NGPC

NGP Capital Resources Company

Annual Report

For The Year Ended December 31, 2013

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2013

OR

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

For the transition period from to

Commission file number 814-00672

NGP CAPITAL RESOURCES COMPANY

(Exact name of registrant as specified in its charter)

Maryland	**20-1371499**
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification Number)
909 Fannin Street, Suite 3800 Houston, Texas	**77010**
(Address of principal executive offices)	(Zip Code)

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

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

Common Stock, Par Value $.001 per share	**NASDAQ Global Select Market**
(Title of each class)	(Name of each exchange on which registered)

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

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

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

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

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

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

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

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

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

As of June 28, 2013, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $119,168,136 based on the closing sale price of the registrant's common stock on the NASDAQ Global Select Market on that date.

As of March 6, 2014, there were 20,499,188 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its 2014 Annual Meeting of Stockholders are incorporated by reference into Part III, Items 10 through 14 herein.

Certain exhibits previously filed with the Securities and Exchange Commission are incorporated by reference into Part IV of this report.

NGP CAPITAL RESOURCES COMPANY

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PART I.

Item 1. Business.

Introduction

NGP Capital Resources Company

We are a financial services company created to invest primarily in small and mid-size private energy companies. In 2012, we expanded our investment strategy to also include middle market companies not engaged in the energy industry. 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 a BDC, under the Investment Company Act of 1940, or the 1940 Act. In addition, for federal income tax purposes, we operate so as to be treated as a regulated investment company, or a RIC, under the Internal Revenue Code of 1986, as amended, or the Code. We were founded as a Maryland corporation in July 2004 and completed our initial public offering on November 10, 2004.

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, or E&P companies. We also evaluate investment opportunities in such businesses as coal, power and energy services. In 2012, we expanded the focus of our investment strategy to middle market investments within diversified industry sectors, including manufacturing, value-added distribution, business services, healthcare products and services, consumer services and select other sectors. 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-based equity participation right component, and subordinated loans, sometimes with equity components. We also occasionally invest in preferred stock and other equity securities on a stand-alone basis.

In September 2013, our Board of Directors engaged financial advisor Keefe, Bruyette & Woods, a Stifel company, or KBW, to evaluate strategic alternatives to enhance stockholder value. The Board of Directors, with the assistance of KBW, will consider a range of options, which may include a sale or merger of our company, the acquisition of existing investment portfolios, or a combination, joint venture or other strategic alliance with another company. No decision has been made to enter into a transaction at this time, and there can be no assurance that we will enter into a transaction in the future.

Our Manager

Our external manager, NGP Investment Advisor, LP, or our Manager, conducts our operations pursuant to an Investment Advisory Agreement between us and our Manager. NGP Energy Capital Management, L.L.C., or NGP, and NGP Administration, LLC, or our Administrator, own our Manager. Founded in 1988, NGP is a premier investment franchise in the natural resources industry which, together with its affiliates, has managed $13 billion in cumulative committed capital since inception. Kenneth A. Hersh and David R. Albin, who serve on our Board of Directors, have directed the investment of the NGP Funds since the inception of the initial fund in 1988.

Our executive officers are Stephen K. Gardner, President and Chief Executive Officer and L. Scott Biar, Chief Financial Officer, Secretary, Treasurer and Chief Compliance Officer. Together, they direct our Manager's day-to-day operations. Prior to joining NGP Capital Resources Company in 2005, Mr. Gardner had over 18 years of experience in financial and transactional management in the oil and gas industry and has served as chief financial officer of both public and private energy companies. Prior to joining the Company in 2011, Mr. Biar had over 13 years of experience in senior financial management in both public and private companies, and 7 years of public accounting experience at an international accounting firm.

Our Manager's investment committee reviews and approves investment decisions by majority determination. Our Manager's investment committee consists of Mr. Gardner; Mr. Hersh, our Board Chairman; and Richard L. Covington and William J. Quinn, each of whom is a senior NGP investment professional. Our Manager's team of eight investment professionals supports the investment committee.

Corporate Information

Our principal executive office is located at 909 Fannin Street, Suite 3800, Houston, Texas 77010 and our telephone number is (713) 752-0062. We believe our office facilities are suitable and adequate for our operations as currently conducted and contemplated.

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 we electronically file or furnish such material to the Securities and Exchange Commission, or the SEC. This document includes our website address as an inactive textual reference only, and we do not incorporate the information contained on our website into this Form 10-K.

Our Investment Focus

We focus our investments primarily in the energy industry in companies that have an existing asset base or that will acquire assets that we expect 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 sector. In addition, we selectively seek investment opportunities in certain segments of the midstream and downstream sectors.

In addition, beginning in early 2012, we also seek opportunities to provide customized financing to middle market companies located in the United States, within diversified industry sectors, including manufacturing, value-added distribution, business services, healthcare products and services, consumer services and select other sectors.

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 certain investments, we may receive a property-based equity participation right. 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, 2013, we have invested $1.1 billion in 47 portfolio companies and received principal repayments, realizations and settlements of $883.4 million. Most of our current portfolio companies are E&P companies 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 a highwall coal mining company in West Virginia and an alternative fuels and specialty chemicals company based in Quincy, Massachusetts. During 2013, we added three middle market portfolio companies engaged in the home health services industry and in the manufacturing and distribution of coated paper products and medical supplies.

