, including, for example, commodity prices, operating expenses, capital expenditures and the availability of funds, and are therefore inherently imprecise indications of future net cash flows. Actual future production, cash flows, taxes, operating expenses, development expenditures and quantities of recoverable reserves may vary substantially from those assumed in the estimates. Any significant variance in these assumptions could materially affect the value of our investments.

Financing Risk. Some of the portfolio companies in which we invest may rely on capital markets to raise money to pay their existing obligations. Their ability to access the capital markets on attractive terms or at all may be affected by any of the risk factors associated with energy companies described above, by general economic and market conditions or by other factors. This may in turn affect their ability to satisfy their obligations with us.

When we are a debt or minority equity investor in a portfolio company, we generally will not be in a position to control the entity, and management of the portfolio company may make decisions that could decrease the value of our portfolio holdings.

We generally make debt and minority equity investments, and are therefore subject to the risks that a portfolio company may make business decisions with which we disagree. Further, the stockholders and management of such company may take risks or otherwise act in ways that do not serve our interests. Due to the lack of liquidity in the markets for our investments in privately-held companies, we may not be able to dispose of our interests in our portfolio companies as readily as we would like. As a result, a portfolio company may make decisions that could decrease the value of our portfolio holdings.

The lack of liquidity in our investments may adversely affect our business.

We generally make investments in private companies. Substantially all of these investments will be subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments. In addition, we may face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we have material non-public information regarding such portfolio company.

We may experience fluctuations in our quarterly results.

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

We may choose to invest a portion of our portfolio in investments that may be considered highly speculative, which could negatively affect our ability to pay dividends and cause a loss of part of your investment.

Our investments are generally in the form of debt instruments, including senior and subordinated loans, combined in one facility, sometimes with an equity component, and subordinated loans, sometimes with equity components. We may also invest in preferred stock and other equity securities. These investments will likely be made in energy companies that possess assets that do not produce sufficient current cash flow at inception of our investment to amortize the principal throughout the life of a loan. For example, such an investment could be made in a company that owns proved non-producing oil and natural gas reserves and requires capital to finance development drilling to initiate the production of the reserves and generate cash flow. Some of these investments may be of a highly speculative nature and may lose some or all of their value, which could negatively affect our ability to pay dividends and cause the loss of part of your investment.

We currently use borrowed funds to make investments and are exposed to the typical risks associated with leverage.

We are exposed to increased risk of loss due to our use of debt to make investments. A decrease in the value of our investments will have a greater negative impact on the value of our common stock than if we did not use debt. Our ability to pay dividends will be restricted if our asset coverage ratio falls below at least 200% and any amounts that we use to service our indebtedness are not available for dividends to our common stockholders.

Our current and future debt securities are and may be governed by an indenture or other instrument containing covenants restricting our operating flexibility. We, and indirectly our stockholders, bear the cost of issuing and servicing such securities. Any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock.

We fund a portion of our investments with borrowed money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us.

Borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in our securities. Our lenders have fixed dollar claims on our consolidated assets that are superior to the claims of our common stockholders or any preferred stockholders. If the value of our consolidated assets increases, then leveraging would cause the net asset value to increase more sharply than it would have had we not leveraged. Conversely, if the value of our consolidated assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged. Similarly, any increase in our consolidated income in excess of consolidated interest payable on the borrowed funds would cause our net income to increase more than it would without the leverage, while any decrease in our consolidated income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to make common stock dividend payments. Leverage is generally considered a speculative investment technique.

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 December 31, 2008, approximately 15% of the investments at fair value in our portfolio were at fixed rates, while approximately 85% 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.

We may not have sufficient funds to make follow-on investments. Our decision not to make a follow-on investment may have a negative impact on a portfolio company in need of such an investment or may result in a missed opportunity for us.

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

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 December 31, 2008, given our total assets of $401 million and total debt of $120 million, our asset coverage for senior securities was 334%.

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.

Our Board of Directors may change most of our operating policies and strategies without prior notice or stockholder approval, the effects of which may be adverse.

Our Board of Directors has the authority to modify or waive most of our current operating policies and our strategies without prior notice and without stockholder approval. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, operating results and value of our stock. However, the effects might be adverse, which could negatively affect our ability to pay you dividends and cause you to lose all or part of your investment. In the event that our Board of Directors determines that we cannot economically pursue our investment objective under the 1940 Act, they may at some future date decide to withdraw our election to be treated as a business development company and convert us to a management investment company or an operating company not subject to regulation under the 1940 Act, or cause us to liquidate. These changes may not be effected without approval of a requisite percentage of our Board of Directors and the holders of a majority of our shares.

We may choose to waive or defer enforcement of covenants in the debt securities held in our portfolio, which may cause us to lose all or part of our investment in these companies.

We generally structure the debt investments in our portfolio companies to include customary business and financial covenants placing affirmative and negative obligations on the operation of each company's business and its financial condition. However, from time to time we may elect to waive breaches of these covenants, including our right to payment, or waive or defer enforcement of remedies, such as acceleration of obligations or foreclosure on collateral, depending upon the financial condition and prospects of the particular portfolio company. These actions may reduce the likelihood of us receiving the full amount of future payments of interest or principal and be accompanied by a deterioration in the value of the underlying collateral as many of these companies may have limited financial resources, may be unable to meet future obligations and may go bankrupt. This could negatively affect our ability to pay dividends and cause the loss of all or part of your investment.

Our portfolio investments may be concentrated in a limited number of portfolio companies, which would magnify the effect if one of those companies were to suffer a significant loss. This could negatively affect our ability to pay dividends and cause the loss of all or part of your investment.

We are classified as a closed-end, non-diversified management investment company under the 1940 Act, which means we are not limited by the 1940 Act in the proportion of our assets that may be invested in the securities of a single issuer. A consequence of this concentration is that the aggregate returns we initially realize may be adversely affected if a small number of our investments perform poorly or if we need to write down the value of any one such investment. Beyond the applicable federal income tax diversification requirements, we do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few portfolio companies. Financial difficulty on the part of any single portfolio company will expose us to a greater risk of loss than would be the case if we were a ''diversified'' company holding numerous investments. To the extent that we take large positions in the securities of a small number of portfolio companies, our net asset value and the market price of our common stock may fluctuate as a result of changes in the financial condition or in the market's assessment of such portfolio companies to a greater extent than that of a diversified investment company. These factors could negatively affect our ability to pay dividends and cause the loss of all or part of your investment.

In addition, our investments are concentrated in the energy industry. Consequently, we are exposed to the risks of adverse developments affecting the energy industry to a greater extent than if our investments were dispersed over a variety of industries. See ''The energy industry is subject to many risks.''

Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies. As a result, the holders of such debt may be entitled to payments of principal or interest prior to us, preventing us from obtaining the full value of our investment in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

A substantial amount of our assets is invested in subordinated debt securities and mezzanine investments issued by our portfolio companies. The portfolio companies usually will have, or may be permitted to incur, other debt that ranks equally with, or senior to, the securities in which we invest. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which we are entitled to receive payments in respect of the securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying such senior creditors, the portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with securities in which we invest, we would have to share on an equal basis any distributions with other creditors holding such securities in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company. As a result, we may be prevented from obtaining the full value of our investment in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

We reported a material weakness in our internal control over financial reporting and if we are unable to improve our internal controls, our financial results may not be accurately reported.

Management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2008 identified a material weakness in our internal controls in our financial reporting process due mainly to our failure to perform a sufficiently precise review to ensure the completeness and accuracy of the calculation of our income tax provision and deferred income tax assets and liabilities. As a result of this material weakness, management determined that our disclosure controls and procedures were not effective as of December 31, 2008. The material weakness and our plan to remediate that material weakness are described in Item 9A. entitled ''CONTROLS AND PROCEDURES'' of this Annual Report on Form 10-K.

The initiatives we have taken to improve the reliability of our internal controls and to remediate the material weakness are ongoing. However, we might be unable to design a control adequate to remediate the material weakness. We cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial reporting processes and that we will remediate the material weakness described in this Annual Report on Form 10-K. Any failure to implement required new or improved controls or to remediate the material weakness, or difficulties encountered in their implementation could prevent us from accurately reporting our financial results, result in material misstatements in our financial statements or cause us to fail to meet our reporting obligations. In addition, we cannot assure you that we will not in the future identify further material weaknesses in our internal control over financial reporting that we have not discovered to date, which may impact the reliability of our financial reporting and financial statements. Insufficient internal controls could also cause investors to lose confidence in our reported financial information.

Failure to deploy new capital may reduce our return on equity.

If we fail to invest any new capital effectively our return on equity may be negatively impacted, which could reduce the price of the shares of our common stock.

We may invest a portion of our assets in foreign securities. Investing in foreign securities typically involves more risks than investing in U.S. securities. These risks can increase the potential for losses by us and negatively affect our stock price.

Foreign securities may be issued and traded in foreign currencies. As a result, their values may be affected by changes in exchange rates between foreign currencies and the U.S. dollar. For example, if the value of the U.S. dollar goes up compared to a foreign currency, a loan payable in that foreign currency will go down in value because it will be worth fewer U.S. dollars.

The political, economic, and social structure of some foreign countries may be less stable and more volatile than those in the U.S. Investments in these countries may be subject to the risks of internal and external conflicts, currency devaluations, foreign ownership limitations and tax increases. It is possible that a government may take over assets or operations of a company or impose restrictions on the exchange or export of currency or other assets. Some countries also may have different legal systems that may make it difficult for us to vote proxies, exercise stockholder rights, and pursue legal remedies with respect to foreign investments. Diplomatic and political developments, including rapid and adverse political changes, social instability, regional conflicts, terrorism and war, could affect the economies, industries and securities and currency markets, and the value of our investments, in non-U.S. countries. These factors are extremely difficult, if not impossible, to predict and to take into account with respect to our investments in foreign securities.

Brokerage commissions and other fees generally are higher for foreign securities. Government supervision and regulation of foreign stock exchanges, currency markets, trading systems and brokers may be less than in the U.S. The procedures and rules governing foreign transactions and custody (holding of our assets) may involve delays in payment, delivery or recovery of money or investments.

Foreign companies may not be subject to the same disclosure, accounting, auditing and financial reporting standards and practices as U.S. companies. Thus, there may be less information publicly available about foreign companies than about most U.S. companies.

Certain foreign securities may be less liquid (harder to sell) and more volatile than many U.S. securities. This means we may at times be unable to sell foreign securities at favorable prices.

Dividend and interest income from foreign securities may be subject to withholding taxes by the country in which the issuer is located, and we may not be able to pass through to our stockholders foreign tax credits or deductions with respect to these taxes.

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.

Risks Related to Our Manager

Our Manager and our management team have limited experience managing a BDC and a RIC, and we cannot assure you that their past experience will be sufficient to manage our company as a BDC and a RIC.

The 1940 Act imposes numerous complex constraints on the operations of BDCs. In order to maintain our status as a BDC, the 1940 Act prohibits us from acquiring any assets other than ‘‘qualifying assets’’ unless, after giving effect to the acquisition, at least 70% of our total assets are qualifying assets. We refer to this requirement as the 70% Test. Qualifying assets include securities of private U.S. companies, cash, cash equivalents, U.S. government securities and high quality debt instruments that mature in one year or less. The failure to comply with these provisions in a timely manner could prevent us from qualifying as a BDC or could force us to pay unexpected taxes and penalties, which could be material. Additionally, the RIC rules imposed by the Code require us to meet certain source-of-income, asset diversification and annual distribution requirements. The limited experience of our management team in managing a portfolio of assets under such regulatory constraints may hinder its ability to take advantage of attractive investment opportunities and, as a result, achieve our investment objectives.

Our management team may provide services to other investors, which could reduce the amount of time and effort that they devote to us, which could negatively affect our performance.

Our investment advisory agreement does not restrict the right of our Manager, NGP, or any persons working on our behalf, to carry on their respective businesses, including providing advice to others with respect to the purchase of securities that would meet our investment objectives. Although the officers of our Manager devote full time to the management of our business, our investment advisory agreement does not specify a minimum time period that representatives of NGP who are serving as directors or members of our Manager’s investment committee must devote to managing our investments. Each of Messrs. Hersh and Albin (who serve as members of our Board of Directors), and Messrs. Quinn and Covington (who serve as members of our Manager’s investment committee) continue to have substantial responsibilities in connection with their roles managing other NGP-affiliated funds. Our Manager and its management team may also be called upon to provide managerial assistance to our portfolio companies. The ability of these parties to engage in these other business activities, including managing assets for third parties, could reduce the time and effort they spend managing our portfolio, which could negatively affect our performance.

Our future success is dependent upon the members of our management team and their access to investment professionals of our Manager’s affiliates and the loss of any of them could detrimentally affect our operations.

We depend on the diligence, experience, skill and network of business contacts of our management team. We also depend, to a significant extent, on our Manager’s investment professionals and the information and deal flow generated by them in the course of their investment and portfolio management activities. Our management team evaluates, negotiates, structures, closes and monitors our investments. Our future success will depend on the continued service of our management team. The departure of any of the senior members of our management team, or of a significant number of the investment professionals of our Manager, could have a material adverse effect on our ability to achieve our investment objectives. We have not entered into employment agreements, nor do we have an employment relationship, with any of these individuals. There is competition for qualified professionals in our Manager’s industry. If our Manager is unable to hire and retain qualified personnel, we may be unable to successfully implement our investment strategy and the value of your investment could decline. In addition, we can offer no assurance that our Manager will remain our Manager or that we will continue to have access to the investment professionals of our Manager or their information and deal flow. The loss of any member of our management team could detrimentally affect our operations.

Our obligation to reimburse our Manager for certain expenses could result in a conflict of interest.

In the course of our investing activities, we pay management and incentive fees to our Manager. Also, we reimburse our Manager and our Administrator for certain expenses they incur, such as those payable to third parties in monitoring our financial and legal affairs and investments and performing due diligence on our prospective investments. As a result, investors in our common stock will invest on a ''gross'' basis and receive distributions on a ''net'' basis after expenses, resulting in, among other things, a lower rate of return than one might achieve through direct investments. Due to this arrangement, there may be times when our Manager has interests that differ from those of our stockholders, giving rise to a conflict that could negatively affect our investment returns and the value of your investment.

We pay our Manager a base management fee based upon our total assets, which may lead our Manager to cause us to incur more debt than is prudent in order to maximize its compensation.

We will pay our Manager a quarterly base management fee based on the value of our total assets (including assets acquired with borrowed funds). Accordingly, our Manager has an enhanced economic incentive to increase our leverage. If our leverage is increased, we will be exposed to increased risk of loss, bear the increased cost of issuing and servicing such senior indebtedness, and will be subject to any additional covenant restrictions imposed in an indenture or by the applicable lender, which could negatively affect our business and results of operation.

We pay our Manager incentive compensation based on our portfolio's performance. This arrangement may lead our Manager to recommend riskier or more speculative investments in an effort to maximize its incentive compensation.

In addition to its base management fee, our Manager earns incentive compensation in two parts. The first part is payable quarterly and is equal to a specified percentage of the amount by which our net investment income exceeds a hurdle rate. The second part of the incentive fee is determined and payable in arrears as of the end of each calendar year and equals (1) 20% of (a) our net realized capital gain (realized capital gains less realized capital losses) on a cumulative basis from the closing date of our 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 our Manager in prior years.

The way in which the incentive fee payable to our Manager is determined may encourage our Manager to use leverage to increase the return on our investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would adversely affect our stockholders because their interests would be subordinate to those of debtholders. In addition, our Manager receives the incentive fee based, in part, upon net capital gains realized on our investments. Unlike the portion of the incentive fee based on income, there is no hurdle rate applicable to the portion of the incentive fee based on net capital gains. As a result, our Manager may have a tendency to invest more in investments that are likely to result in capital gains as compared to income-producing securities. Other key criteria related to determining appropriate investments and investment strategies, including the preservation of capital, might be under-weighted if our Manager focuses exclusively or disproportionately on maximizing its income. Such a practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses.

The payment of part of the incentive compensation on a quarterly basis may lead our Manager to accelerate or defer interest payable by our portfolio companies in a manner that could result in fluctuations in the timing and amount of dividends.

Our Manager receives a quarterly incentive fee based, in part, on our net investment income, if any, for the immediately preceding fiscal quarter. To the extent our Manager exerts influence over our portfolio companies, the quarterly incentive fee may provide our Manager with an incentive to induce our portfolio companies to accelerate or defer payments for interest or other obligations owed to us from one fiscal quarter to another. This could result in greater fluctuations in the timing and amount of dividends that we pay.

We may be obligated to pay our Manager incentive compensation even if we incur a loss.