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, we do not expect each prospective investment to meet all of these criteria.

- *Strong Management.* We recognize the importance of strong, committed management teams to the success of an investment. We seek investments 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 on investments that rely solely on rising energy commodity prices, exploratory drilling success, government subsidies 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 enhanced recovery techniques or development drilling of upstream assets or optimizing the performance of underutilized midstream or downstream assets like pipelines, processing plants or power plants.
- *Collateral Security.* The same types of assets secure most of our targeted investments 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 events might include poor reserve development coupled with falling commodity prices or higher than expected costs. We seek to make 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. However, in some instances, the collateral coverage may not exceed the value of the underlying asset. 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 and the middle 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
- assist our portfolio companies in implementing 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 economic cycles.

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 we expect an investment 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 or dividend income, royalties or other similar income and potential equity appreciation) appropriately compensates us for our risk. The 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 a first lien on cash flow producing assets typically secures the senior tranche. The subordinated loan tranche typically includes a current cash yield component coupled with a property-based equity participation right. In some cases, we may obtain a warrant or option in the portfolio company in addition to, or in lieu of, a property-based equity participation right. Generally, a second lien on the portfolio company's assets secures the subordinated tranche. Additionally, these loans may have indirect asset coverage through a series of covenants that prohibit additional liens on the portfolio 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, the portfolio company repays the loan before maturity. Additionally, in a number of these loans, there may be amortization of principal during the entire life of the loan.

  We would typically make this type of loan to 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, 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, collateralize these loans. 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.

We would typically make this type of loan to 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, we could make such a loan 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, the portfolio company repays the loan before maturity. Additionally, we may allow the deferral of amortization of principal to the later years of these loans or we may structure the loans 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.

  We would likely make these types of investments in companies with 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, we could make such an investment 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, the portfolio company repays the loan before maturity. Additionally, we would generally defer amortization of principal to the later years of these investments or we may structure the investments 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. In 2012, our investment team added senior personnel with significant experience and relationships with middle market companies outside the energy industry. Our Manager understands the risks associated with investing in these industries and has expertise in assessing and evaluating such risks. 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 participate in transactions originated by other firms 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 pursuing investments that seek to balance the needs of energy and middle market company entrepreneurs with appropriate risk control.

- *Efficient Tax Structure*

We operate our business so as to qualify as a RIC 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, which we refer to as UBTI, unlike investors in public master limited partnerships.

Ongoing Relationships with Portfolio Companies

Once we have provided a financial commitment or investment in a portfolio company, we typically perform the following functions:

- *Monitoring*

Our Manager monitors the development and financial trends of each portfolio company to determine progress relative to meeting the company's development and business plans and to assess the strength and status of our investment and, if appropriate, institute necessary corrective actions. To accomplish this, we employ the following processes:

Meetings. We meet with management regularly during each year.

Periodic Review and Analysis of Financial and Reserve Information. We require monthly or quarterly financial and operating statements. Additionally, we require semi-annual reserve reports for E&P companies in our portfolio. We review and analyze this information as follows:

- review monthly operations reports for compliance with approved budgets and asset development plans;
- review quarterly financial performance for compliance with plans and covenants; and
- for E&P companies in our portfolio, twice a year, upon receipt of reserve information, analyze our reserve information and compare it to the approved asset development plan to assess the strength and status of our investment.

Periodic Review by Specialists. Periodic reviews of the portfolio company and its assets by engineers, geologists, accountants, lawyers, investment bankers or other specialists are necessary from time to time.

Comparisons with Other Benchmark Companies. We periodically compare the performance of the portfolio company to performance of similarly-sized companies with comparable assets and businesses to assess performance relative to peers.

As part of the monitoring process, our Manager regularly assesses the risk profile of each of our investments. Our risk evaluation system assigns a numeric rating to each of our investments. The scale runs from 1 to 7, with 1 being the highest or best rating. We initially rate most of our investments as a 3 or 4. At that level, we believe that risk and return are properly proportioned and that there is essentially no significant risk of loss of capital for the investment. Any investment rated 5 or greater is on our ''watch'' list. These investments are performing below our initial expectations. A rating of 5 implies a higher level of watchfulness, but does not imply a probable risk of loss of capital. A rating of 6 or 7 means that the circumstances are such that we perceive that there exists risk of loss of some portion of the capital in that particular investment. Investments rated 1 or 2 have matured to the point that they are performing well and overall coverages are strengthening.

- *Managerial Assistance*

As a BDC, we make available, and must provide upon request, significant managerial assistance to certain of our portfolio companies. This assistance may involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial consultation. Our officers (and to the extent permitted under the 1940 Act, our Manager) will provide such managerial assistance on our behalf to portfolio companies that request this assistance, recognizing that our involvement with each investment will vary based on factors including the size of the company, the nature of our investment, the company's overall stage of development and our relative position in the capital structure. We expect to be a resource for advice in the following areas: developing strategic plans, designing capital structures, managing finite resources and identifying acquisitions.

Valuation Process

On a quarterly basis, the investment team of our Manager prepares fair value estimates for all of the assets in our portfolio utilizing the income approach and market approach in accordance with ASC 820 and presents them to our Valuation Committee. The Valuation Committee recommends its fair value estimates to our Board of Directors, which in good faith determines the final estimates of fair value for each investment. We record investments in securities for which market quotations are readily available at such market quotations in our financial statements as of the valuation date. For investments in securities for which market quotations are unavailable, or which have various degrees of trading restrictions, the investment team of our Manager prepares valuation analyses as generally described below.

- *Investment Team Valuation.* The investment professionals of our Manager prepare fair value estimates for each investment.
- *Investment Team Valuation Documentation.* The investment team documents and discusses its preliminary fair value estimates with senior management of our Manager.
- *Presentation to Valuation Committee.* Senior management presents the valuation analyses and fair value estimates to the Valuation Committee of our Board of Directors.
- *Third Party Valuation Activity.* The Valuation Committee and our Board of Directors, in their discretion, may retain an independent valuation firm to review any or all of the valuation analyses and fair value estimates provided by the investment team of our Manager. The Valuation Committee retained an independent valuation firm in connection with the fair value estimates of our middle market non-energy investments as of September 30, 2013 and December 31, 2013, which collectively represented 21% of the total fair value of our portfolio investments at each such date.
- *Board of Directors and Valuation Committee.* The Board of Directors and Valuation Committee review and discuss the valuation analyses and fair value estimates 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 fair value estimates 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.

ASC 820 defines fair value as the price that a seller would receive for an asset or pay to transfer a liability in an orderly transaction between independent, knowledgeable and willing market participants at the measurement date. The fair value definition focuses on exit price in the principal, or most advantageous, market and prioritizes the use of observable market inputs over unobservable entity-specific inputs.

Competition

Historically, our primary competitors in this market have consisted of public and private investment funds, commercial and investment banks, and commercial finance companies. Although these competitors regularly provide finance products to energy companies similar to most of our targeted investments, a number of them focus on different aspects of this market. We also face 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 have. 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 BDC; 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.

Employees

We do not have any employees. Stephen K. Gardner, our President and Chief Executive Officer, and L. Scott Biar, our Chief Financial Officer, Secretary, Treasurer and Chief Compliance Officer, comprise our senior management. Each of our officers also serves as an officer of our Manager and our Administrator. Our Manager and our Administrator conduct our day-to-day investment operations, and currently have a staff of 15 individuals, including 8 investment professionals.

Regulation

Business Development Company

We have elected to be regulated as a BDC under the 1940 Act. By electing to be treated as a BDC, we are subject to various provisions of the 1940 Act. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their affiliates (including any investment advisers or sub-advisers), principal underwriters and certain affiliates of those affiliates or underwriters and requires that a majority of the directors be persons other than ''interested persons,'' as defined in the 1940 Act. In addition, we may not change the nature of our business so as to cease to be, or withdraw our election to be regulated as, a BDC without first obtaining the approval of a majority of our outstanding voting securities. Under the 1940 Act, the vote of holders of a ''majority'' means the vote of the holders of the lesser of: (i) 67% or more of the outstanding shares of the company's common stock present at a meeting or represented by proxy if holders of more than 50% of the shares of the company's common stock are present or represented by proxy or (ii) more than 50% of the company's outstanding shares of common stock.

The Investment Adviser's Act of 1940, or the Advisers Act, generally permits the payment of compensation based on capital gains in an investment advisory contract between an investment adviser and a BDC. We have elected to be regulated as a BDC 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.

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, or the Securities Act. We do not intend to 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. None of these policies is fundamental, and all may be changed without stockholder approval.

Qualifying Assets

A BDC must be organized and have its principal place of business in the United States and operate for the purpose of investing in the types of securities described in 1, 2 and 3 below. A BDC may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of our total assets. The principal categories of qualifying assets relevant to our business are the following:

1. Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions):

    a. is an eligible portfolio company, or from any person who is, or has been during the preceding thirteen months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. The 1940 Act defines an eligible portfolio company as any issuer that:

        i. is organized under the laws of, and has its principal place of business in, the United States

        ii. is not an investment company (other than a small business investment company, or SBIC, wholly owned by the BDC) or a company that would be an investment company but for certain exclusions under the 1940 Act; and

        iii. does not have any class of securities listed on a national securities exchange;

    b. is a company that meets the requirements of (a)(i) and (ii) above, but is not an eligible portfolio company because it has issued a class of securities on a national securities exchange, if:

        i. at the time of the purchase, we own at least 50% of (A) the greatest number of equity securities of such issuer and securities convertible into or exchangeable for such securities; and (B) the greatest amount of debt securities of such issuer, held by us at any point in time during the period when such issuer was an eligible portfolio company; and;

        ii. we are one of the 20 largest holders of such issuer's outstanding voting securities; or;

    c. is a company that meets the requirements of (a)(i) and (ii) above, but is not an eligible portfolio company because it has issued a class of securities on a national securities exchange, if the aggregate market value of such company's outstanding voting and non-voting common equity is less than $250 million.

2. Securities of any eligible portfolio company that we control.

3. Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from a person who is, or has been during the preceding thirteen months, an affiliated person of such issuer, or from any person in transactions incident thereto, if immediately prior to the purchase of its securities such issuer is in bankruptcy and subject to reorganization under the supervision of a court of competent jurisdiction, or subject to a plan or arrangement resulting from such bankruptcy proceedings or reorganization, or if the issuer, immediately prior to the purchase of its securities was not in bankruptcy proceedings but was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.

4. Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.

5. Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of options, warrants or rights relating to such securities.

6. Cash, cash equivalents, U.S. government securities or high-quality debt maturing in one year or less from the time of investment.

Control investments include both majority-owned control investments (50% or more owned) and non-majority owned control investments (more than 25% but less than 50% owned). Non-control investments include both affiliate investments (5% to 25% owned) and non-affiliate investments (less than 5% owned).

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 or (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. 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.

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, so that 70% of our assets are qualifying assets. 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 we may invest 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 any repurchase agreement transactions.

Co-Investments

The 1940 Act contains certain prohibitions relating to co-investments by NGP affiliates and us. Although NGP-affiliated funds may make investments in securities like our targeted investments, these funds seek rates of return substantially in excess of those we seek and focus primarily on investments in common equity or other junior securities in the capital structure in order to achieve their targeted rates of return. We may have an opportunity to invest in a company in which an NGP private equity fund is also making an investment, although we do not currently anticipate encountering any significant number of these situations. An example could be a situation in which an energy company was seeking both debt capital, similar to our targeted investments, and equity capital, similar to that typically provided by the NGP-affiliated funds. Another example could be a situation in which an NGP-affiliated fund was seeking co-investors for an equity investment that is outside of our targeted investments, but which would be attractive to us.

Generally, we may participate in a co-investment with NGP and its affiliates only in accordance with the rules and regulations prescribed by the SEC for the purpose of preventing participation by a BDC in such a transaction on a basis less advantageous than that of the other parties to the transaction. If we wish to make a co-investment with NGP or one of its affiliates and there is no regulatory authority to permit such a co-investment without the approval of the SEC, we may seek an order from the SEC permitting the specific investment. We have received exemptive relief from the SEC permitting co-investment with NGP and its affiliates in securities that have substantially the same characteristics. Any other type of co-investment arrangement would require a specific exemptive order. Although the SEC has granted similar relief to other BDCs on a transaction by transaction basis in the past, we cannot be certain that our application for such relief on a single transaction will be granted or what conditions may be imposed by the SEC. Moreover, the length of time to obtain such an order may make it impracticable. If the requested order were not sought or not obtained, then in a situation in which an energy company was seeking both debt and equity capital, such company would make the determination as to whether it would proceed with obtaining capital from us in a targeted investment or alternatively from an NGP-affiliated fund in an equity investment.

Senior Securities

The 1940 Act permits us, 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

As a BDC, we have elected to be treated as a RIC under Subchapter M of Chapter 1 of the Code. As a RIC, we generally will not have to pay corporate-level federal income taxes 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 we distribute, or deem to distribute, such investment company taxable income or gains 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 we do not include such gains or losses in taxable income until realized. In addition, gains realized for financial reporting purposes may differ from gains included in taxable income because of our election to recognize gains using installment sale treatment, which results in the deferral of gains for tax purposes until we collect cash from notes received as consideration from the sale of investments. Dividends we declare and pay in a particular 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 may also be subject to federal excise tax if we do not distribute an amount at least equal to the sum of (1) 98% of our ordinary income for the calendar year, (2) 98.2% of our capital gain net income, computed for the one year period ended October 31 of that calendar year, and (3) 100% of any ordinary income or capital gain net income not distributed in prior years. Dividends to stockholders are recorded on the ex-dividend date. We currently intend to make sufficient distributions each year to maintain our status as a RIC for federal income tax purposes and to avoid excise taxes. If we do not meet this requirement, 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 RIC, we must, in general, (1) continue to qualify as a BDC; (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

Our Manager manages our investments and business pursuant to an Investment Advisory Agreement. Subject to the overall supervision of our Board of Directors, our 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, our Manager provides any and all management and 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 estimated 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.

Our Manager's services under the Investment Advisory Agreement are not required to be exclusive, and our Manager 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 others do not impair its services to us. Under the Investment Advisory Agreement and to the extent permitted by the 1940 Act, our Manager also provides 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 our Manager a fee for management services consisting of two components — a base management fee and an incentive fee.

Base Management Fee: We calculate the base management fee as 0.45% of the average value of our total assets as of the end of the two previous quarters. We record and pay this base management fee quarterly in arrears.

Incentive Fee: The incentive fee under the Investment Advisory Agreement consists of two parts.

We calculate the first part of the incentive fee, the Investment Income Incentive Fee, as 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. We calculate and pay this Investment Income Incentive Fee quarterly in arrears. For the purpose of the calculation of the Investment Income Incentive Fee, net investment income means interest income, dividend income, royalty 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 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, any 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. For the years ended December 31, 2013, 2012 and 2011, we incurred Investment Income Incentive Fees totaling $0.4 million, $0 and $0.3 million, respectively.