Pursuant to the investment advisory agreement, our Manager is entitled to receive incentive compensation for each fiscal quarter in an amount equal to a percentage of the excess of our net investment income for that quarter above a hurdle rate. In addition, the investment advisory agreement further provides that our net investment income for incentive compensation purposes excludes unrealized capital losses that we may incur in the fiscal quarter, even if such capital losses result in a net loss on our statement of operations for that quarter. The calculation of the incentive fee includes any deferred interest accrued, but not yet received. As a result, we may be paying an incentive fee on interest, the collection of which may be uncertain or deferred. Thus, we may be required to pay our Manager incentive compensation for a fiscal quarter even if there is a decline in the value of our portfolio or we incur a net loss for that quarter.

While our management team currently does not provide advisory services to other investment vehicles that may have common investment objectives with ours, our management team may do so in the future and may face conflicts of interest in allocating investments.

Our management team does not currently provide advisory services to other investment vehicles with common investment objectives to ours. However, they are not prohibited from doing so. In addition, the NGP-affiliated funds are not precluded from making investments in securities like our targeted investments, although they have not traditionally focused on such types of investments in the past. If our management team does provide such services to other investment vehicles in the future, or if the focus of the NGP-affiliated funds were to change to include securities like our targeted investments, our management team might allocate investment opportunities to other entities, and thus might divert attractive investment opportunities away from us. In addition, our executive officers and directors, and the members of our management team, serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do or of investment funds managed by our affiliates. These multiple responsibilities might create conflicts of interest for our management team and NGP if they are presented with opportunities that might benefit us and their other clients, investors or stockholders.

Our Manager's liability is limited under the investment advisory agreement, and we have agreed to indemnify our Manager against certain liabilities, which may lead our Manager to act in a riskier manner on our behalf than it would when acting for its own account.

Our Manager has not assumed any responsibility to us other than to provide the services described in the investment advisory agreement, and it is not responsible for any action of our Board of Directors in declining to follow our Manager's advice or recommendations. Pursuant to the investment advisory agreement, our Manager, its partners and, among others, their respective partners, officers and employees are not liable to us for their acts under the investment advisory agreement, absent willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties. We have agreed to indemnify, defend and protect our Manager and its managing members, officers and employees with respect to all expenses, losses, damages, liabilities, demands, charges and claims arising from acts of our Manager not constituting willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties. These protections may lead our Manager to act in a riskier manner when acting on our behalf than it would when acting for its own account.

We are a different vehicle from any other NGP-affiliated fund.

Our investment strategies differ from those of other funds (including any NGP-affiliated fund) that are, or have been, managed by NGP or its affiliates. Investors in NGP Capital Resources Company do not own any interest in NGP or in any other NGP-affiliated fund. The historical performance of NGP is not indicative of the results that our company will achieve, and you should not rely upon such historical performance in purchasing our common stock. The rate of return we target on investments is lower than that of NGP's private equity funds, and as a result, our expected rate of return is lower than returns sought by NGP's private equity funds. We can provide no assurance that we will replicate the historical or future performance of NGP or its affiliated funds, and we caution you that our investment returns may be substantially lower than the returns achieved by those funds.

Legal and Tax Risks

A failure on our part to maintain our status as a BDC would significantly reduce our operating flexibility.

If we do not continue to qualify as a business development company, we might be regulated as a closed-end investment company under the 1940 Act, which would significantly decrease our operating flexibility.

We will be subject to corporate-level income tax if we are unable to qualify as a RIC.

To qualify as a RIC under the Code, we must meet certain source-of-income, asset diversification and annual distribution requirements. The annual distribution requirement for a RIC is satisfied if we distribute at least 90% of our ''investment company taxable income'' (which generally consists of ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, reduced by deductible expenses) and net tax-exempt interest to our stockholders on an annual basis. Because we use debt financing, we are subject to certain asset coverage ratio requirements under the 1940 Act as a BDC, and financial covenants under our existing loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to qualify as a RIC. If we are unable to obtain cash from other sources, we may fail to qualify as a RIC and, thus, may be subject to corporate-level income tax. To qualify as a RIC, we must also meet certain asset diversification requirements at the end of each calendar quarter. Failure to meet these tests may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because most of our investments will be in private companies, any such dispositions could be made at disadvantageous prices and may result in substantial losses. If we fail to qualify as a RIC for any reason at any time in the future and we remain or become subject to corporate income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. In addition, our distributions would be taxable to our stockhholders as ordinary dividends. Such a failure would likely have a material adverse effect on our stockholders and us. For example, we failed to qualify as a RIC for our first taxable year ended on December 31, 2004.

We may have difficulty paying our required distributions if we recognize income before, or without, receiving cash representing such income. If we are unable to pay required distributions, we may fail to qualify as a RIC and thus be subject to corporate-level income tax.

For federal income tax purposes, we are required to include in income certain amounts that we have not yet received in cash, such as original issue discount, which arises, for example, when we receive warrants, property-based equity participation rights or loan discount points in connection with the purchase of a loan or payment-in-kind interest, which represents contractual interest added to the loan balance and due at the end of the loan term. Such original issue discount or increases in loan balances as a result of payment-in-kind arrangements, which could be significant relative to our company's overall investment activities, are included in income before we receive any corresponding cash payments. We also may be required to include in income certain other amounts that we do not receive in cash.

Since in certain cases we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the tax requirement to distribute at least 90% of the sum of our ''investment company taxable income'' (which generally consists of ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, reduced by deductible expenses) and net tax-exempt interest, if any, to our stockholders on an annual basis, to maintain our status as a RIC. Accordingly, we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital, borrow funds or reduce new investment originations to meet these distribution requirements. If we are not able to obtain cash from other sources, we may fail to qualify as a RIC and thus be subject to corporate-level income tax.

Regulations governing our operation as a BDC affect our ability to, and the way in which we, raise additional capital.

We have elected to be treated as a BDC under the 1940 Act. The 1940 Act imposes numerous restrictions on our activities, including restrictions on the nature of our investments, our use of borrowed funds, our issuance of securities, options, warrants, or rights. Such restrictions may prohibit the purchase of certain investments that would otherwise be suitable for investment or render such purchases inadvisable.

Under the provisions of the 1940 Act, as a BDC, we are permitted to issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our indebtedness at a time when such sales may be disadvantageous and result in unfavorable prices.

We generally cannot issue and sell our common stock at a price below net asset value per share. However, we may sell our common stock, or warrants, options or rights to acquire our common stock, at prices below the current net asset value of the common stock if our Board of Directors determines that such sale is in the best interests of our company and its stockholders, and our stockholders approve such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price that, in the determination of our Board of Directors, closely approximates the market value of such securities (less any distributing commission or discount).

Because there are no judicial and few administrative interpretations of the provisions of the 1940 Act pertaining to business development companies, there is no assurance that such provisions will be interpreted or administratively implemented in a manner consistent with our investment objectives and intended manner of operation. In the event that our Board of Directors determines that we cannot economically pursue our investment objective under the 1940 Act, they may at some future date decide to withdraw our election to be regulated as a BDC and convert us to a management investment company or an operating company not subject to regulation under the 1940 Act, or cause us to liquidate. These changes may not be effected without approval of a requisite percentage of our Board of Directors and the holders of a majority of our shares.

Changes in laws or regulations governing our operations and those of our portfolio companies, our Manager or its affiliates may adversely affect our business or cause us to alter our business strategy.

We, our portfolio companies, and our Manager and its affiliates are subject to regulation by laws and regulations at the local, state and federal level. New legislation may be enacted into law or new interpretations, rulings or regulations could be adopted, including those governing the types of investments we are permitted to make, any of which could harm us, our Manager and our stockholders, with retroactive effect. Such changes could result in material changes to our strategies and plans and may result in our investment focus shifting from the areas of expertise of our Manager to other types of investments in which our Manager may have less expertise or little or no experience. Thus, any such changes, if they occur, could have a material adverse effect on our results of operations and the value of your investment.

For example, under current federal tax laws, our portfolio companies are entitled to certain deductions relating to their operations, including deductions for intangible drilling costs, manufacturing tax deductions and depletion deductions. The President's budget for the fiscal year 2010 outlines proposals to eliminate several oil and gas federal income tax incentives, including the repeal of the manufacturing tax deduction, percentage depletion allowance and expensing of intangible drilling costs for oil and natural gas. It is not possible at this time to predict how legislation or new regulations that may be adopted to address these proposals would impact our business or the business of our portfolio companies, but any such future laws and regulations could adversely affect our results of operations and the value of your investment.

Our ability to enter into transactions with our affiliates is restricted.

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

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We do not own any real estate or other physical properties materially important to our operation. Our headquarters are located in Houston, Texas, where we occupy office space pursuant to our administration agreement with our Administrator. We believe that our office facilities are suitable and adequate for our business as it is presently conducted.

Item 3. Legal Proceedings.

We are not currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us.

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

No matters were submitted to a vote of stockholders through the solicitation of proxies or otherwise during the fourth quarter of the fiscal year ended December 31, 2008.

PART II.

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Our common stock is traded on the NASDAQ Global Select Market under the symbol "NGPC". On March 11, 2009, there were approximately 15,026 record holders and beneficial owners (held in street name) of our common stock, according to our transfer agent. The following table sets forth the range of high and low sales prices of our common stock as reported on the NASDAQ Stock Market and our dividends declared for the periods indicated.

	NAV(1)	Price Range		Ratio of High Sales Price to NAV	Ratio of Low Sales Price to NAV	Cash Dividend per Share(2)
		High	Low			
Fiscal 2008						
Fourth quarter	$12.29	$15.05	$ 7.00	122%	57%	$0.410
Third quarter	14.34	17.95	11.55	125%	81%	0.400
Second quarter	14.08	17.22	15.40	122%	109%	0.400
First quarter	14.04	17.97	14.75	128%	105%	0.400
Fiscal 2007						
Fourth quarter	14.30	16.75	14.40	117%	101%	0.515
Third quarter	14.52	17.95	12.81	124%	88%	0.350
Second quarter	14.63	18.34	15.48	125%	106%	0.310
First quarter	14.16	17.06	14.50	120%	102%	0.265
Fiscal 2006						
Fourth quarter	13.96	17.00	14.21	122%	102%	0.330
Third quarter	13.99	15.11	13.04	108%	93%	0.250
Second quarter	13.93	14.72	13.00	106%	93%	0.180
First quarter	13.96	14.89	13.11	107%	94%	0.160
Fiscal 2005						
Fourth quarter	14.02	15.04	12.92	107%	92%	0.275
Third quarter	14.02	15.70	13.22	112%	94%	0.140
Second quarter	13.96	16.30	14.30	117%	102%	0.125
First quarter	13.98	16.75	14.41	120%	103%	0.120
Fiscal 2004						
Fourth quarter(3)	14.03	16.15	14.20	115%	101%	—

(1) Net asset value per share is determined as of the last day in the relevant quarter and therefore may not reflect the net asset value per share on the date of the high and low closing sales prices. The net values per share shown are based on outstanding shares at the end of each period.

(2) Represents the dividend declared in the specified quarter.

(3) Beginning November 10, 2004.

Since the first full quarter following our IPO, we have distributed, and currently intend to continue to distribute in the form of dividends, a minimum of 90% of our investment company taxable income on a quarterly basis to our stockholders. We may retain long-term capital gains and treat them as deemed distributions for tax purposes. We report the estimated tax characteristics of each dividend when declared, while the actual tax characteristics of dividends are reported annually to each stockholder on Form 1099-DIV, prepared by our stock transfer agent. For income tax purposes, all of our dividends declared through December 31, 2006 were distributions of ordinary income for tax purposes and all dividends were classified as non-qualifying dividends. Our dividends declared for the year ended December 31, 2007 were 77.67% ordinary income and 22.33% capital gains for tax purposes and all dividends were classified as non-qualifying dividends. Our dividends declared for the year ended December 31, 2008 were 81.49% ordinary income and 18.51% capital gains for tax purposes. Of the 2008 ordinary dividends, 76.65% were classified as non-qualifying dividends and 23.35% were classified as qualifying dividends. Qualified dividend income is generally taxed to stockholders at the rates that apply to net capital gains. There is no assurance that we will achieve investment results or maintain a tax status that will permit any specified level of cash distributions or year-to-year increases in cash distributions. We have not purchased any of our shares of common stock, nor have we sold any equity securities.

Our stock transfer agent, registrar and dividend reinvestment plan administrator is American Stock Transfer & Trust Company. Information requests for American Stock Transfer & Trust Company can be sent to 59 Maiden Lane, Plaza Level, New York, NY 10038. Their telephone number for shareholder services is 1-800-937-5449 and for dividend reinvestment services the phone number is 1-800-278-4353.

The Company has established an ''opt out'' dividend reinvestment plan for its common stockholders. As a result, if the Company declares a cash dividend, 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.

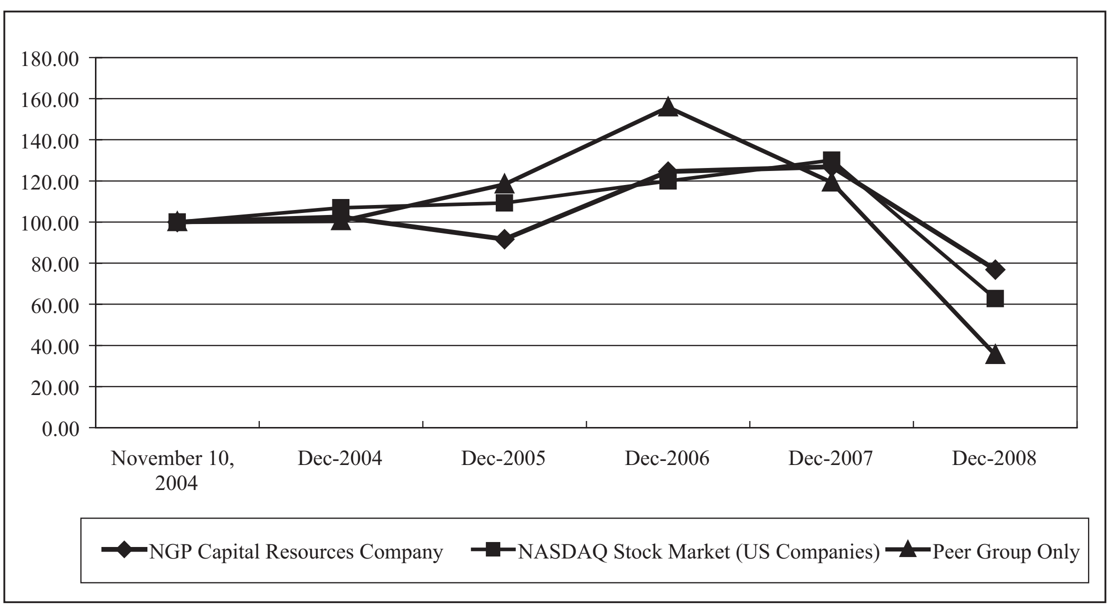
The Company's plan provides for the plan agent to purchase shares in the open market for credit to the accounts of plan participants unless the average of the closing sales prices for the shares for the five days immediately preceding the payment date exceeds 110% of the most recently reported net asset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

Performance Graph

The following Performance Graph is not "soliciting material," is not deemed filed with the SEC, and is not to be incorporated by reference into any of our filings under the Securities Act or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), respectively.

The following line graph compares the cumulative total return* on an investment in our common stock against the cumulative total return of the NASDAQ U.S. Stock Market Total Return Index and an index of peer companies (selected by us) for the period beginning June 30, 2004 and ending December 31, 2008 (we began trading on November 11, 2004). The peer group consists of the following fifteen business development companies: Allied Capital Corporation, American Capital, Ltd., Apollo Investment Corporation, Ares Capital Corporation, Gladstone Capital Corporation, Hercules Technology Growth Capital, Inc., Kohlberg Capital Corporation, Kayne Anderson Energy Development Company, Main Street Capital Corporation, MCG Capital Corporation, Patriot Capital Funding, Inc., PennantPark Investment Corporation, Prospect Capital Corporation, TICC Capital Corporation and Triangle Capital Corporation.

Comparison of 4 Year Cumulative Total Return
Assumes Initial Investment of $100
December 2008



This Performance Graph and the related textual information are based on historical data and are not necessarily indicative of future performance.

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* Assumes that an investment in our common stock and each index was $100 on 11/10/2004. ''Cumulative total return'' is based on share price appreciation plus reinvestment of dividends.

Item 6. Selected Financial Data.

The following table sets forth our selected historical financial and operating data, as of and for the dates and period indicated. The selected historical financial data are derived from our audited financial statements and should be read in conjunction with our financial statements and notes thereto and together with ''Management's Discussion and Analysis of Financial Condition and Results of Operations.''

NGP CAPITAL RESOURCES COMPANY
CONSOLIDATED SELECTED FINANCIAL DATA

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005	Period August 6, 2004 (Commencement of Operations) Through December 31, 2004
Total investment income	$ 37,460,916	$ 37,499,360	$ 27,517,093	$ 17,306,794	$ 853,038
Total operating expenses	18,814,380	18,238,203	10,970,889	6,898,885	1,443,255
Net investment income (loss) before income taxes	18,646,536	19,261,157	16,546,204	10,407,909	(590,217)
Net realized capital gain (loss) on portfolio securities, corporate notes and commodity derivative instruments	19,251,090	6,721,176	(245,859)	1,338,351	—
Net increase (decrease) in unrealized appreciation (depreciation) on portfolio securities, corporate notes and commodity derivative instruments	(51,605,789)	5,008,291	(1,299,127)	(394,933)	290,789
Net increase (decrease) in stockholders' equity (net assets) resulting from operations	$ (13,276,222)	$ 30,867,816	$ 15,001,218	$ 11,351,327	$ (299,428)
Per Share Data					
Net investment income (loss)	$ 1.09	$ 1.09	$ 0.95	$ 0.60	$ (0.03)
Net realized and unrealized gain (loss) on portfolio securities, corporate notes and commodity derivative instruments	$ (1.71)	$ 0.69	$ (0.09)	$ 0.05	$ 0.01
Net increase (decrease) in stockholders' equity (net assets) resulting from operations	$ (0.62)	$ 1.78	$ 0.86	$ 0.65	$ (0.02)
Dividends declared	$ (1.61)	$ (1.44)	$ (0.92)	$ (0.66)	$ —
Net asset value per share	$ 12.29	$ 14.30	$ 13.96	$ 14.02	$ 14.03
Balance Sheet Data					
Total assets	$400,748,657	$478,232,876	$345,597,660	$249,490,266	$244,552,003
Long-term debt	$ 45,000,000	$216,000,000	$100,000,000	$ —	$ —
Total stockholders' equity (net assets)	$265,822,646	$250,259,337	$243,258,256	$243,898,485	$244,038,830

Item 7. 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 financial statements and the notes thereto contained elsewhere in this report.

Forward-Looking Statements

Certain statements in this report that relate to estimates or expectations of our future performance or financial condition may constitute ''forward-looking statements'' as defined under the Private Securities Litigation Reform Act of 1995. These forward-looking statements 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; continued disruption of credit and capital markets, such as the events that occurred during the third and fourth quarters of 2008;
- 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 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.

We may use words such as ''anticipates,'' ''believes,'' ''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. 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, 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. We have elected to be regulated as a BDC under 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 RIC under 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. 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 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, NGPC Asset Holdings IV, 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.

Our investment objective is to generate both current income and capital appreciation primarily through debt investments with certain equity components. A key focus area for our targeted investments in the energy industry is domestic upstream businesses that produce, develop, acquire and explore for oil and natural gas. We also evaluate investment opportunities in such businesses as coal, power, electricity, energy services and alternative energy. Our investments 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, sometimes with equity components. We may also invest in preferred stock and other equity securities on a stand-alone basis.

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.

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 and competitive environment for the types of investments we make, and our own ability to raise capital, both through issuance of debt and equity securities, to fund our investments. We believe that the recent dislocation in the credit markets and decline in energy commodity prices should favorably impact the competitive environment, in that it is reducing the debt capital available to energy companies from other sources. Though the same macro economic factors also make our access to new debt and equity capital less certain, in September 2008 we extended the maturity of our Investment Facility to August 2010. While we currently have capital available to invest, it is not unlimited. We remain committed to our underwriting and investment disciplines in selectively investing in appropriate risk-reward opportunities within the energy sector.

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. Unless otherwise specified or the context otherwise requires, all references in these notes to ''the Company,'' ''we,'' ''us'' or ''our'' are to NGP Capital Resources Company and its consolidated subsidiaries.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, liquid investments in accounts such as demand deposit accounts, money market accounts, certain overnight investment sweep accounts and money market fund accounts. 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 policy terms of one year, fees associated with the establishment of the 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, 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 or money market accounts may exceed the Federal Deposit Insurance Corporation insured limit. On September 15, 2008, Lehman Brothers Holdings Inc. (''Lehman Holdings'') filed for protection under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court in the Southern District of New York. Subsidiaries of Lehman Holdings, including Lehman Brothers Inc. (''Lehman Brothers'') and Lehman OTC, were not included in the filing. The business of Lehman Brothers Private Investment Management (''PIM''), including our money market and bond holdings, was transferred during September 2008 to Barclays Wealth, the wealth management division of Barclays Bank PLC (''Barclays''), which operates in the United States as Barclays Capital Inc. As of December 31, 2008, our Barclays money market account balance was approximately $1.45 million and the fair market value of our senior notes and corporate notes were $5.76 million and $6.35 million, respectively. We currently believe that the transfer of our Lehman Brothers account to Barclays will not have a material adverse effect on our financial position, results of operations or cash flows.

Critical Accounting Policies

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 the Company's portfolio and presents the valuations to the Company's 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. For more information regarding our portfolio valuation policies and procedures, see ''Valuation Process'' in Part I, Item 1. Business above.

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 the 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 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, as well as estimated current market values for comparable 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. 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 some or all of the above valuation methods to determine the estimated enterprise value of a portfolio company.

The methodologies for determining estimated current market values of comparable securities include estimates based on: recent initial offerings of comparable securities of public and private companies; recent secondary market sales of comparable securities of public and private companies; current market implied interest rates for comparable securities in general; and current market implied interest rates for non-comparable securities in general, with adjustments for such things as size of issue, tenor, and liquidity. The investment team of the Manager considers some or all of the above valuation methods to determine the estimated current market value of a comparable security.

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, subject to comparison to the estimated current market values of comparable securities. 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, both subject to comparison to the estimated current market values of comparable securities. 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 the debt investment beginning with the junior-most debt investment such that the asset or enterprise value less the value of the outstanding *pari passu* or senior debt is zero, subject to comparison to the estimated current market values of comparable securities. 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, subject to comparison to the estimated current market values of comparable securities.

Property-Based Equity Participation Rights: The Company records it 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 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 amortized using the units of production 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. PIK interest income totaled $2.3 million net of a $0.2 million reserve in 2008, $4.5 million net of a $0.3 million reserve in 2007, and $0.8 million with no reserve in 2006. PIK dividend income was zero after reserving the entire $0.3 million in 2008, $0.2 million after reserving $0.1 million in 2007, and $0.1 million, with no reserve in 2006.

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 years ended December 31, 2008, 2007 and 2006, the Company accreted approximately $1.5 million, $3.0 million and $1.4 million, respectively, of fee income into interest income.

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 the Manager. Based on that estimate, a dividend is declared each quarter and paid shortly thereafter.

Portfolio and Investment Activity

From commencement of investment operations in November 2004 through December 31, 2006, we had invested $267.9 million in seventeen portfolio companies, all energy-related, and received principal repayments of $95.1 million. During 2007, we added investments of $186.3 million in six new portfolio companies and we funded $46.3 million to existing portfolio companies, for a total of $232.6 million in 2007. Five portfolio companies repaid their loans during 2007 totaling $49.7 million and we received additional principal repayments of $76.6 million for total repayments of $126.3 million. During 2008, we added investments of $62.8 million in five new portfolio companies and we funded $50.3 million to existing portfolio companies, for a total of $113.1 million in 2008. We received principal repayments and realizations of $96.2 million in 2008. From commencement of investment operations in November 2004 through December 31, 2008, we have invested $613.6 million in twenty-eight portfolio companies, all energy-related, and received principal repayments and realizations of $317.6 million. At December 31, 2008, our targeted investment portfolio consisted of nineteen portfolio companies totaling $296.0 million. The table below shows our investment portfolio by type as of December 31, 2008. Yields on investments 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. The yield on income from derivatives is computed using estimated 2009 fair value derivative income, net of 2009 expiring options costs.

	Weighted Average Yields	Percentage of Portfolio
Senior secured term loans	10.37%	38.7%
Senior subordinated secured notes	13.59%	4.0%
Participating convertible preferred stock	0.00%	0.2%
Member and partnership units	0.00%	6.3%
Limited term royalty interest	3.63%	3.1%
Net profits interest and other	11.99%	9.9%
Subtotal targeted investments	9.09%	62.2%
Corporate notes	5.82%	1.6%
Commodity derivative instruments	934.57%	2.1%
Cash and cash equivalents	0.55%	34.1%
Total Portfolio	8.03%	100.0%

Results of Operations

Results comparisons are for the years ended December 31, 2008, 2007 and 2006.

Investment Income

For the years ended December 31, 2008, 2007 and 2006, investment income totaled $37.5 million, $37.5 million and $27.5 million, respectively. Increased income from targeted portfolio investments in 2008 compared to 2007 was offset by decreases in income from investments in U.S. Treasury Bills and cash and cash equivalents caused by declining market rates. The increase in investment income in 2007 compared to 2006 was primarily due to the overall growth of our targeted investment portfolio.

While our total targeted portfolio balance, on a cost basis, increased by approximately $16.5 million from December 31, 2007 to December 31, 2008, the balance of non-accruing and non-income producing investments increased from approximately $27.8 million to approximately $80.4 million during the same period, also on a cost basis. Additional discussion concerning non-accrual investments is provided in Portfolio Credit Quality below. Although LIBOR rates dropped significantly in 2008 compared to 2007, 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. Reserves against investment income for the year ended December 31, 2008 totaled approximately $3.5 million compared to $0.3 million for the year ended December 31, 2007.

The weighted average yield on targeted portfolio investments was 9.1% at December 31, 2008. The weighted average yield on investments in corporate notes was 5.8%, on investments in commodity derivative instruments was 934.6% and on investments in cash and cash equivalents was 0.5% as of December 31, 2008. The weighted average yield on our total capital invested at December 31, 2008 was 8.0%.

The weighted average yield on targeted portfolio investments was 11.9% at December 31, 2007. The weighted average yield on investments in corporate notes was 5.8% and on investments in U.S. Treasury Bills, and cash and cash equivalents was 2.8% as of December 31, 2007. The weighted average yield on our total capital invested at December 31, 2007 was 8.2%.

The weighted average yield on targeted portfolio investments was 12.0% at December 31, 2006. The weighted average yield on investments in corporate notes was 5.5% and on investments in U.S. Treasury Bills, and cash and cash equivalents was 4.6% as of December 31, 2006. The weighted average yield on our total capital invested at December 31, 2006 was 8.3%.

Yields on investments 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.

Operating Expenses

The table below summarizes the components of our operating expenses:

Operating Expenses (In Millions)	For the Years Ended 12/31/2008	12/31/2007	12/31/2006	Changes 2008 vs. 2007	2007 vs. 2006
Investment advisory, management & incentive fees	$ 7.6	$ 6.9	$ 4.7	$ 0.7	$2.2
Insurance expenses, professional fees, directors fees & other G&A*	4.6	3.9	3.7	0.7	0.2
Interest & credit facility fees	6.6	7.4	2.6	(0.8)	4.8
Total operating expenses	$18.8	$18.2	$11.0	$ 0.6	$7.2

* Other G&A includes allocated share of employee, facilities & shareholder services costs and marketing

Compared to 2007, the 2008 increase in operating expenses was largely the result of increased investment advisory and management fees due to higher average total assets, increased insurance and general and administrative expenses offset by lower incentive fees and decreased interest expense. Interest expense was lower in 2008 due to lower levels of borrowings under the Credit Facilities. Insurance expense was higher due to an increased level of coverage.

Compared to 2006, the 2007 increase in operating expenses was largely the result of increased investment advisory and management and incentive fees due to higher average total assets, and increased interest expense due to higher levels of borrowings under the Credit Facilities.

Net Investment Income

For the years ended December 31, 2008 and 2007, net investment income before income taxes was $18.6 million and $19.3 million, respectively. The 3.2% decrease was primarily due to relatively flat investment income growth resulting from growth of non-accruing investments in 2008 offset by increased operating expenses. An income tax benefit of $4.9 million in 2008 resulted in $23.6 million after tax net investment income, a 23.2% increase compared to $19.1 million after tax net investment income in 2007.

For the years ended December 31, 2007 and 2006, net investment income before income taxes was $19.3 million and $16.5 million, respectively. The 16.4% increase was primarily due to increased interest income on higher portfolio balances in 2007 partially offset by increased management fees and higher interest expense and fees from larger credit facility balances. An income tax provision of $0.2 million in 2007 resulted in $19.1 million after tax net investment income, a 15.7% increase compared to $16.5 million after tax net investment income in 2006.

For the years ended December 31, 2006 and 2005, net investment income was $16.5 million and $10.4 million, respectively. The 59.0% increase was primarily due to increased interest on the higher portfolio balances in 2006 partially offset by higher management fees and general and administrative expenses.

Unrealized Appreciation or Depreciation on Investments

The table below summarizes the components of our unrealized appreciation or depreciation on investments for the years ended December 31, 2008, 2007 and 2006:

Unrealized Appreciation/(Depreciation) (In Millions)	For the Years Ended 12/31/2008	12/31/2007	12/31/2006	Changes 2008 vs. 2007	2007 vs. 2006
Investments in targeted portfolio	$(56.5)	$ 5.1	$ —	$(61.6)	$5.1
Investments in corporate bonds	(2.5)	(0.1)	(1.3)	(2.4)	1.2
Investments in commodity derivative instruments	7.4	—	—	7.4	—
Total unrealized appreciation/(depreciation)	$(51.6)	$ 5.0	$(1.3)	$(56.6)	$6.3

For the year ended December 31, 2008, net unrealized depreciation was $51.6 million, compared to net unrealized appreciation of $5.0 million for the year ended December 31, 2007. The $56.6 million decrease from 2007 was attributable to an unrealized depreciation on our portfolio securities of $61.6 million more than in 2007, unrealized depreciation on our corporate notes that was $2.4 million more than in 2007, and unrealized appreciation of commodity derivative instruments of $7.4 million.

For the year ended December 31, 2007, net unrealized appreciation was $5.0 million, compared to net unrealized depreciation of $1.3 million for the year ended December 31, 2006. The $6.3 million increase was attributable to unrealized appreciation on our portfolio securities of $5.1 million and unrealized depreciation on our corporate notes that was $1.2 million less than the 2006 amount.

Net Realized Gains and Losses

For the year ended December 31, 2008, we realized net capital gains before taxes of $19.3 million, consisting of a $6.0 million gain from the sale of overriding royalty interests and common stock associated with our Resaca Exploitation investment and from a $13.3 million gain from the sale of the underlying assets associated with our investment in Rubicon Energy, LLC units. Because our investment in Rubicon Energy, LLC units was held by a taxable consolidated subsidiary, we accrued a $4.5 million estimated tax provision associated with the gain on the sale of those underlying Rubicon assets, resulting in realized net capital gains after taxes of $14.8 million.

For the year ended December 31, 2007, we realized net capital gains of $6.7 million, consisting of a $5.1 million gain from the sale of warrants and LP units associated with our Piceance Basin investment, a $1.6 million gain from the sale of overriding royalty interests associated with our Chroma investment, a $0.4 million gain from the sale of overriding royalty interests associated with our Sonoran investment, and a $0.4 million loss from the sale of $6.0 million in corporate notes.

For the year ended December 31, 2006, we realized capital losses of $0.3 million on the sale of $4.0 million in corporate notes.

Net Increase and Decrease in Stockholders' Equity from Operations

For the year ended December 31, 2008, we had a 143% net decrease in stockholders' equity (net assets) resulting from operations of $13.3 million, or a decrease of $0.62 per share, compared to a net increase in stockholders' equity (net assets) of $30.9 million, or an increase of $1.78 per share for the year ended December 31, 2007.

For the year ended December 31, 2007, we had a 105.8% net increase in stockholders' equity (net assets) resulting from operations of $30.9 million, or an increase of $1.78 per share, compared to a net increase of $15.0 million, or an increase of $0.86 per share for the year ended December 31, 2006.

Financial Condition, Liquidity and Capital Resources

During the twelve months ended December 31, 2008, we generated cash from operations, including interest earned on our portfolio securities, as well as our investments in corporate notes and U.S. government securities. We received cash repayments and realizations of $74.4 million. At December 31, 2008, we had cash and cash equivalents of $133.8 million and investments in corporate notes of $6.4 million.

Our investments in portfolio securities at December 31, 2008 totaled $296.0 million and consisted of nineteen portfolio companies. During 2008, on a cash basis, we funded investments of $61.7 million in five new portfolio companies and we funded $34.6 million to existing portfolio companies, for total funding of $96.3 million in 2008. We have commitments to fund an additional $68.5 million on total committed amounts of $364.5 million. We expect to fund our investments in 2009 from income earned on our portfolio and temporary investments and from borrowings under our Credit Facility (see description under ''Credit Facility'' below). 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 in mezzanine or senior secured loans or other assets. 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.