We calculate the second part of the incentive fee, the Capital Gains Fee, as (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 our Manager in prior fiscal years. We determine and pay the Capital Gains Fee in arrears as of the end of each fiscal year (or upon termination of the Investment Advisory Agreement, as of the termination date). For accounting purposes only, in order to reflect the theoretical Capital Gains Fee that would be payable for a given period as if all unrealized capital gains were realized, we will accrue a Capital Gains Fee as described above (in accordance with the terms of the Investment Advisory Agreement), plus 20% of unrealized capital gains on investments held at the end of such period. It should be noted that the portion of the accruals for the Capital Gains Fees attributable to unrealized capital gains will not necessarily be payable under the Investment Advisory Agreement, and may never be paid based on the computation of Capital Gains Fees in subsequent periods. We have not incurred or paid any Capital Gains Fees since 2007, and we do not anticipate paying any Capital Gains Fees in the foreseeable future.

Our 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. To date, our Manager has acquired 6,500 shares of our common stock pursuant to this agreement at a cost of $0.1 million. 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.

Our Board of Directors originally approved the Investment Advisory Agreement on November 9, 2004. The Board of Directors, or the affirmative vote of the holders of a majority of our outstanding voting securities, must approve the continuation of the Investment Advisory Agreement at least annually. Additionally, in either case, the approval must include a majority of the directors who are not interested persons. On October 30, 2013, our Board of Directors, including all of the independent directors, approved an extension of the Investment Advisory Agreement through November 9, 2014.

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 our Manager, and would automatically terminate in the event of its "assignment" (as defined in the 1940 Act). Either party may terminate the agreement 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, our Manager and its officers, managers, 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 our Manager's services or obligations under the Investment Advisory Agreement or otherwise as our Manager. The agreement also provides that our Manager and its affiliates (including our Administrator) will not be liable to us or any stockholder for any error of judgment, mistake of law, any loss or damage with respect to any of our investments, or any action taken or omitted to be taken by our Manager in connection with the performance of any of its duties or obligations under the Investment Advisory Agreement or otherwise as an investment adviser to us, 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.

Pursuant to the Investment Advisory Agreement, our Manager pays 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. We will bear all other costs and expenses of our operations and transactions.

Our Manager, NGP Investment Advisor, LP, was formed in 2004 and maintains an office at 909 Fannin, Suite 3800, Houston, Texas 77010. Our Manager's sole activity is to perform management and investment advisory services for us. Our Manager is a registered investment adviser under the Advisers Act.

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, our 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, our Administrator assists in determining and publishing our net asset value, oversees the preparation and filing of our tax returns, 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, our Administrator may also provide, on our behalf, significant managerial assistance to our portfolio companies. We base payments under the Administration Agreement upon the allocable portion of our Administrator's costs and expenses incurred 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 our 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).

Our Board of Directors originally approved the Administration Agreement on November 9, 2004. Our Board of Directors and a majority of our independent directors must approve the continuation of the Administration Agreement at least annually. On October 30, 2013, the Board of Directors, including all of the independent directors, approved an extension of the Administration Agreement through November 9, 2014.

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, our Manager and its officers, managers, 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 our Administrator's services under the Administration Agreement or otherwise as our Administrator. The agreement also provides that our Administrator and its affiliates (including our Manager) will not be liable to us or any stockholder for any error of judgment, mistake of law, any loss or damage with respect to any of our investments, or any action taken or omitted to be taken by our Administrator in connection with the performance of any of its duties or obligations 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 or recessions 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.

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 will generally affect our portfolio companies. These factors could adversely impact the results of operations of our portfolio companies.

The U.S. and foreign financial markets have been experiencing a high level of volatility, disruption and distress in recent years, which has been exacerbated by the failure of several major financial institutions in late 2008, continuing uncertainty about the global economy and ongoing concerns surrounding the sovereign debt crisis, particularly in the euro-zone. Despite actions of the U.S. federal government and foreign governments, these events contributed to worsening general economic conditions that materially and adversely impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular. While these conditions have improved, volatility and relative instability could continue for a prolonged period of time or worsen in the future both in the United States and globally.

Our portfolio companies may be susceptible to economic downturns or recessions and may be unable to repay our loans during these periods. Therefore, our non-performing assets may increase and the value of our portfolio may 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 or recessions 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 and the value of any equity securities we own. 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.

Capital markets have been in a period of disruption and instability in recent years. These market conditions have materially and adversely affected debt and equity capital markets in the United States, which has had, and may in the future have, a negative impact on our business and operations.

Beginning in 2007, the U.S. capital markets entered into a period of disruption as evidenced by a lack of liquidity in the debt capital markets, significant write-offs in the financial services sector, the re-pricing of credit risk in the broadly syndicated credit market and the failure of major financial institutions. Despite actions of the U.S. federal government, these events contributed to worsening general economic conditions that materially and adversely impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular. While these conditions have improved, there can be no assurance that they will not worsen in the future. If these adverse market conditions return, we and other companies in the financial services sector may have to access, if available, alternative markets for debt and equity capital in order to grow. Equity capital may be difficult to raise because, subject to some limited exceptions, as a BDC, we are generally not able to issue additional shares of our common stock at a price less than net asset value without first obtaining approval for such issuance from our stockholders and our independent directors. In addition, our ability to incur indebtedness (including by issuing preferred stock) is limited by applicable regulations such that our asset coverage, as defined in the Investment Company Act, must equal at least 200% immediately after each time we incur indebtedness. The debt capital that will be available, if at all, may be at a higher cost and on less favorable terms and conditions in the future. Any inability to raise capital could have a negative effect on our business, financial condition and results of operations. Moreover, market conditions may make it difficult to extend the maturity of or refinance our existing indebtedness and any failure to do so could have a material adverse effect on our business. The illiquidity of our investments may make it difficult for us to sell such investments if required. As a result, we may realize significantly less than the value at which we have recorded our investments. Capital market volatility also affects our investment valuations. While most of our investments are not publicly traded, applicable accounting standards require us to assume as part of our valuation process that our investments are sold in a principal market to market participants (even if we plan on holding an investment through its maturity). As a result, volatility in the capital markets can adversely affect our valuations. During the extreme volatility and dislocation in the capital markets in recent years, many BDCs have faced, and may in the future face, a challenging environment in which to raise capital.