Contractual Obligations

A summary of our contractual payment obligations at December 31, 2008 is as follows:

Contractual Obligations	Total	Less Than 1 Year	1 – 3 Years	3 – 5 Years	More Than 5 Years
December 31, 2008:					
Long-term debt obligations – revolving credit facilities(1)	$120,000,000	$75,000,000	$45,000,000	$—	$—
Total	$120,000,000	$75,000,000	$45,000,000	$—	$—

(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.

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 Agreement as of December 31, 2008 was $75.0 million compared to the $126.25 million balance 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, maturing on August 31, 2009, and bears interest, at the Company's option, at either (i) LIBOR plus 25 basis points or (ii) the base rate. On September 29, 2008, the required lenders exercised their option to convert pricing of the Treasury Facility from LIBOR-based to Prime-based. The prime rate was 5.00% as of September 29, 2008 and 3.25% as of December 31, 2008. As of December 31, 2008, the interest rate on our outstanding borrowings under the Treasury Facility was 3.25% (Prime rate) on $75.0 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 $87.5 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 $87.5 million and $45.0 million was outstanding under the Investment Facility as of December 31, 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 matures on August 31, 2010, and bears interest, at the Company's option, at either (i) LIBOR plus 150 to 250 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 December 31, 2008, the interest rate was 3.50% on $45.0 million (Prime plus 25 basis points).

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 our credit facilities to the extent the amount of such securities exceeds $100 million.

In addition to our Credit Facility, 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 in mezzanine or senior secured loans or other assets. 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.

Dividends

We intend to continue to pay quarterly dividends to our stockholders out of assets legally available for distribution. Our Board of Directors determines our quarterly dividends, if any.

We have elected to operate our business so as to be taxable as a RIC for federal income tax purposes. As a RIC, we generally will not be required to pay corporate-level federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends. To maintain our RIC status, we must meet specific source-of-income and asset diversification requirements and distribute annually an amount equal to at least 90%

of our ‘‘investment company taxable income’’ (which generally consists of ordinary income and realized net short-term capital 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 must distribute during each calendar year an amount at least equal to the sum of (1) 98% of our ordinary income for the calendar year, (2) 98% of our capital gain net income (i.e., realized capital gains in excess of realized capital losses) for the one-year period ending on October 31 in that calendar year, and (3) 100% of any ordinary income or capital gain net income not distributed in prior years. We currently intend to make sufficient distributions to satisfy the annual distribution requirement and to avoid the excise taxes.

Although we currently intend to distribute realized net capital gains (i.e., net long-term capital gains in excess of short-term capital losses), if any, at least annually, we may in the future decide to retain such capital gains for investment and designate such retained amount as a deemed distribution.

We have established a dividend reinvestment plan that provides for reinvestment of our dividends and distributions on behalf of our stockholders, unless a stockholder elects to receive cash as provided below. As a result, if our Board of Directors authorizes, and we declare, a cash dividend, then our stockholders who have not ‘‘opted out’’ of our dividend reinvestment plan will have their dividends automatically reinvested in additional shares of our common stock, rather than receiving the cash dividends.

No action is required on the part of a registered stockholder to have the stockholder’s dividend reinvested in shares of our common stock. The plan administrator will set up an account for shares acquired through the plan for each stockholder who has not elected to receive dividends in cash, a participant, and hold such shares in non-certificated form. A registered stockholder may terminate participation in the plan at any time and elect to receive dividends in cash by notifying the plan administrator in writing so that such notice is received by the plan administrator no later than 10 days prior to the record date for dividends to stockholders. Participants may terminate participation in the plan by notifying the plan administrator via its website at *www.amstock.com,* by filling out the transaction request form located at the bottom of their statement and sending it to the plan administrator at American Stock Transfer & Trust Company, P. O. Box 922, Wall Street Station, New York, NY 10269-0560 or by calling the plan administrator’s Interactive Voice Response System at 1-888-888-0313. Within 20 days following receipt of a termination notice by the plan administrator and according to a participant’s instructions, the plan administrator will either: (a) maintain all shares held by such participant in a plan account designated to receive all future dividends and distributions in cash; (b) issue certificates for the whole shares credited to such participant’s plan account and issue a check representing the value of any fractional shares to such participant; or (c) sell the shares held in the plan account and remit the proceeds of the sale, less any brokerage commissions that may be incurred and a $15.00 transaction fee, to such participant at his or her address of record at the time of such liquidation. A stockholder who has elected to receive dividends in cash may re-enroll in the plan at any time by providing notice to the plan administrator.

Those stockholders whose shares are held by a broker or other financial intermediary may receive dividends in cash by notifying their broker or other financial intermediary of their election.

We intend to primarily use newly issued shares to implement the plan. However, we reserve the right to purchase shares in the open market in connection with our implementation of the plan. The number of newly issued shares to be issued to a stockholder is determined by dividing the total dollar amount of the dividend payable to such stockholder by the average market price per share of our common stock at the close of regular trading on the exchange or market on which our shares of common stock are listed for the five trading days preceding the valuation date for such dividend. The number of shares of our common stock to be outstanding after giving effect to payment of the dividend cannot be established until the value per share at which additional shares will be issued has been determined and elections of our stockholders have been tabulated.

We may not use newly issued shares to pay a dividend if the market price of our shares is less than our net asset value per share. In such event, the cash dividend will be paid to the plan administrator who will 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 allocation of shares to the participants’ plan accounts will be based on the average cost of the shares so purchased, including brokerage commissions. The plan administrator will reinvest all dividends and distributions as soon as practicable, but no later than the next ex-dividend date, except to the extent necessary to comply with applicable provisions of the federal securities laws. Interest will not be paid on any uninvested cash payment.

There will be no brokerage charges or other charges to stockholders who participate in the plan. The plan administrator's fees under the plan will be paid by us.

The plan may be terminated by us upon notice in writing mailed to each participant at least 30 days prior to any record date for the payment of any dividend by us. When a plan participant withdraws from the plan or when the plan is terminated, the participant will receive a cash payment for any fractional shares of our common stock based on the market price on the date of withdrawal or termination. All correspondence concerning the plan should be directed to the plan administrator by mail at American Stock Transfer & Trust Company, 59 Maiden Lane, New York, NY 10038.

The automatic reinvestment of dividends and distributions will not relieve a participant of any income tax liability associated with such dividend or distribution. A U.S. stockholder participating in the plan will be treated for U.S. federal income tax purposes as having received a dividend or distribution in an equal amount to the cash that the participant could have received instead of shares. The tax basis of such shares will equal the amount of such cash. A participant will not realize any taxable income upon receipt of a certificate for whole shares credited to the participant's account whether upon the participant's request for a specified number of shares or upon termination of enrollment in the plan. Each participant will receive each year a Form 1099 with respect to the U.S. federal income tax status of all dividends and distributions during the previous year. For tax consequences associated with the dividend reinvestment plan, see the discussion under "Material U.S. Federal Income Tax Considerations."

A copy of our dividend reinvestment plan is available on our corporate website, *www.ngpcrc.com*, in the investor relations section.

As of December 31, 2008, holders of 1,749,954 shares, or approximately 8.1% of outstanding shares, were participants in our dividend reinvestment plan.

During 2008, we declared dividends totaling $1.61 per share on our common stock for our stockholders.

Portfolio Credit Quality

Virtually all of our portfolio investments are in negotiated, and often illiquid, securities of energy companies. We maintain a system to evaluate the credit quality of these investments. While incorporating quantitative analysis, this system is a qualitative assessment. This system is intended to reflect the overall, long term performance of a portfolio company's business, the collateral coverage of an investment, and other relevant factors. Based on this system, as of December 31, 2008, our investments in portfolio companies are generally performing satisfactorily. As a consequence of the general economic downturn and associated weakness in the energy markets, some of our investments may experience stress in the near term; however, we believe that they generally have cost structures that should tolerate it. Of the twenty-two rated investments in nineteen portfolio companies, compared to the prior quarter end, one improved in rating, six declined in rating, fourteen retained the same rating, and one new investment was not previously rated. Eleven investments approximating $136.7 million, or approximately 47% of the $294.4 million in targeted investments on a cost basis, are carried on our watch list due to slower than expected development of the assets supporting the investments, deterioration in asset coverage, or the downturn in general economic and commodity market conditions. While restructuring of some of these watch list investments may be required, subject to general economic and commodity market conditions in the long term, we do not currently foresee significant permanent long-term deterioration in the existing portfolio.

The combined decrease in targeted portfolio fair value and hedge position fair value of $49.1 million ($56.5 million decrease in targeted portfolio fair value offset by $7.4 million increase in hedge position) is the result of a combination of adjustments. Approximately 20% of the change is due to changes in the current market values of traded securities, approximately 20% is due to changes in the estimated current market yields required for comparable securities, approximately 10% is due to changes in the current market values for commodities, approximately 35% is due to changes in the estimated current market values of underlying assets and approximately 15% is due to the reversal of unrealized gain upon realization.

The $56.5 million decrease in targeted portfolio fair value consisted primarily of increases in unrealized depreciation on the following investments: Venoco, Inc. Senior Notes, $6.1 million; Formidable, LLC Senior Secured Note and warrants, $15.3 million; Nighthawk Transport I, LP (''Nighthawk'') LP units and warrants, $4.6 million; DeanLake Operator, LLC preferred units, $3.9 million; TierraMar Energy LP preferred LP units, $3.1 million; Resaca Exploitation Inc. common stock, $2.9 million; and Chroma Exploration & Production, Inc. preferred stock, $1.1 million. Additional unrealized depreciation of $5.5 million was recorded on the Alden Resources, LLC (''Alden'') notes, partially offset by an increase in unrealized appreciation on the Alden royalty interest of $4.8 million. Unrealized depreciation of $12.1 million was recorded on the ATP Oil & Gas Corporation royalty interest, partially offset by the increase in unrealized appreciation in the value of the associated commodity derivative instruments of $7.4 million. The balance of the increase in unrealized depreciation comprises the reversal of $7.3 million of unrealized gain upon the realization of substantially all of the investment in Rubicon Energy Partners, LLC. That transaction, which closed in August 2008, resulted in a realized capital gain, after estimated taxes, of $8.8 million.

Subsequent Events

In January 2009, the Company repaid the entire $45 million balance on its Investment Facility. As of the date of this release, the Company has no outstanding borrowings under the Investment Facility, therefore, the entire $87.5 million committed is available. Presently, the only outstanding indebtedness of the Company is $75 million under its Treasury Facility which is fully secured by cash or U.S. Treasuries.

In February 2009, the Company accelerated and demanded immediate repayment of its $37.3 million Senior Secured Note from Formidable, LLC. The Company also made demand on a partial guaranty from the principal owner of Formidable, LLC. At this time, the Company is pursuing a number of options with respect to Formidable, LLC, including an outright sale of the properties, a negotiated deed-in-lieu of foreclosure on the properties and foreclosure on the properties.

In March 2009, the Company restructured its $14 million Second Lien Term Loan B from Nighthawk. Terms of the restructuring include increasing the interest rate on the notes from 15% to 21%, with the additional 6% interest payable in kind at the option of Nighthawk. In addition, the warrant position granted to the lenders increased from 15% to 40% of the equity of Nighthawk, increasing the Company's warrant position from 2.5% to 6.8% of the outstanding equity of Nighthawk. The maturity of the notes, set at October 3, 2010, did not change.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Our business activities contain elements of risk. We consider the principal market risks to be: credit risk, risks related to the energy industry, illiquidity of individual investments in our investment portfolio, leverage risk, risks related to fluctuations in interest rates, commodity price risk and foreign currency exchange rate risk.

Credit risk is the principal market risk associated with our business. Credit risk originates from the fact that some of our portfolio companies may become unable or unwilling to fulfill their contractual payment obligations to us and may eventually default on those obligations. These contractual payment obligations arise under the debt securities and other investments that we hold. They include payment of interest, principal, dividends, royalties, fees and payments under guarantees and similar instruments. Our Manager endeavors to mitigate and manage credit risk through the analysis, structure, and requirements of our investments. Prior to making an investment, our Manager evaluates it under a variety of scenarios to understand its sensitivity to changes in critical variables and assumptions and to assess its potential credit risk. The structures for our investments are designed to mitigate credit risk. For example, debt investments are often secured by the underlying assets of our portfolio companies; for some investments, our Manager may require that our portfolio companies enter into commodity price hedges on a portion of their production to minimize the sensitivity of their projected cash flows to declines in commodity prices; and, in many instances, there is capital junior to ours in the capital structure of our portfolio companies. Our investments generally require routine reporting, periodic appraisal of asset values, and covenant requirements designed to minimize and detect developing credit risk.

We concentrate our investments in the securities of companies that operate in the energy industry. That industry is replete with risks that may affect individual companies or may systematically affect our entire investment portfolio. The revenues, income (or losses), cash flow available for debt service or distribution, and valuations of energy companies can be significantly impacted by any one or more of the following factors:

commodity pricing risk, operational risk, weather risk, depletion and exploration risk, production risk, demand risk, competition risk, valuation risk, financing risk, and regulatory risk. Elaboration of these risks is provided in ''Risk Factors''. Through our credit risk management process, we endeavor to mitigate and manage these risks as they relate to individual portfolio companies and, by extension, to our entire portfolio of investments. However, we cannot be assured that our Manager's efforts to mitigate and manage credit risk and the risks associated with the energy industry will successfully insulate us from any and all losses, either at the level of individual portfolio companies or, more broadly, for our entire investment portfolio.

We primarily invest in illiquid debt and other securities of private companies. In some cases these investments include additional equity components. Our investments generally have no established trading market or are generally subject to restrictions on resale. The illiquidity of our investments may adversely affect our ability to dispose of debt and equity securities at times when it may be otherwise advantageous for us to liquidate such investments (for example, for management of the various diversification requirements we are subject to as a business development company and as a RIC, or for management of credit risk). In such instances, the proceeds realized from such a liquidation would likely be significantly less than the long term value of the liquidated investments.

We anticipate that we will use a combination of long-term and short-term borrowings to supplement our equity capital to finance our investing activities. We expect to use our revolving line of credit as a means to bridge to long-term financing. These borrowings will rank senior in our capital structure to interests of our stockholders and, thus, will have a senior claim on earnings and cash flows generated by our investment portfolio. To the extent that we are able to invest the borrowed money at rates in excess of the cost of that money, we will generate greater returns on our equity capital than would have been the case without the borrowed money. However, if we have losses in our investment portfolio, we must first service or repay the borrowings. This would potentially subject our stockholders to the risk of greater loss than would have been the case without the borrowed money. Elaboration of the risks associated with the issue of senior securities is provided in ''Risk Factors''.

Another facet of utilizing borrowed money to make investments is that our net investment income will be dependent upon the difference, or spread, between the rate at which we borrow funds and the rate at which we invest those funds. We generally mitigate the risk of asymmetric movements in the cost of borrowing versus investment return by following a practice of funding floating rate investments with equity capital or floating rate debt. As of December 31, 2008, approximately 15% of the investments in our portfolio were at fixed rates, while approximately 85% were at variable rates. In addition, we may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act.

We acquired a limited term royalty interest from ATP Oil & Gas Corporation on 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 a series of oil and gas put options at various price levels covering periods from 12 – 24 months to protect a portion of our royalty payments from declines in prices. Earnings on these put options will partially offset lower levels of royalty payments in the event that prices decline below the minimum prices set by the put options. At December 31, 2008, our open commodity derivative instruments were in a net asset position with a fair value of approximately $8.2 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. BP Corporation North America Inc. is currently the only counterparty to our commodity derivatives positions. We are exposed to credit losses in the event of nonperformance by the counterparty on our commodity derivatives positions. However, we do not anticipate nonperformance by the counterparty over the term of the commodity derivatives positions.

In July 2008, we converted our Senior Subordinated Secured Convertible Term Loan with Resaca Exploitation, Inc. (''Resaca'') into shares of common stock of Resaca. Resaca's common stock is traded on the Alternative Investment Market of the London Stock Exchange. We continue to hold approximately 6.6 million shares of Resaca common stock or approximately 7.1% of Resaca's issued and outstanding common shares.

Exchange rate fluctuations between the U.S. dollar and the British pound result in fluctuations in the gross value of this investment on our consolidated financial statements. Foreign currency exchange rates can fluctuate widely due to numerous factors, such as supply and demand for foreign and U.S. currencies and U.S. and foreign country economic conditions. Fluctuations of exchange rates are beyond the control of our management.

Item 8. Financial Statements and Supplementary Data.

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
of NGP Capital Resources Company:

In our opinion, the accompanying consolidated balance sheets, including the consolidated schedules of investments, and the related consolidated statements of operations, of changes in stockholders' equity (net assets) and of cash flows and the consolidated financial highlights present fairly, in all material respects, the financial position of NGP Capital Resources Company and its subsidiaries at December 31, 2008 and December 31, 2007, and the results of their operations, and their cash flows for each of the three years in the period ended December 31, 2008 and the financial highlights for each of the four years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) because a material weakness in internal control over financial reporting related to the determination and reporting of the provision for income taxes existed as of that date. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements or financial highlights will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the 2008 consolidated financial statements and financial highlights (hereafter referred to as ''financial statements''), and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in management's report referred to above. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP

Houston, Texas
March 13, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
NGP Capital Resources Company:

We have audited the accompanying financial highlights of NGP Capital Resources Company for the period August 6, 2004 (commencement of operations) through December 31, 2004. These financial highlights are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial highlights based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial highlights. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial highlight presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial highlights referred to above present fairly, in all material respects, the financial highlights of NGP Capital Resources Company for the period August 6, 2004 (commencement of operations) through December 31, 2004, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Fort Worth, Texas
April 7, 2005

NGP CAPITAL RESOURCES COMPANY

CONSOLIDATED BALANCE SHEETS

	December 31, 2008	December 31, 2007
ASSETS		
Investments in portfolio securities at fair value (cost: $294,432,215 and $277,947,454, respectively)	$244,229,568	$284,228,573
Investments in corporate notes at fair value (cost: $11,586,899 and $11,631,599, respectively)	6,350,000	8,955,500
Investments in commodity derivative instruments at fair value (cost: $774,095 and $0, respectively)	8,212,872	—
Investments in U.S. Treasury Bills, at amortized cost which approximates fair value	—	163,925,625
Total investments	258,792,440	457,109,698
Cash and cash equivalents	133,805,575	18,437,115
Accounts receivable	41,377	17,569
Interest receivable	2,410,360	647,839
Prepaid assets	1,898,905	2,020,655
Deferred tax assets	200,000	—
Total current assets	138,356,217	21,123,178
Deferred tax assets	3,600,000	—
Total assets	$400,748,657	$478,232,876
LIABILITIES AND STOCKHOLDERS' EQUITY (NET ASSETS)		
Current liabilities		
Accounts payable and accrued expenses	$ 512,926	$ 780,832
Management and incentive fees payable	2,016,214	2,032,107
Dividends payable	8,867,563	9,012,671
Income taxes payable	3,529,308	147,929
Current portion of long-term debt	75,000,000	—
Total current liabilities	89,926,011	11,973,539
Long-term debt, less current portion	45,000,000	216,000,000
Total liabilities	134,926,011	227,973,539
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	315,184,191	245,881,078
Undistributed net investment income (loss)	(3,420,716)	(103,394)
Undistributed net realized capital gain (loss)	2,038,312	859,133
Net unrealized appreciation (depreciation) of portfolio securities, corporate notes and commodity derivative instruments	(48,000,769)	3,605,020
Total stockholders' equity (net assets)	265,822,646	250,259,337
Total liabilities and stockholders' equity (net assets)	$400,748,657	$478,232,876
Net asset value per share	$ 12.29	$ 14.30

(See accompanying notes to consolidated financial statements)

NGP CAPITAL RESOURCES COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
Investment income			
Interest income	$ 30,438,037	$35,836,528	$26,611,173
Royalty income	4,512,587	1,202,902	294,539
Commodity derivative income, net of expired options	2,315,484	—	—
Dividend income	—	154,580	123,750
Other income	194,808	305,350	487,631
Total investment income	37,460,916	37,499,360	27,517,093
Operating expenses			
Management fees	7,599,298	6,460,452	4,721,893
Incentive fees	—	436,575	15,834
Professional fees	789,831	755,047	713,969
Insurance expense	794,910	566,706	570,462
Interest expense and fees	6,636,236	7,397,543	2,554,546
State and excise taxes	148,003	71,932	142,517
Other general and administrative expenses	2,846,102	2,549,948	2,251,668
Total operating expenses	18,814,380	18,238,203	10,970,889
Net investment income (loss) before income taxes	18,646,536	19,261,157	16,546,204
Benefit (provision) for income taxes	4,931,941	(122,808)	—
Net investment income (loss)	23,578,477	19,138,349	16,546,204
Net realized capital gain (loss) on investments			
Net realized capital gain (loss) on portfolio securities, corporate notes and commodity derivative instruments	19,251,090	6,721,176	(245,859)
Benefit (provision) for taxes on capital gain	(4,500,000)	—	—
Total net realized capital gain (loss) on investments	14,751,090	6,721,176	(245,859)
Net increase (decrease) in unrealized appreciation (depreciation) on portfolio securities, corporate notes and commodity derivative instruments	(51,605,789)	5,008,291	(1,299,127)
Net increase (decrease) in stockholders' equity (net assets) resulting from operations	$(13,276,222)	$30,867,816	$15,001,218
Net increase (decrease) in stockholders' equity (net assets) resulting from operations per common share	$ (0.62)	$ 1.78	$ 0.86

(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 Appreciation (Depreciation) of Portfolio Securities, Corporate Notes and Commodity Derivative Instruments	Total Stockholders' Equity (Net Assets)
	Shares	Amount					
Balance at December 31, 2005	17,400,100	$17,400	$244,309,260	$ (324,031)	$ —	$ (104,144)	$243,898,485
Net increase (decrease) in stockholders' equity (net assets) resulting from operations	—	—	(15,710)	16,561,914	(245,859)	(1,299,127)	15,001,218
Dividends declared	—	—	—	(16,008,092)	—	—	(16,008,092)
Issuance of common stock under dividend reinvestment plan	22,168	22	366,623	—	—	—	366,645
Balance at December 31, 2006	17,422,268	$17,422	$244,660,173	$ 229,791	$ (245,859)	$ (1,403,271)	$243,258,256
Net increase (decrease) in stockholders' equity (net assets) resulting from operations	—	—	(64,170)	19,202,519	6,721,176	5,008,291	30,867,816
Dividends declared	—	—	—	(19,535,704)	(5,616,184)	—	(25,151,888)
Issuance of common stock under dividend reinvestment plan	78,064	78	1,285,075	—	—	—	1,285,153
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	—	—	7,297,453	23,714,040	7,318,074	(51,605,789)	(13,276,222)
Issuance of common stock from public offering (net of underwriting costs)	4,086,388	4,086	62,109,012	—	—	—	62,113,098
Offering costs	—	—	(780,628)	—	—	—	(780,628)
Dividends declared	—	—	—	(27,031,362)	(6,138,895)	—	(33,170,257)
Issuance of common stock under dividend reinvestment plan	41,482	42	677,276	—	—	—	677,318
Balance at December 31, 2008	21,628,202	$21,628	$315,184,191	$ (3,420,716)	$ 2,038,312	$(48,000,769)	$265,822,646

(See accompanying notes to consolidated financial statements)

NGP CAPITAL RESOURCES COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
Cash flows from operating activities			
Net increase (decrease) in stockholders' equity (net assets) resulting from operations	$ (13,276,222)	$ 30,867,816	$ 15,001,218
Adjustments to reconcile net increase (decrease) in stockholders' equity (net assets) resulting from operations to net cash used in operating activities			
Payment-in-kind interest	(2,335,374)	(4,453,300)	(807,813)
Payment-in-kind dividend	—	(154,580)	(123,750)
Net amortization of premiums, discounts and fees	7,105,321	(2,961,360)	(1,435,683)
Change in unrealized (appreciation) depreciation on portfolio securities, corporate notes and commodity derivative instruments	51,605,789	(5,008,291)	1,299,127
Effects of changes in operating assets and liabilities			
Accounts receivable	(23,808)	435,347	(401,951)
Interest receivable	(1,762,521)	752,918	(791,211)
Prepaid assets	121,750	(422,154)	(1,022,472)
Deferred tax assets – current	(200,000)	—	—
Deferred tax assets – non-current	(3,600,000)	—	—
Accounts payable and accrued expenses	(283,799)	473,535	1,532,649
Income taxes payable	3,381,379	147,929	—
Purchase of investments in portfolio securities, corporate notes and commodity derivative instruments	(96,348,703)	(225,828,429)	(138,180,371)
Redemption of investments in portfolio securities, corporate notes and commodity derivative instruments	74,364,600	126,356,095	61,486,485
Sale of investments in corporate notes	—	6,007,370	4,005,371
Net sale of investments in U.S. Treasury Bills	163,925,625	(21,256,046)	(21,151,383)
Net cash provided by (used in) operating activities	182,674,037	(95,043,150)	(80,589,784)
Cash flows from financing activities			
Proceeds from the issuance of common stock, net of underwriting costs	62,113,098	—	—
Borrowings under revolving credit facility	196,000,000	123,285,000	100,000,000
Repayments on revolving credit facility	(292,000,000)	(7,285,000)	—
Offering costs from the issuance of common stock	(780,628)	—	—
Dividends paid	(32,638,047)	(14,854,064)	(20,426,475)
Net cash provided by (used in) financing activities	(67,305,577)	101,145,936	79,573,525
Net increase (decrease) in cash and cash equivalents	115,368,460	6,102,786	(1,016,259)
Cash and cash equivalents, beginning of period	18,437,115	12,334,329	13,350,588
Cash and cash equivalents, end of period	$ 133,805,575	$ 18,437,115	$ 12,334,329
Supplemental disclosure			
Cash paid for interest	$ 5,890,111	$ 6,766,621	$ 1,906,916
Cash paid for taxes	$ 185,624	$ 46,811	$ 142,517
Non-cash financing activities			
Issuance of common stock in conjunction with dividend reinvestment plan	$ 677,318	$ 1,285,153	$ 366,645

(See accompanying notes to consolidated financial statements)

NGP CAPITAL RESOURCES COMPANY

CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2008

Portfolio Company	Energy Industry Segment	Investment[2][4]	Principal	Cost	Fair Value[3]
Targeted Investments					
Venoco, Inc.[1][23]	Oil & Natural Gas Production and Development	Senior Notes[7] (8.75%, due 12/15/2011)	$12,000,000	$11,932,367	$ 5,760,000
Chroma Exploration & Production, Inc.[1][23]	Oil & Natural Gas Production and Development	9,711 Shares Series A Participating Convertible Preferred Stock[9]	—	2,221,710	—
		8,868 Shares Series AA Participating Convertible Preferred Stock[9]	—	2,089,870	1,000,000
		8.11 Shares Common Stock[5]	—	—	—
		Warrants[5][11]	—	—	—
Resaca Exploitation Inc.[1][23]	Oil & Natural Gas Production and Development	Senior Secured Multiple-Advance Term Loan (The greater of 10.0% or LIBOR + 6.00%, due 5/01/2012)	28,000,000	27,592,657	27,592,657
		Common Stock (6,574,216 shares)[5][6][20]	3,235,256	3,235,256	1,093,688
Crossroads Energy, LP[1][23]	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)	4,820,204	4,781,487	4,781,487
		Overriding Royalty Interest[6]	10,000	5,120	250,000
Rubicon Energy Partners, LLC[8][23]	Oil & Natural Gas Production and Development	LLC Units (4,000 units)[5]	—	—	750,000
BSR Loco Bayou, LLC[1][10][23]	Oil & Natural Gas Production and Development	Senior Secured Multiple-Advance Term Loan (LIBOR + 5.50% cash, LIBOR + 8.50% default, due 8/15/2009)[9]	2,888,986	2,401,884	1,539,795
		Overriding Royalty Interest	20,000	19,372	20,000
		Warrants[5][12]	10,000	10,000	—
Sonoran Energy, Inc.[1][23]	Oil & Natural Gas Production and Development	Warrants[5][13]	10,000	10,000	—
Nighthawk Transport I, LP[1][23]	Energy Services	Second Lien Term Loan B (The greater of 15.0% or LIBOR + 10.50%, due 10/03/2010)	12,895,524	12,184,611	8,929,131
		LP Units[5]	224	224	—
		Warrants[5][14]	850,000	850,000	—
		Second Lien Delayed Draw Term Loan B (The greater of 15.0% or LIBOR + 10.50%, due 10/03/2010)	1,443,427	1,420,362	1,075,842
Alden Resources, LLC[1][21][23]	Coal Production	Senior Secured Multiple-Advance Term Loan (LIBOR + 8.00% cash, due 1/05/2013)	36,285,168	33,772,038	28,283,440
		Royalty Interest	2,660,000	2,565,017	7,500,000
		Warrants[5][15]	100,000	100,000	—

(See accompanying notes to consolidated financial statements)

NGP CAPITAL RESOURCES COMPANY

CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2008
(continued)

Portfolio Company	Energy Industry Segment	Investment[2][4]	Principal	Cost	Fair Value[3]
Targeted Investments – Continued					
Tammany Oil & Gas, LLC[1][23]	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)	31,447,804	31,197,085	31,197,085
		Overriding Royalty Interest[5][6]	200,000	200,000	550,000
TierraMar Energy LP[8][23]	Oil & Natural Gas Production and Development	Overriding Royalty Interest	20,000	16,828	300,000
		Class A Preferred LP Units[5]	16,634,830	16,634,830	13,500,000
Anadarko Petroleum Corporation 2007-III Drilling Fund[1][23]	Oil & Natural Gas Production and Development	Multiple-Advance Net Profits Interest (Due 4/23/2032)	37,255,948	37,352,982	37,352,982
Formidable, LLC[1][19][23]	Oil & Natural Gas Production and Development	Senior Secured Multiple-Advance Term Loan (LIBOR + 5.50% cash, LIBOR + 8.50% default, due 5/31/2008)[9]	37,299,054	37,299,054	22,500,000
		Warrants[5][16]	500,000	500,000	—
DeanLake Operator, LLC[8][23]	Oil & Natural Gas Production and Development	Class A Preferred Units[5]	13,900,255	13,900,255	10,000,000
		Overriding Royalty Interest	20,000	18,897	20,000
Bionol Clearfield, LLC[1][23]	Alternative Fuels and Specialty Chemicals	Senior Secured Tranche C Construction Loan (LIBOR + 7.00%, due 9/06/2016)	5,000,000	5,000,000	5,000,000
BioEnergy Holding, LLC[1][23]	Alternative Fuels and Specialty Chemicals	Senior Secured Notes (15.00%, due 3/06/2015)	10,606,557	9,757,613	9,757,613
		BioEnergy International Warrants[5][17]	595,845	595,845	595,845
		BioEnergy Holding Units[5]	376,687	376,687	376,687
Greenleaf Investments, LLC[1][23]	Oil & Natural Gas Production and Development	Senior Secured Multiple-Advance Term Loan (The greater of 10.50% or LIBOR + 6.50%, due 4/30/2011)	12,229,693	11,951,818	11,951,818
		Overriding Royalty Interest[6]	100,000	86,263	300,000
ATP Oil & Gas Corporation[1][23]	Oil & Natural Gas Production and Development	Limited Term Royalty Interest	32,814,792	24,319,585	12,219,000
Black Pool Energy Partners, LLC[1][23]	Oil & Natural Gas Production and Development	Senior Secured Multiple-Advance Term Loan (The greater of 12.00% or LIBOR + 8.00% cash, 14.00% or LIBOR + 10.00% PIK, due 10/24/2011)	302,497	12,498	12,498
		Overriding Royalty Interest[5][6]	10,000	10,000	10,000
		Warrants[5][22]	10,000	10,000	10,000
Subtotal Targeted Investments (62.2% of total investments)				**$294,432,215**	**$244,229,568**

(See accompanying notes to consolidated financial statements)

NGP CAPITAL RESOURCES COMPANY

CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2008
(continued)

Issuing Company	Energy Industry Segment	Investment[2][4]	Principal	Cost	Fair Value[3]
Corporate Notes					
Pioneer Natural Resources Co.[23]	Oil & Natural Gas Production and Development	Senior Notes, 7.2%, due 2028	$10,000,000	$ 11,586,899	$6,350,000
Subtotal Corporate Notes (1.62% of total investments)				**$ 11,586,899**	**$6,350,000**
Commodity Derivative Instruments					
Put Options[18][23]		Put Options with BP Corporation North America, Inc. 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.		$ 141,570	$ 933,484
		Put Options with BP Corporation North America, Inc. 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.		491,700	6,146,906
		Put Options with BP Corporation North America, Inc. to sell up to 32,750 Bbls of crude oil at a strike price of $85.00 per Bbl. 4 monthly contracts beginning on October 1, 2009 and expiring on January 31, 2010.		140,825	1,132,482
Subtotal Commodity Derivatives (2.1% of total investments)				**$ 774,095**	**$ 8,212,872**
Cash					
Subtotal Cash (34.08% of total investments)				**$133,805,575**	**$ 133,805,575**
Total investments, cash and cash equivalents				**$440,598,784**	**$ 392,598,015**
Liabilities in excess of other assets					**$(126,775,369)**
Net assets					**$ 265,822,646**

(See accompanying notes to consolidated financial statements)

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 the end of the period 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) Portfolio company was issued a written notice of default.