As a result of the significant changes in the capital markets affecting our ability to raise capital, the pace of our investment activity slowed in 2009 and 2010. In addition, significant changes in the capital markets, including the recent extreme volatility and disruption, have had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. An inability to raise capital, if needed, and any required sale of our investments for liquidity purposes, could have a material adverse impact on our business, financial condition or results of operations.

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, energy companies may have the ability to borrow additional amounts under their senior debt facilities and this ability may reduce the demand for our targeted investments. 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 access the capital markets successfully could limit our ability to grow our business and fully execute our business strategy and could decrease our earnings. With certain limited exceptions, we are only allowed to borrow amounts or issue debt securities or preferred stock such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowing, which, in certain circumstances, may restrict our ability to borrow or issue debt securities or preferred stock. The amount of leverage that we employ will depend on our Manager's and our Board of Directors' assessment of market and other factors at the time of any proposed borrowing or issuance of debt securities or preferred stock. We cannot assure you that we will be able to maintain our current credit facility 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, we will base the exact structure and provisions of any securitization upon then-current market conditions and may vary from the description in this paragraph. 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. 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. The 1940 Act may also impose restrictions on the structure of any securitization. We have no present plans to securitize any of our loans, but believe the availability of this option will provide us with increased flexibility in the future to raise additional capital.

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

We may issue debt securities or preferred stock, which we refer to collectively as ''senior securities,'' and/or borrow money from banks or other financial institutions, up to the maximum amount permitted by the 1940 Act. The provisions of the 1940 Act permit us, as a BDC, to incur indebtedness or issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after each such incurrence or issuance. If the value of our assets declines, we may be unable to satisfy this test, which may prohibit us from paying dividends and could prevent us from maintaining our status as a RIC or may prohibit us from repurchasing shares of our common stock. If we cannot satisfy this test, we may be required to sell a portion of our investments at a time when such sales may be disadvantageous and, depending on the nature of our leverage, repay a portion of our indebtedness. As of December 31, 2013, given our total assets of $293 million and total debt of $98.0 million, our asset coverage for senior securities was 299%.

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the current net asset value per share of the common stock if our Board of Directors determines that such sale is in our best interests and the best interests of our stockholders, and, in certain instances, our stockholders approve such sale. Any such sale would be dilutive to existing stockholders. In any such case, the price at which we issue or sell our securities 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 commission or discount). If our common stock trades at a discount to net asset value, this restriction could adversely affect our ability to raise capital.

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. Moreover, alternative investment vehicles, such as hedge funds, also invest in middle market companies. As a result, competition for investment opportunities in middle market companies is intense. 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. We believe that a significant part of our competitive advantage in investing in middle market companies will stem from the fact that the market for investments in middle market companies is underserved by traditional commercial banks and other financing sources. A significant increase in the number and/or the size of our competitors in this target market could force us to accept less attractive investment terms. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC. The competitive pressures that we face may have a material adverse effect on our business, financial condition and results of operations. Also, because 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.

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.

To the extent original issue discount and paid-in-kind interest constitute a portion of our income, we will be exposed to typical risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash representing such income.

Our investments include original issue discount, or OID, instruments. To the extent original issue discount constitutes a portion of our income, we are exposed to typical risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash, including the following:

- The higher yield of OID instruments reflect the payment deferral and credit risk associated with these instruments.
- OID instruments may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of the collateral.
- OID instruments generally represent a significantly higher credit risk than coupon loans.
- OID income received by us may create uncertainty about the source of our cash distributions to stockholders. For accounting purposes, any cash distributions to stockholders representing OID or market discount income are not treated as coming from paid-in capital, even though the cash to pay them comes from the offering proceeds. Thus, although a distribution of OID or market discount interest comes from the cash invested by the stockholders, Section 19(a) of the 1940 Act does not require that stockholders be given notice of this fact by reporting it as a return of capital.
- The deferral of paid-in-kind, or PIK, interest has a negative impact on liquidity, as it represents non-cash income that may require distribution of cash dividends to stockholders in order to maintain our RIC status. In addition, the deferral of PIK interest also increases the loan-to-value ratio at a compounding rate, thus, increasing the risk that we will absorb a loss in the event of foreclosure.
- OID and market discount instruments create the risk of non-refundable cash payments to our Manager based on non-cash accruals that we may not ultimately realize.