(11) Chroma warrants expire on April 5, 2012 and provide the Company the right to purchase 2,462 shares of common stock at a purchase price of $75.00 per share.

(12) BSR Loco Bayou warrants 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.

(13) Sonoran warrants 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.

(14) Nighthawk warrants 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.

(15) Alden warrants 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.

(16) Formidable warrants 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.

(17) BioEnergy International, LLC warrants expire on August 15, 2010 and provide the Company the right to purchase 648,000 units, representing membership interests of BioEnergy International, LLC, at the purchase price of $10.00 per unit.

(18) Put Options are related to the limited term royalty interest purchased from ATP Oil & Gas Corporation.

(19) Portfolio company was issued a written notice of default on February 13, 2009.

(20) Resaca stock is listed on the Alternative Investment Market of the London Stock Exchange, denominated in British pounds and its reported fair value at December 31, 2008 has been converted to U.S. dollars at the exchange rate effective on December 31, 2008.

(21) Portfolio company was issued a written notice of default on February 5, 2009.

(22) Black Pool warrants expire seven years after repayment of principal and interest and provide the Company the right to purchase approximately 25% of membership interest at the exercise price of $0.01 per unit.

(23) Level 3 security per *SFAS No. 157* hierarchy.

NGP CAPITAL RESOURCES COMPANY

CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2007

Portfolio Company	Energy Industry Segment	Investment[2][4]	Principal	Cost	Fair Value[3]
Targeted Investments					
Venoco, Inc.[1]	Oil & Natural Gas Production and Development	Senior Notes[7] (8.75%, due 12/15/2011)	$ 8,000,000	$ 7,967,385	$ 7,920,000
Venoco, Inc.[1]	Oil & Natural Gas Production and Development	Senior Notes[7] (8.75%, due 12/15/2011)	4,000,000	3,945,870	3,960,000
Chroma Exploration & Production, Inc.[1]	Oil & Natural Gas Production and Development	9,154 Shares Series A Participating Convertible Preferred Stock[11]	—	2,221,710	—
		8,359 Shares Series AA Participating Convertible Preferred Stock	—	2,089,870	2,089,870
		8.11 Shares Common Stock[5]	—	—	—
		Warrants[5]	—	—	—
Resaca Exploitation, LP[1]	Oil & Natural Gas Production and Development	Senior Secured Multiple-Advance Tranche A Term Loan (LIBOR + 6.00%, due 5/01/2012)	26,993,572	26,493,374	26,493,374
		Overriding Royalty Interest[6]	30,000	29,821	400,000
		Senior Secured Tranche B Term Loan (LIBOR + 9.00%, due 11/30/2007)[9]	6,000,000	6,000,000	6,000,000
		Overriding Royalty Interest[6]	30,000	29,821	400,000
		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]	Oil & Natural Gas Production and Development	Senior Secured Multiple-Advance Term Loan (LIBOR + 5.50% cash, +7.50% PIK – until 12/29/07, cash only thereafter, due 6/29/2009)	4,188,715	4,124,169	4,124,169
		Overriding Royalty Interest[6]	10,000	8,029	250,000
Rubicon Energy Partners, LLC[8]	Oil & Natural Gas Production and Development	Senior Subordinated Secured Multiple-Advance Term Loan (LIBOR + 8.00%, due 5/01/2010)	2,285,000	2,285,000	2,285,000
		LLC Units (4,000 units)[5]	—	4,000,000	12,000,000
BSR Alto, LLC[1]	Oil & Natural Gas Production and Development	Senior Secured Multiple-Advance Term Loan (LIBOR + 5.50% cash, +7.50% PIK – until 8/17/08, cash only thereafter, due 8/17/2009)	2,428,449	2,345,468	2,345,468
		Overriding Royalty Interest[6]	30,000	28,885	—
		Warrants[5]	10,000	10,000	—
BSR Loco Bayou, LLC[1]	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)[11]	2,926,309	2,592,998	1,730,910
		Overriding Royalty Interest[5][6]	20,000	20,000	20,000
		Warrants[5]	10,000	10,000	—

(See accompanying notes to consolidated financial statements)

NGP CAPITAL RESOURCES COMPANY

CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2007
(continued)

Portfolio Company	Energy Industry Segment	Investment(2)(4)	Principal	Cost	Fair Value(3)
Targeted Investments – Continued					
Nighthawk Transport I, LP(1)	Energy Services	Second Lien Term Loan B (LIBOR + 8.00%, due 10/03/2010)	14,901,476	13,929,840	13,929,840
		LP Units(5)	224	224	150,000
		Warrants(5)	850,000	850,000	850,000
		Second Lien Delayed Draw Term Loan B (LIBOR + 8.00%, due 10/03/2010)	1,655,695	1,628,633	1,628,633
Sonoran Energy, Inc.(1)	Oil & Natural Gas Production and Development	Warrants(5)	10,000	10,000	10,000
Alden Resources, LLC(1)	Coal Production	Senior Secured Multiple-Advance Term Loan (LIBOR + 8.00% cash, +10.00% PIK – until 2/29/2008) cash only thereafter, due 1/05/2013)	35,459,204	32,528,411	32,528,411
		Royalty Interest(6)	2,660,000	2,627,152	2,660,000
		Warrants(5)	100,000	100,000	100,000
Tammany Oil & Gas, LLC(1)	Oil & Natural Gas Production and Development	Senior Secured Multiple-Advance Term Loan (LIBOR + 6.00%, due 3/21/2010)	24,285,796	23,902,648	23,902,648
		Overriding Royalty Interest(5)(6)	200,000	200,000	300,000
TierraMar Energy LP(8)	Oil & Natural Gas Production and Development	Overriding Royalty Interest(6)	20,000	18,248	200,000
		Class A Preferred LP Units(5)	15,184,857	15,184,857	15,184,857
Anadarko Petroleum Corporation 2007-III Drilling Fund(1)	Oil & Natural Gas Production and Development	Multiple-Advance Net Profits Interest (Due 4/23/2032)	71,325,081	71,347,702	71,347,702
Formidable, LLC(1)	Oil & Natural Gas Production and Development	Senior Secured Multiple-Advance Term Loan (LIBOR + 5.50% cash, +7.50% PIK, due 12/31/2007)(10)	34,421,803	34,421,803	34,421,803
		Warrants(5)	500,000	500,000	500,000
DeanLake Operator, LLC(1)	Oil & Natural Gas Production and Development	Senior Secured Multiple-Advance Term Loan (LIBOR + 7.00%, due 6/25/2010)	12,709,080	12,465,888	12,465,888
		Overriding Royalty Interest(6)	20,000	19,648	20,000
		Warrants(5)	10,000	10,000	10,000
Subtotal Targeted Investments (59.79% of total investments)				**$277,947,454**	**$284,228,573**

(See accompanying notes to consolidated financial statements)

NGP CAPITAL RESOURCES COMPANY

CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2007
(continued)

Issuing Company	Energy Industry Segment	Investment[(2)(4)]	Principal	Cost	Fair Value[(3)]
Corporate Notes					
Pioneer Natural Resources Co.	Oil & Natural Gas Production and Development	Senior Notes, 7.2%, due 2028	$10,000,000	$ 11,631,599	$ 8,955,500
Subtotal Corporate Notes (1.88% of total investments)				**$ 11,631,599**	**$ 8,955,500**
Government Securities					
U.S. Treasury Bills	Government	U.S. Treasury Bills, 2.713%, due 01/10/2008	$ 8,000,000	$ 7,994,660	$ 7,994,660
U.S. Treasury Bills	Government	U.S. Treasury Bills, 2.713%, due 01/10/2008	12,000,000	11,991,990	11,991,990
U.S. Treasury Bills	Government	U.S. Treasury Bills, 2.713%, due 01/10/2008	12,000,000	11,991,990	11,991,990
U.S. Treasury Bills	Government	U.S. Treasury Bills, 2.713%, due 01/10/2008	12,000,000	11,991,990	11,991,990
U.S. Treasury Bills	Government	U.S. Treasury Bills, 2.713%, due 01/10/2008	12,000,000	11,991,990	11,991,990
U.S. Treasury Bills	Government	U.S. Treasury Bills, 2.713%, due 01/10/2008	12,000,000	11,991,990	11,991,990
U.S. Treasury Bills	Government	U.S. Treasury Bills, 2.713%, due 01/10/2008	12,000,000	11,991,990	11,991,990
U.S. Treasury Bills	Government	U.S. Treasury Bills, 2.713%, due 01/10/2008	12,000,000	11,991,990	11,991,990
U.S. Treasury Bills	Government	U.S. Treasury Bills, 2.713%, due 01/10/2008	12,000,000	11,991,990	11,991,990
U.S. Treasury Bills	Government	U.S. Treasury Bills, 2.713%, due 01/10/2008	12,000,000	11,991,990	11,991,990
U.S. Treasury Bills	Government	U.S. Treasury Bills, 2.713%, due 01/10/2008	12,000,000	11,991,990	11,991,990
U.S. Treasury Bills	Government	U.S. Treasury Bills, 2.471%, due 01/10/2008	36,033,000	36,011,065	36,011,065
Subtotal Government Securities (34.45% of total investments)				**$163,925,625**	**$ 163,925,625**
Cash					
Subtotal Cash (3.88% of total investments)				**$ 18,437,115**	**$ 18,437,115**
Total investments, cash and cash equivalents				**$471,941,793**	**$ 475,546,813**
Liabilities in excess of other assets					**$(225,287,476)**
Net assets					**$ 250,259,337**

(1) Portfolio company is not controlled by or affiliated with us as defined by the Investment Company Act of 1940.

(2) Percentages represent interest rates in effect at December 31, 2007, 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 us as defined by the Investment Company Act of 1940.

(9) Forbearance granted on maturity date until February 29, 2008. The Manager is in the process of renegotiating the Tranche B note with Resaca.

(10) Maturity dated extended until March 31, 2008.

(11) Non-accrual status.

(See accompanying notes to consolidated financial statements)

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 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 financial 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 (''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, by NGP Investment Advisor, LP, (the ''Manager''), a Delaware limited partnership owned by NGP Energy Capital Management, L.L.C. and NGP Administration, LLC (the ''Administrator''), the Company's administrator.

Note 2: Significant Accounting Policies

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Our financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (''GAAP'') and pursuant to the requirements for reporting on Form 10-K and Regulation S-X, as appropriate. The consolidated financial statements include all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of such consolidated financial statements.

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 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 consolidated financial statements and the accompanying notes to the consolidated financial statements. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, liquid investments in accounts such as demand deposit accounts, money market accounts, certain overnight investment sweep accounts and money market fund accounts. 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 and fees associated with the establishment of the policy or credit facility.

Note 2: Significant Accounting Policies – (continued)

Concentration of Credit Risk

The Company places its cash and cash equivalents with financial institutions and, at times, cash held in checking or money market accounts may exceed the Federal Deposit Insurance Corporation insured limit. On September 15, 2008, Lehman Brothers Holdings Inc. (''Lehman Holdings'') filed for protection under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court in the Southern District of New York. Subsidiaries of Lehman Holdings, including Lehman Brothers Inc. (''Lehman Brothers'') and Lehman OTC, were not included in the filing. The business of Lehman Brothers Private Investment Management (''PIM''), including the Company's money market and bond holdings, was transferred during September 2008 to Barclays Wealth, the wealth management division of Barclays Bank PLC (''Barclays''), which operates in the United States as Barclays Capital Inc. As of December 31, 2008, the Company's Barclays money market account balance was approximately $1.45 million and the fair market value of our senior notes and corporate notes were $5.76 million and $6.35 million, respectively. The Company currently believes that the transfer of its Lehman Brothers account to Barclays will not have a material adverse effect on its financial position, results of operations or cash flows.

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 the Company's portfolio and presents the valuations to the Company's 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 of the 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 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 a portfolio company's assets, such as engineering reserve reports of oil and natural gas properties. 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 some or all of the above valuation methods to determine the estimated enterprise value of a portfolio company.

The methodologies for determining estimated current market values of comparable securities include estimates based on: recent initial offerings of comparable securities of public and private companies; recent secondary market sales of comparable securities of public and private companies; current market implied interest rates for comparable securities in general; and current market implied interest rates for non-comparable securities in general, with adjustments for such things as size of issue, tenor, and liquidity. The investment team of the Manager considers some or all of the above valuation methods to determine the estimated current market value of a comparable security.

Note 2: Significant Accounting Policies – (continued)

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, subject to comparison to the estimated current market values of comparable securities. 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, both subject to comparison to the estimated current market values of comparable securities. 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 the debt investment beginning with the junior-most debt investment such that the asset or enterprise value less the value of the outstanding *pari passu* or senior debt is zero, subject to comparison to the estimated current market values of comparable securities. 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, subject to comparison to the estimated current market values of comparable securities.

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.

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 amortization using the units of production 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

Note 2: Significant Accounting Policies – (continued)

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. PIK interest income totaled $2.3 million net of a $0.2 million reserve in 2008, $4.5 million net of a $0.3 million reserve in 2007, and $0.8 million with no reserve in 2006. PIK dividend income was zero after reserving the entire $0.3 million in 2008, $0.2 million after reserving $0.1 million in 2007, and $0.1 million, with no reserve in 2006.

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

Realized gains and 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 time period the commitment is outstanding. Prepayment and loan administration fees are recognized as they are received. Included in interest income is approximately $1.5 million in 2008, $3.0 million in 2007 and $1.4 million in 2006 of such accreted fee income.

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 net taxable income. The Company also intends to make distributions of net

Note 2: Significant Accounting Policies – (continued)

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 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.

For the period ended December 31, 2004, the Company was treated as a ''C'' corporation and 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
September 10, 2008	$0.400	September 30, 2008	October 10, 2008
December 19, 2008	$0.410	December 29, 2008	January 5, 2009

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 December 31, 2008, holders of 1,749,954 shares, or approximately 8.1% of outstanding shares, were participants in the Company's dividend reinvestment plan.

The Company's 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.

Note 2: Significant Accounting Policies – (continued)

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

Dividend Reinvestment Plan Participation

Dividend	Participating Shares	Percentage of Outstanding Shares	Total Distribution	Cash Dividends	Common Stock Dividends		
					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	$8,186,011	$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	$ —	—
September 2008	1,739,829	8.0%	$8,651,281	$7,955,350	$695,931	$ —	—
December 2008	1,749,954	8.1%	$8,867,563	$8,150,082	$717,481(1)	$ —	—

(1) Shares were purchased on January 5, 2009 for the December 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 Agreement as of December 31, 2008 was $75.0 million compared to the $126.25 million balance 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, maturing August 31, 2009, and bears interest, at the Company's option, at either (i) LIBOR plus 25 basis points or (ii) the base rate. On September 29, 2008, the required lenders exercised their option to convert pricing of the Treasury Facility from LIBOR-based to Prime-based. The prime rate was 5% as of September 29, 2008 and 3.25% as of December 31, 2008. As of December 31, 2008, the interest rate on our outstanding borrowings under the Treasury Facility was 3.25% (Prime rate) on $75.0 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,

Note 3: Credit Facilities and Borrowings – (continued)

(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 \$87.5 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 \$87.5 million and \$45.0 million was outstanding under the Investment Facility as of December 31, 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 four-year term, maturing on August 31, 2010, and bears interest, at the Company's option, at either (i) LIBOR plus 150 to 250 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 December 31, 2008, the interest rate was 3.50% on \$45 million (Prime plus 25 basis points).

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 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 $781,000 and underwriting discounts and commissions of $0.80 per share, were approximately $61,330,000.

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 has issued a total of 141,714 shares of common stock to participants in the dividend reinvestment plan since the inception of the plan. 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 $2,016,214 management and incentive fees payable to the Manager as of December 31, 2008 are the base management fee for the quarter ended December 31, 2008.

Note 5: Investment Management – (continued)

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.

No investment income incentive fee was earned for the year ended December 31, 2008, compared to $88,060, and $15,834 for the years ended December 31, 2007 and 2006, respectively . 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.

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. Capital gains incentive fees earned for the years 2008, 2007, and 2006 were $0, $348,515, and $0 respectively.

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. Any sales of such stock will comply with any applicable six-month holding period under Section 16(b) of the Securities Act of 1933 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,

Note 5: Investment Management – (continued)

the agreement shall remain in effect from year-to-year after November 9, 2006, provided continuation is approved at least annually by the 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 Company's directors who are not interested persons. On October 30, 2008, the Company's Board of Directors, including all of the independent directors, approved an extension of the investment advisory agreement through November 9, 2009.

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 our 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 $512,926 in accounts payable as of December 31, 2008, $203,080 is due to the Administrator for expenses incurred on the Company's behalf for the month of December 2008.

Note 5: Investment Management – (continued)

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 Company's directors who are not parties to the administration agreement or ''interested persons'' of any such party. On October 30, 2008, the Company's Board of Directors, including all of the independent directors, approved the continuation of the administration agreement through November 9, 2009.