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

Large percentages 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 estimated fair value of securities and other investments that are not publicly traded may not be readily determinable. We value these securities quarterly at estimated fair value in accordance with procedures as determined in good faith by our Board of Directors. The types of factors we consider in determining the estimated fair value 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 estimated valuations, and particularly estimated 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 estimated 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 estimated fair value. Our net asset value could be adversely affected if our determinations regarding the estimated 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 estimated 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 have a significant concentration of 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. In general, commodity prices directly affect energy companies, 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. Changes in the regulatory environment could adversely affect the profitability of energy companies. Federal, state and local governments heavily regulate the businesses of energy companies 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 regulatory agency may declare a particular by-product of an energy process as hazardous, 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 volume of crude oil, natural gas or other energy commodities available for producing, transporting, processing, storing, distributing or generating power may materially impact the profitability of energy companies. 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. We make targeted investments 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. Any of the risk factors associated with energy companies described above, general economic and market conditions or other factors may affect their ability to access the capital markets on attractive terms. This may in turn affect their ability to satisfy their obligations with us.

Climate Change. There may be evidence of global climate change. Climate change creates physical and financial risk and some of our portfolio companies may be adversely affected by climate change. For example, the needs of customers of energy companies vary with weather conditions, primarily temperature and humidity. To the extent climate changes affect weather conditions, energy use could increase or decrease depending on the duration and magnitude of any changes. Increased energy use due to weather changes may require additional investments by our portfolio companies in more pipelines and other infrastructure to serve increased demand. A decrease in energy use due to weather changes may affect our portfolio companies' financial condition through decreased revenues. Extreme weather conditions in general require more system backup, adding to costs, and can contribute to increased system stresses, including service interruptions. Potential lawsuits against or taxes or other regulatory costs imposed on greenhouse gas emitters could also affect energy companies, based on links drawn between greenhouse gas emissions and climate change.

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 are 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, delays between the timing of the redemption of portfolio investments and the redeployment of such proceeds into new investments, the degree to which we encounter competition in our markets and general economic conditions. Because of these factors, you should not rely on results for any period 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. We would likely often make these types of investments in 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, we could make such an investment 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 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. We currently borrow under our $72.0 million Third Amended and Restated Revolving Credit Agreement, or the Investment Facility, and in the future may borrow from or issue senior debt securities. 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. 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 investment portfolio 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 investment portfolio 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 investment income in excess of interest expense payable on the borrowed funds would cause our net income to increase more than it would without the leverage, while any decrease in our investment 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 intend to continue borrowing under the Investment Facility in the future, and we may increase the size of the Investment Facility or issue senior debt securities or other evidence of indebtedness. Our ability to service our debt depends largely on our financial performance and is subject to prevailing economic conditions and competitive pressures. The amount of leverage that we employ at any particular time will depend on our Manager's and our Board of Directors' assessment of market and other factors at the time of any proposed borrowing.

Changes in interest rates may expose us to additional risks.

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 depends 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, 2013, excluding investments in U.S. Treasury Bills, approximately 70% of our portfolio investments at fair value in our portfolio were at fixed rates, while approximately 30% 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.

Failure to extend our Investment Facility, the revolving period of which is currently scheduled to expire on May 23, 2016, could have a material adverse effect on our results of operations and financial position and our ability to pay expenses and make distributions.

The revolving period for our Investment Facility with a syndicate of lenders is currently scheduled to expire on May 23, 2016. If the participant banks do not renew or extend the Investment Facility by May 23, 2016, we will not be able to make further borrowings under the facility after such date and the outstanding principal balance on that date will be due and payable. If we are unable to extend our facility or find a new source of borrowing on acceptable terms, we will be required to pay down the amounts outstanding under the facility through one or more of the following: (1) available cash balances, (2) principal collections on our securities pledged under the facility, (3) at our option, interest collections on our securities pledged under the facility, or (4) possible liquidation of some or all of our loans and other assets, any of which could have a material adverse effect on our results of operations and financial position and may force us to decrease or stop paying certain expenses and making distributions until the facility is repaid. In addition, our stock price could decline significantly, we would be restricted in our ability to acquire new investments and, in connection with our year-end audit, our independent registered accounting firm could raise an issue as to our ability to continue as a going concern.

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, the company may request additional funds or we may 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.

We may in the future determine to fund a portion of our investments with preferred stock, which would magnify the potential for gain or loss and the risks of investing in us in the same way as our borrowings.

Because preferred stock is another form of leverage and the dividends on any preferred stock we issue must be cumulative, preferred stock has the same risks to our common stockholders as borrowings. Payment of such dividends and repayment of the liquidation preference of such preferred stock must take preference over any dividends or other payments to our common stockholders. Preferred stockholders are not subject to any of our expenses or losses and are not entitled to participate in any income or appreciation in excess of their stated preference.

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 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 would require the approval of a requisite percentage of our Board of Directors and the holders of a majority of our shares under the 1940 Act.

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.

We may concentrate our portfolio investments in a limited number of portfolio companies, which would magnify the effect if one of those companies were to suffer a significant loss.

We are 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, we concentrate our investments in the energy industry. Consequently, this concentration exposes us to the risks of adverse developments affecting the energy industry to a greater extent than if we dispersed our investments over a variety of industries. See ''The energy industry is subject to many risks.''

Our principal investment strategy is to invest in subordinated or mezzanine securities, which may be junior to other debts incurred by the portfolio 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.