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: Organizational Expenses and Offering Costs

A portion of the net proceeds of the Company's initial offering on November 9, 2004 were used for organizational expenses and offering costs of approximately $705,000 and $2,308,000, respectively, recognized in fiscal year 2004. For the twelve months ended December 31, 2005, the Company recognized organizational expenses and offering costs of approximately $1,100 and $7,600, respectively. A portion of the net proceeds of the Company's secondary offering on February 6, 2008 were used for offering costs of approximately $781,000 and recognized in 2008. Organizational expenses were expensed as incurred. Offering costs were charged to paid-in capital in excess of par.

Note 7: Federal Income Taxes

The Company intends to qualify for tax purposes as a RIC under Subchapter M of Chapter 1 of the Code, as amended. 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 ending December 31, 2005, 2006, 2007 and 2008, the Company met all RIC requirements. The Company distributed substantially all of its investment company taxable income for 2005, 2006, 2007 and 2008. Thus, the Company did not incur any federal income tax liability for either period.

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 carryforwards 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 carryforwards. Because the Company intends to qualify as a RIC under Subchapter M of the Code

Note 7: Federal Income Taxes – (continued)

for 2005 and later years, it is uncertain whether the Company will fully utilize the tax benefit of its loss carryforward.

The Company's consolidated subsidiaries, NGPC Asset Holdings, LP, NGPC Asset Holdings II, LP, NGPC Asset Holdings III, LP, and NGPC Asset Holdings V, LP, collectively (''NGPCAH''), are subject to federal income taxes. Certain taxable subsidiaries operated at a loss and the Company placed a valuation allowance on these amounts per the table below. Deferred income tax provisions result from temporary differences in the recognition of income and expenses for financial reporting purposes and for income tax purposes. Of the total net deferred tax assets of $3,800,000, $200,000 are current deferred tax assets and $3,600,000 are non-current deferred tax assets. The significant components of the income tax effects of these temporary differences, representing deferred income tax assets are as follows:

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
Deferred tax assets			
Net operating loss carryforwards	$ 459,071	$ 33,866	$ 156,674
Investment in partnerships	4,118,363		
Net organization costs	27,957	75,884	123,811
Total gross deferred tax assets	4,605,391	109,750	280,485
Less valuation allowance	(592,474)	(109,750)	(280,485)
Net deferred tax assets	4,012,917	—	—
Deferred tax liabilities			
Investment in partnerships	(212,917)	—	—
Prepaid expenses	—	—	—
Total gross deferred tax liabilities	(212,917)	—	—
Net deferred tax assets	$3,800,000	$ —	$ —

Federal and state income tax provisions on net investment income and capital gains of the Company and its taxable consolidated subsidiaries are as follows:

	Year Ended December 31,		
	2008	2007	2006
Current:			
U.S. federal-net investment income	$(1,131,941)	$122,808	$—
U.S. federal-capital gains	4,500,000	—	—
	$ 3,368,059	$122,808	$—
Deferred:			
U.S. federal-net investment income	$(3,800,000)	$ —	$—
U.S. federal-capital gains	—	—	—
	$(3,800,000)	$ —	$—
Total:			
U.S. federal-net investment income	$(4,931,941)	$122,808	$—
U.S. federal-capital gains	4,500,000	—	—
	$ (431,941)	$122,808	$—

Note 7: Federal Income Taxes – (continued)

Actual income tax expense differs from income tax expense computed by applying the U.S. federal statutory corporate rate of 34% to net investment income before provision for income taxes. These differences and the differences between the effective income tax rate and the statutory Federal tax rate were as follows:

	Year Ended December 31,					
	2008		2007		2006	
Provision (benefit) at the statutory rate	$(4,660,775)	34%	$10,536,812	34%	$ 5,100,414	34%
Increase resulting from:						
RIC loss (income) not subject to income taxes	3,893,353	(28%)	(7,651,610)	(25%)	(5,106,410)	(34%)
Valuation allowance	416,692	(3%)	—	0%	—	0%
Other	(81,211)	1%	(2,762,394)	(9%)	5,996	0%
	$ (431,941)	3%	$ 122,808	0%	$ —	0%

Note 8: Commitments and Contingencies

As of December 31, 2008, the Company had investments in or commitments to fund investments to nineteen portfolio companies totaling $364.5 million, of which $296.0 million was outstanding and $68.5 remained available. 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 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: Dividends and Distributions

The Company declared dividends for the year ended December 31, 2008 totaling $33,170,257, or $1.61 per share. For tax purposes, 81.49%, or approximately $27,031,362 of the dividends were paid from ordinary income and 18.51% or approximately $6,138,895 of the dividends were paid from long-term capital gains. 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
September 10, 2008	$0.400	September 30, 2008	October 10, 2008
December 19, 2008	$0.410	December 29, 2008	January 5, 2009

Note 9: Dividends and Distributions – (continued)

The following table summarizes the differences between financial statement net increase in net assets resulting from operations and taxable income available for distribution to shareholders for the years ending December 31, 2008, 2007 and 2006:

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
Net increase (decrease) in net assets resulting from operations	$(13,276,222)	$30,867,816	$15,001,218
Adjustments			
Net change in unrealized (appreciation) depreciation	51,605,789	(5,008,291)	1,299,127
Amortization of organization costs	(140,962)	(140,962)	(140,962)
Amortization of insurance premiums	791,394	560,800	564,308
Insurance premiums deducted in prior year	(789,644)	(791,677)	(523,562)
Net income from consolidating affiliate	(169,808)	(305,350)	(411,832)
Revenue from affiliates	320,000	—	—
Administrative fees from affiliate	108,442	444,070	408,337
Realized gain of affiliate	(13,286,596)	(453,701)	—
Dividend income from consolidating affiliate	6,500,000	—	—
Allowance for uncollectible interest and dividends	3,269,715	323,820	—
State taxes, tax interest and fees of affiliate	152,125	—	—
Non-deductible incentive fees	—	348,515	—
Prior year post October loss reversed	—	(71,458)	—
Prior year capital loss carryforward	—	(174,401)	—
Non-deductible excise tax for the year 2006	—	12,218	—
Undistributed net realized capital losses	—	—	245,859
Income tax (benefit)/provision on capital gains	(431,941)	—	—
Other	12,280	18,418	19,205
Taxable income available for distribution to shareholders	34,664,572	25,629,817	16,461,698
Less:			
Dividends paid	33,170,257	25,151,888	16,008,092
Prior year Section 855 dividends	(543,997)	(634,676)	(181,070)
Under (over) distribution of taxable income	$ 2,038,312	$ 1,112,605	$ 634,676

As of December 31, 2008, the components of net assets (excluding paid in capital) on a tax basis consisted of current distributable ordinary income of $2,038,312, and net unrealized depreciation of portfolio securities, corporate notes and commodity derivative instruments of $48,000,769. There were no undistributed long-term gains for the year ended December 31,2008. The temporary timing differences between book and tax amounts consist of organization costs, amortization of insurance premiums, and uncollectible interest and dividend income.

At December 31, 2008 the aggregate cost of securities for federal income tax purposes was $306.8 million.

Note 10: Reclassifications

GAAP requires adjustments to certain components of net assets to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on total net assets or net asset value per share. During the years ended December 31, 2008, 2007 and 2006, $135,563, $64,170 and $15,710, respectively, have

Note 10: Reclassifications – (continued)

been reclassified from undistributed net investment income (loss) to paid-in capital in excess of par. For the year ended December 31, 2008, $7,433,016 was reclassified from undistributed net realized capital gain (loss) to paid-in capital in excess of par. During the years ended December 31, 2007 and 2006 there were no reclassifications from undistributed net realized capital gain (loss) to paid-in capital in excess of par. These reclassifications are primarily due to non-deductible meal expenses, non-deductible excise taxes, and income and expenses from a wholly owned subsidiary.

Note 11: Subsequent Events

In January 2009, the Company repaid the entire $45 million balance on its Investment Credit Facility. As of the date of this release, the Company has no outstanding borrowings under the Investment Facility; therefore the entire $87.5 million committed is available. Presently, the only outstanding indebtedness of the Company is $75 million under its Treasury Facility which is fully secured by cash or U.S. Treasuries.

In February 2009, the Company accelerated and demanded immediate repayment of its $37.3 million Senior Secured Note from Formidable, LLC. The Company also made demand on a partial guaranty from the principal owner of Formidable, LLC. At this time, the Company is pursuing a number of options with respect to Formidable, LLC, including an outright sale of the properties, a negotiated deed-in-lieu of foreclosure on the properties and foreclosure on the properties.

In March 2009, the Company restructured its $14 million Second Lien Term Loan B from Nighthawk. Terms of the restructuring include increasing the interest rate on the notes from 15% to 21%, with the additional 6% interest payable in kind at the option of Nighthawk. In addition, the warrant position granted to the lenders increased from 15% to 40% of the equity of Nighthawk, increasing the Company's warrant position from 2.5% to 6.8% of the outstanding equity of Nighthawk. The maturity of the notes, set at October 3, 2010, did not change.

Note 12: Supplemental Disclosure of Cash Flow Information

Non-cash operating activities for the year ended December 31, 2008, included payment-in-kind interest income of $2,335,374, and net changes in amortizations consisting of amortization of original issue discount of $1,473,875, less amortization of basis in limited term royalty interests of $8,495,209 and amortization of basis in overriding royalty interests of $83,989. The net change in prepaid credit facility fees, insurance premiums, prepaid taxes and prepaid offering costs was a reduction of $121,750, resulting from additions of $2,239,389 (including $550,616 of prepaid offering costs) less amortization of $1,621,873 and a $739,266 reclassification to paid-in capital.

Non-cash operating activities for the year ended December 31, 2007, included net changes in amortizations consisting of amortization of original issue discount of $3,004,480 less amortization of basis in overriding royalty interests of $43,120, payment-in-kind interest income of $4,453,300 and payment-in-kind stock dividends of $154,580. The net change in prepaid credit facility fees, insurance premiums and prepaid offering costs was $422,154, resulting from additions of $1,461,871 less amortization of $1,039,717.

Note 13: 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

Note 13: Fair Value – (continued)

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 December 31, 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 December 31, 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	$250,579,568	$—	$—	$250,579,568
Crude Oil Put Options	7,279,388	—	—	7,279,388
Natural Gas Put Options	933,484	—	—	933,484
Total Assets at Fair Value	$258,792,440	$—	$—	$258,792,440

The Company did not have any liabilities that were measured at fair value on a recurring basis at December 31, 2008.

Note 13: Fair Value – (continued)

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 December 31, 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)	(7,105,321)
Net realized gains (losses)	19,251,090
Net unrealized gains (losses)	(51,605,789)
Purchases, sales and redemptions	5,068,387
Balance as of December 31, 2008	$258,792,440

Of the $51,605,789 net unrealized losses presented in the table above, $8,740,359 relates to the reversals of unrealized gains recognized in 2007 and offset in 2008 by realized gains. Unrealized gains of $38,885 were related to redemptions of warrants and ORRI, leaving the remaining $42,904,315 related to investments that are still held at December 31, 2008. 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. The $20,835,500 in transfers into Level 3 consisted of senior notes and corporate notes that were classified as Level 2 as of March 31, 2008, but determined to be Level 3 as of June 30, 2008.

Note 14: 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 had 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 does not account for these instruments by hedge accounting, 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 Years Ended	
	December 31, 2008	December 31, 2007
Unrealized gains (losses) on commodity derivatives	$7,438,777	$—
Realized gains (losses) on commodity derivatives	2,315,484	—
Net gains (losses) on commodity derivative instruments	$9,754,261	$—

The unrealized gains (losses) on commodity derivatives are included in net increase (decrease) and unrealized appreciation (depreciation) on portfolio securities, corporate notes and commodity derivative instruments.

The realized gains (losses) on commodity derivatives are composed of revenues received on favorable expired options less the cost of all expired positions and are included in interest income.

Note 14: Commodity Derivative Instruments – (continued)

Below is a summary of the Company's commodity derivative instruments as of December 31, 2008.

	Volumes Bbls/Mmbtus	Weighted Average Strike Price per Bbl/Mmbtu	Fair Value at December 31, 2008
Oil:			
Put options:			
2009	137,500	$98.00	7,044,938
2010	7,000	$85.00	234,450
Total oil	144,500		$7,279,388
Natural gas:			
Put options:			
2009	242,000	$10.00	933,484
Total natural gas	242,000		$ 933,484
Total oil & natural gas put options			$8,212,872

Note 15: Recent Accounting Pronouncements

In March 2008, FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, (''SFAS No. 161''). SFAS No. 161 amends and expands the disclosure requirements 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. SFAS No. 161 will only affect future disclosures about our derivative instruments and hedging activities.

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 13 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.

In May 2008, FASB issued Statement 162, *The Hierarchy of Generally Accepted Accounting Principles* (''SFAS No. 162''), which identifies a consistent framework for selecting accounting principles to be used in preparing financial statements for nongovernmental entities that are presented in conformity with United States GAAP. The current GAAP hierarchy was criticized due to its complexity, ranking position of FASB Statements of Financial Accounting Concepts, and the fact that it is directed at auditors rather than entities. SFAS No. 162 is effective November 15, 2008. The FASB does not expect that SFAS No. 162 will cause a change in current practice, and the Company does not believe that SFAS No. 162 will have an impact on its financial statements, financial position, and results of operations or cash flows.

Note 16: Financial Highlights

NGP CAPITAL RESOURCES COMPANY
CONSOLIDATED FINANCIAL HIGHLIGHTS

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005	Period August 6, 2004 (Commencement of Operations) Through December 31, 2004
Per Share Data[1]					
Net asset value, beginning of period	$ 14.30	$ 13.96	$ 14.02	$ 14.03	$ 15.00
Increase in net assets as a result of secondary public stock offering	0.40	—	—	—	—
Underwriting discounts and commissions related to public stock offerings	(0.15)	—	—	—	(0.82)
Other costs related to public stock offerings	(0.03)	—	—	—	(0.13)
Net increase in net assets from public offerings	0.22	—	—	—	(0.95)
Net asset value after public stock offerings	14.52	13.96	14.02	14.03	14.05
Net investment income (loss)	1.09	1.09	0.95	0.60	(0.03)
Net realized and unrealized gain (loss) on portfolio securities, corporate notes and commodity derivative instruments	(1.71)	0.69	(0.09)	0.05	0.01
Net increase (decrease) in stockholders' equity (net assets) resulting from operations	(0.62)	1.78	0.86	0.65	(0.02)
Dividends declared	(1.61)	(1.44)	(0.92)	(0.66)	—
Net asset value, end of period	$ 12.29	$ 14.30	$ 13.96	$ 14.02	$ 14.03
Market value, beginning of period	$ 15.63	$ 16.75	$ 13.13	$ 15.37	$ 15.00
Market value, end of period	$ 8.37	$ 15.63	$ 16.75	$ 13.13	$ 15.37
Market value return[2]	(39.42%)	2.00%	35.60%	(10.67%)	2.47%
Net asset value return[2]	(2.78%)	11.97%	5.84%	4.49%	(6.47%)
Ratios and Supplemental Data ($ and shares in thousands)					
Net assets, end of period	$265,823	$250,259	$243,258	$243,898	$244,039
Average net assets	$258,041	$246,759	$243,578	$243,969	$ 76,367
Common shares outstanding at end of period	21,628	17,500	17,422	17,400	17,400
Total operating expenses less management and incentive fees and interest expense/average net assets	1.77%	1.65%	1.51%	1.23%	1.30%
Total operating expenses less management and incentive fees/average net assets	4.35%	4.65%	2.56%	1.31%	1.30%
Total operating expenses/average net assets	7.29%	7.44%	4.50%	2.83%	1.89%
Net investment income (loss)/average net assets	9.14%	7.76%	6.79%	4.27%	(0.77%)
Net increase (decrease) in net assets resulting from operations/average net assets	(5.15%)	12.51%	6.16%	4.65%	(0.39%)
Portfolio turnover rate	28.82%	51.21%	25.24%	13.77%	0.00%

(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.

Note 17: Selected Quarterly Financial Data (unaudited)
(In Thousands, Except Per Share Amounts)

	Investment Income		Net Investment Income		Net Realized and Unrealized Gain (Loss) on Portfolio Securities, Corporate Notes and Commodity Derivative Instruments		Net Increase (Decrease) in Net Assets from Operations	
Quarter Ended	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
March 31, 2006	$ 4,996	$0.29	$ 2,990	$0.17	$ (1,146)	$(0.07)	$ 1,844	$ 0.10
June 30, 2006	$ 6,000	$0.34	$ 3,888	$0.22	$ (1,360)	$(0.07)	$ 2,528	$ 0.15
September 30, 2006	$ 7,557	$0.43	$ 4,739	$0.28	$ 601	$ 0.03	$ 5,341	$ 0.31
December 31, 2006	$ 8,964	$0.51	$ 4,929	$0.28	$ 360	$ 0.02	$ 5,289	$ 0.30
March 31, 2007	$ 8,477	$0.49	$ 4,417	$0.25	$ 3,730	$ 0.22	$ 8,147	$ 0.47
June 30, 2007	$ 9,744	$0.56	$ 4,511	$0.26	$ 8,958	$ 0.52	$ 13,469	$ 0.78
September 30, 2007	$ 9,059	$0.52	$ 5,258	$0.31	$ (1,063)	$(0.07)	$ 4,195	$ 0.24
December 31, 2007	$10,219	$0.58	$ 4,952	$0.27	$ 105	$ 0.02	$ 5,057	$ 0.29
March 31, 2008	$ 9,538	$0.55	$ 4,141	$0.24	$ (1,746)	$(0.10)	$ 2,395	$ 0.14
June 30, 2008	$ 8,197	$0.38	$ 3,759	$0.13	$ 1,611	$ 0.09	$ 5,371	$ 0.25
September 30, 2008	$ 9,870	$0.46	$ 4,266	$0.19	$ 10,188	$ 0.47	$ 14,454	$ 0.66
December 31, 2008	$ 9,856	$0.46	$11,412	$0.53	$(46,908)	$(2.17)	$(35,496)	$(1.67)

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

We maintain controls and procedures (as defined in 13a-15(e) and 15d-15(e) of the Exchange Act) designed to ensure that information required to be disclosed in our reports under 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 our Chief Financial Officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this Annual Report on Form 10-K, as of the end of the fiscal period covered by this Annual Report on Form 10-K (December 31, 2008), the Company performed an evaluation, under the supervision and with the participation of the Company's management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rules 13a-15(b) and 15d-15(b) under the Exchange Act.

Based on the Company's evaluation and the identification of the material weakness in internal control over financial reporting described below, our Chief Executive Officer and our Chief Financial Officer concluded that, as of December 31, 2008, our disclosure controls and procedures were not effective. In light of this material weakness, the Company performed additional analysis and post-closing procedures to ensure its financial statements were prepared in accordance with generally accepted accounting principles. Accordingly, management believes that the financial statements included in this Annual Report on Form 10-K present fairly in all material respects the Company's financial condition, results of operations and cash flows for the period presented.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) promulgated under the Exchange Act.

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

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

Management has evaluated the effectiveness of its internal control over financial reporting as of December 31, 2008. In making its assessment of internal control over financial reporting, management used the criteria established by the Committee of Sponsoring Organizations of the Treadway Commissions (COSO) in *Internal Control — Integrated Framework*. Based on the results of this evaluation, management has determined that, as of December 31, 2008, our internal control over financial reporting was not effective based on the criteria in *Internal Control — Integrated Framework* issued by COSO, due to the material weakness in the Company's internal control over financial reporting described below.

A material weakness in internal control over financial reporting is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis by the Company's internal controls.

Management's assessment identified a material weakness in the Company's internal control over financial reporting. As of December 31, 2008, the Company did not maintain effective controls over the determination and reporting of the provision for income taxes. Specifically, management did not perform a sufficiently precise review to ensure the completeness and accuracy of the Company's calculation of its income tax provision and deferred income tax assets and liabilities. This deficiency resulted in errors in the annual tax provision and deferred income tax assets and liabilities for the fiscal year ended December 31, 2008 (which resulted in audit adjustments to our consolidated financial statements). Additionally, this control deficiency could result in misstatements of the aforementioned accounts and disclosures that would result in a material misstatement of the consolidated financial statements that would not be prevented or detected. Accordingly, we have concluded that this deficiency in our internal control over financial reporting constitutes a material weakness. These audit adjustments were recorded prior to the release of our fiscal 2008 earnings announcement on March 12, 2008, filed on a Current Report on Form 8-K, and did not impact previously filed financial statements.

Our independent registered public accounting firm that has audited our financial statements has also audited the effectiveness of our internal control over financial reporting as of December 31, 2008, as stated in their report included herein.

Remediation Plans

The remediation efforts, as outlined below, are designed to address the material weakness identified by management and to strengthen the Company's internal control over financial reporting.

In the first quarter of 2009, the Company is taking the following steps to address this material weakness and to improve its internal controls over financial reporting:

- improving procedures for the calculation and reconciliation process of our deferred income tax assets and liabilities, including validation of underlying supporting data;
- engagement of external tax experts, as needed, to support the Company's financial closing and reporting process; and
- enhancing quarterly management review of the calculation of the deferred income tax assets and liabilities and underlying supporting data.

We anticipate that these remediation actions will represent ongoing improvement measures. While we have taken steps to begin remediation of the material weakness, additional measures may be required. We will assess the effectiveness of our remediation efforts in connection with our management's tests of internal control over financial reporting in conjunction with our next year-end financial statements.

Changes in Internal Control Over Financial Reporting

There were no changes in internal control over financial reporting during the quarter ended December 31, 2008 that have materially affected or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

None.

PART III.

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by Item 10 of Form 10-K is hereby incorporated by reference from the information appearing in the Company's definitive Proxy Statement relating to its 2009 annual meeting of stockholders, which will be filed pursuant to Regulation 14A within 120 days after the Company's fiscal year ended December 31, 2008.

Code of Ethics

We have adopted a code of business conduct and ethics applicable to our directors, officers (including our principal executive officer, principal compliance officer, principal financial officer, and controller, or persons performing similar functions) and employees. In addition, we and our Manager have adopted a joint code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to such code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. Copies of our code of business conduct and ethics and joint code of ethics will be provided to any person, without charge, upon request. Contact Stephen K. Gardner at 713-752-0062 to request a copy or send the request to NGP Capital Resources Company, Attn: Stephen K. Gardner, 1221 McKinney St., Suite 2975, Houston, Texas 77010. Additionally, our code of business conduct and ethics is available on our corporate website, www.ngpcrc.com, in the corporate governance section. If any substantive amendments are made to our code of business conduct and ethics or if we grant any waiver, including any implicit waiver, from a provision of the code to any of our executive officers and directors, we will disclose the nature of such amendment or waiver in a report on Form 8-K.

Item 11. Executive Compensation.

The information required by Item 11 of Form 10-K is hereby incorporated by reference from the information appearing in the Company's definitive Proxy Statement relating to its 2009 annual meeting of stockholders, which will be filed pursuant to Regulation 14A within 120 days after the Company's fiscal year ended December 31, 2008.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by Item 12 of Form 10-K is hereby incorporated by reference from the information appearing in the Company's definitive Proxy Statement relating to its 2009 annual meeting of stockholders, which will be filed pursuant to Regulation 14A within 120 days after the Company's fiscal year ended December 31, 2008.

Item 13. Certain Relationships and Related Transactions.

The information, if any, required by Item 13 of Form 10-K is hereby incorporated by reference from the information, if any, appearing in the Company's definitive Proxy Statement relating to its 2009 annual meeting of stockholders, which will be filed pursuant to Regulation 14A within 120 days after the Company's fiscal year ended December 31, 2008.

Item 14. Principal Accountant Fees and Services.

The information required by Item 14 of Form 10-K is hereby incorporated by reference from the information appearing in the Company's definitive Proxy Statement relating to its 2009 annual meeting of stockholders, which will be filed pursuant to Regulation 14A within 120 days after the Company's fiscal year ended December 31, 2008.

PART IV.

Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as a part of this report:

Financial Statements

See Index to Financial Statements on page 47 of this report.

Financial Statement Schedules

Financial statement schedules are omitted because of the absence of conditions under which they are required or because the required information is included in the financial statements and notes thereto.

Exhibits No.	Exhibit
3.1	Articles of Incorporation of NGP Capital Resources Company dated as 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)
4.1	Form of Stock Certificate (filed as Exhibit (d) to the Company's Pre-Effective Amendment No. 2 to Registration Statement on Form N-2 filed on October 7, 2004 (Registration No. 333-118279) and incorporated herein by reference)
4.2	Dividend Reinvestment Plan (filed as Exhibit (e) to the Company's Registration Statement on Form N-2 filed on August 16, 2004 (Registration No. 333-118279) and incorporated herein by reference)
10.1	Investment Advisory Agreement between the Company and NGP Investment Advisor, LP (filed as Exhibit (g) to the Company's Pre-Effective Amendment No. 1 to Registration Statement on Form N-2 filed on September 24, 2004 (Registration No. 333-118279) and incorporated herein by reference)
10.2	Administration Agreement between the 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 between the Company and 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	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)
10.5	Amended and Restated Revolving Credit Agreement, dated as of August 31, 2006, between the Company, the lenders from time to time party thereto and SunTrust Bank, as administrative agent for the lenders (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 and incorporated herein by reference)
10.6	Treasury Secured Revolving Credit Agreement, dated as of August 31, 2006, between the Company, the lenders from time to time party thereto and SunTrust Bank as administrative agent for the lenders (filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 and incorporated herein by reference)
10.7	Custody Agreement between Registrant and Wells Fargo Bank, N.A. (filed as Exhibit (j)(1) to the Company's Pre-Effective Amendment No. 1 to Registration Statement on Form N-2 filed September 24, 2004 (Registration No. 333-118279) and incorporated herein by reference)
10.8	Amendment No. 1 to Custody Agreement between Registrant and Wells Fargo Bank, N.A. (filed as Exhibit (j)(2) to the Company's Pre-Effective Amendment No. 1 to Registration Statement on Form N-2 filed September 24, 2004 (Registration No. 333-118279) and as Exhibit 10.8 to the Company's Annual Report on form 10-K on March 13, 2008 and incorporated herein by reference)
10.9	Amendment No. 2 to Custody Agreement between Registrant and Wells Fargo Bank, N.A. (filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K on March 13, 2008 and incorporated herein by reference)

Exhibits No.	Exhibit
10.10	First Amendment to Amended and Restated Revolving Credit Agreement effective as of August 31, 2006, between the 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 on November 9, 2007 and incorporated herein by reference)
10.11	First Amendment to Treasury Secured Revolving Credit Agreement effective as of August 31, 2006, between the 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 on November 9, 2007 and incorporated herein by reference)
10.12	Second Amendment to Treasury Secured Revolving Credit Agreement effective as of September 28, 2007, between the 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)
10.13	Second Amendment to Amended and Restated Revolving Credit Agreement effective as of March 13, 2008, between the Company, the lenders from time to time party thereto and SunTrust Bank (filed as Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q on May 8, 2008 and incorporated herein by reference)
10.14	Third Amendment to Treasury Secured Revolving Credit Agreement effective as of March 13, 2008, between the Company, the lenders from time to time party thereto and SunTrust Bank (filed as Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q on May 8, 2008 and incorporated herein by reference)
10.15	Third Amendment to Amended and Restated Revolving Credit Agreement effective as of September 29, 2008, between the Company, the lenders from time to time party thereto and SunTrust Bank (filed as Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q on November 10, 2008 and incorporated herein by reference)
10.16	Fourth Amendment to Treasury Secured Revolving Credit Agreement effective as of September 29, 2008, between the Company, the lenders from time to time party thereto and SunTrust (filed as Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q on November 10, 2008 and incorporated herein by reference)
14.1	Code of Business Conduct and Ethics for members of the Board of Directors, Officers and Employees (filed as Exhibit 14.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated herein by reference)
14.2	Amended and Restated Joint Code of Ethics by and between the Company and NGP Investment Advisor, LP, adopted July 31, 2008 (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q on August 6, 2008 and incorporated herein by reference)
21.1*	Subsidiaries
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

* Filed herewith.

SIGNATURES

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

NGP CAPITAL RESOURCES COMPANY

By: /s/ John H. Homier

John H. Homier
President and Chief Executive Officer

Date: March 16, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated. This document may be executed by the signatories hereto on any number of counterparts, all of which constitute one and the same instrument.

Signature	Title
/s/ John H. Homier John H. Homier	President and Chief Executive Officer (Principal Executive Officer)
/s/ Stephen K. Gardner Stephen K. Gardner	Chief Financial Officer, Secretary and Treasurer (Principal Financial and Accounting Officer)
/s/ Kenneth A. Hersh Kenneth A. Hersh	Director and Chairman of the Board
/s/ David R. Albin David R. Albin	Director
/s/ Edward W. Blessing Edward W. Blessing	Director
/s/ Lon C. Kile Lon C. Kile	Director
/s/ James R. Latimer, III James R. Latimer, III	Director

Exhibits No.	Exhibit
3.1	Articles of Incorporation (filed as Exhibit (a)(1) to the Company's Registration Statement on Form N-2 filed on August 16, 2004 (Registration No. 333-118279) and incorporated herein by reference)
3.2	Articles of Amendment and Restatement (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 (filed as Exhibit (b) to the Company's Registration Statement on Form N-2 filed on August 16, 2004 (Registration No. 333-118279) and incorporated herein by reference)
4.1	Form of Stock Certificate (filed as Exhibit (d) to the Company's Pre-Effective Amendment No. 2 to Registration Statement on Form N-2 filed on October 7, 2004 (Registration No. 333-118279) and incorporated herein by reference)
4.2	Dividend Reinvestment Plan (filed as Exhibit (e) to the Company's Registration Statement on Form N-2 filed on August 16, 2004 (Registration No. 333-118279) and incorporated herein by reference)
10.1	Investment Advisory Agreement between the Company and NGP Investment Advisor, LP (filed as Exhibit (g) to the Company's Pre-Effective Amendment No. 1 to Registration Statement on Form N-2 filed on September 24, 2004 (Registration No. 333-118279) and incorporated herein by reference)
10.2	Administration Agreement between the 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 between the Company and Natural Gas Partners, LLC (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	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)
10.5	Amended and Restated Revolving Credit Agreement, dated as of August 31, 2006, between the Company, the lenders from time to time party thereto and SunTrust Bank, as administrative agent for the lenders (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 and incorporated herein by reference)
10.6	Treasury Secured Revolving Credit Agreement, dated as of August 31, 2006, between the Company, the lenders from time to time party thereto and SunTrust Bank as administrative agent for the lenders (filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 and incorporated herein by reference)
10.7	Custody Agreement between Registrant and Wells Fargo Bank, N.A. (filed as Exhibit (j)(1) to the Company's Pre-Effective Amendment No. 1 to Registration Statement on Form N-2 filed September 24, 2004 (Registration No. 333-118279) and incorporated herein by reference)
10.8	Amendment No. 1 to Custody Agreement between Registrant and Wells Fargo Bank, N.A. (filed as Exhibit (j)(2) to the Company's Pre-Effective Amendment No. 1 to Registration Statement on Form N-2 filed September 24, 2004 (Registration No. 333-118279) and as Exhibit 10.8 to the Company's Annual Report on form 10-K on March 13, 2008 and incorporated herein by reference)
10.9	Amendment No. 2 to Custody Agreement between Registrant and Wells Fargo Bank, N.A. (filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K on March 13, 2008 and incorporated herein by reference)
10.10	First Amendment to Amended and Restated Revolving Credit Agreement effective as of August 31, 2006, between the 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 on November 9, 2007 and incorporated herein by reference)

Exhibits No.	Exhibit
10.11	First Amendment to Treasury Secured Revolving Credit Agreement effective as of August 31, 2006, between the 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 on November 9, 2007 and incorporated herein by reference)
10.12	Second Amendment to Treasury Secured Revolving Credit Agreement effective as of September 28, 2007, between the 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)
10.13	Second Amendment to Amended and Restated Revolving Credit Agreement effective as of March 13, 2008, between the Company, the lenders from time to time party thereto and SunTrust Bank (filed as Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q on May 8, 2008 and incorporated herein by reference)
10.14	Third Amendment to Treasury Secured Revolving Credit Agreement effective as of March 13, 2008, between the Company, the lenders from time to time party thereto and SunTrust Bank (filed as Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q on May 8, 2008 and incorporated herein by reference)
10.15	Third Amendment to Amended and Restated Revolving Credit Agreement effective as of September 29, 2008, between the Company, the lenders from time to time party thereto and SunTrust Bank (filed as Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q on November 10, 2008 and incorporated herein by reference)
10.16	Fourth Amendment to Treasury Secured Revolving Credit Agreement effective as of September 29, 2008, between the Company, the lenders from time to time party thereto and SunTrust (filed as Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q on November 10, 2008 and incorporated herein by reference)
14.1	Code of Business Conduct and Ethics for members of the Board of Directors, Officers and Employees (filed as Exhibit 14.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated herein by reference)
14.2	Amended and Restated Joint Code of Ethics by and between the Company and NGP Investment Advisor, LP, adopted July 31, 2008 (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q on August 6, 2008 and incorporated herein by reference)
21.1*	Subsidiaries
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

* Filed herewith.

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