We invest a substantial amount of our assets in subordinated debt securities and mezzanine investments issued by our portfolio companies. The portfolio companies will usually 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 entitle the holders 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. An event such as an insolvency, liquidation, dissolution, reorganization or bankruptcy of a relevant portfolio company may prevent us from obtaining the full value of our investment.

Our portfolio companies may be highly leveraged.

Some of our portfolio companies may be highly leveraged, which may have adverse consequences to these companies and to us as an investor. These companies may be subject to restrictive financial and operating covenants and the leverage may impair these companies' ability to finance their future operations and capital needs. As a result, these companies' flexibility to respond to changing business and economic conditions and to take advantage of business opportunities may be limited. Further, a leveraged company's income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used.

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

Until we identify new investment opportunities, we intend to either invest any excess cash and the net proceeds of future offerings in interest-bearing deposits or other short-term instruments or use the net proceeds from such offerings to reduce then-outstanding obligations under our credit facility. We cannot assure you that we will be able to find enough appropriate investments that meet our investment criteria or that any investment we complete using the proceeds from an offering will produce a sufficient return. 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, changes in exchange rates between foreign currencies may affect their values in U.S. dollar terms. For example, if the value of the U.S. dollar increases relative to a foreign currency, a loan payable in that foreign currency will decrease 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 United States. Investments in these countries may be subject to the risks of internal and external conflicts, currency devaluations, foreign ownership limitations and tax increases. 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 United States. 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.

Payments of our limited term ORRI granted by ATP were delayed for approximately two months as a result of bankruptcy proceedings. There is a risk that the consequences of any additional delays or future adverse rulings by the bankruptcy court would prevent us from recovering our full investment in the ORRI.

In 2011 and 2012, we purchased from ATP Oil & Gas Corporation, or ATP, limited-term ORRIs in certain offshore oil and gas producing properties operated by ATP in the Gulf of Mexico. Under this arrangement, we purchased the right to portions (ranging from 5.0% to 10.8%) of the monthly production proceeds from oil and gas properties known as the Gomez and Telemark properties. The terms of the ORRIs provide that they will terminate after we receive payments that equal our investment in the ORRIs plus a time-value factor that is calculated at a rate of 13.2% per annum. On August 17, 2012, ATP filed for protection under Chapter 11 of the U.S. Bankruptcy Code. For more information, please refer to ''Item 3. Legal Proceedings'' for further discussion of the ATP litigation. As of December 31, 2013, our unrecovered investment was $29.0 million, and we had received aggregate production payments of $24.3 million subject to a disgorgement agreement, $15.5 million of which was received during 2013. In addition, as of December 31, 2013, we had incurred legal and consulting fees totaling $3.2 million in connection with the enforcement of our rights under the ORRIs, $2.7 million of which has been added to the unrecovered investment balance under the terms of the ORRI agreements. Legal and consulting fees totaling $0.5 million and $0.6 million as of December 31, 2013 and December 31, 2012, respectively, are included in accounts receivable and other current assets on our consolidated balance sheets.

Payments not made on the ORRIs for pre-petition production have been delayed, thus extending the time for termination of the ORRI, and may never be made in full. It is also possible that our rights to payments for post-petition production, as well as post-petition payments actually received, could be delayed or otherwise adversely affected in ATP's bankruptcy proceedings, resulting in our inability to recover our investment in full and our expected return. If we do not receive payments for post-petition production from the wells subject to the ORRIs in amounts sufficient to provide for termination of the ORRIs prior to the wells being shut in, then we would fail to recover, in full, our investment plus the associated time-value factor. In the interim, if production declines significantly, the fair value of our ORRIs could decline accordingly.

Risks Related to Our Manager

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 Mr. Hersh (who serves as a member of our Board of Directors and our Manager's investment committee), Mr. Albin (who serves as a member 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 portfolio companies may request managerial assistance from our Manager and its management team. 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. 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 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, including through the issuance of debt securities, convertible securities and preferred stock. Increased leverage will expose or subject us to increased risk of loss, increased cost of issuing and servicing such senior securities, and any additional covenant restrictions imposed in an indenture or by the applicable lender, which could negatively affect our business and results of operations.

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. For accounting purposes only, in order to reflect the theoretical capital gains incentive fee that would be payable for a given period as if all unrealized capital gains were realized, we will accrue a capital gains incentive fee as described above (in accordance with the terms of the Investment Advisory Agreement), plus 20% of unrealized capital gains on investments held at the end of such period. It should be noted that the portion of the accruals for the capital gains incentive fees attributable to unrealized capital gains will not necessarily be payable under the Investment Advisory Agreement, and may never be paid based on the computation of capital gains incentive fees in subsequent periods. Amounts paid under the Investment Advisory Agreement will be consistent with the formula reflected in the Investment Advisory Agreement.

The way in which we determine the incentive fee payable to our Manager 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. 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.

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. Our 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, our failure to continue to qualify as a BDC may cause us to 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 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 are in private companies, we could make such dispositions at disadvantageous prices that 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 stockholders as ordinary dividends. Such a failure would likely have a material adverse effect on our stockholders and us.

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.

Federal income tax rules require us to include certain amounts in income that we have not yet received in cash, such as OID or PIK interest. For example, we may have OID as a result of warrants, property-based equity participation rights or loan discount points we may receive in connection with the issuance or purchase of a loan. PIK interest represents contractual interest added to the loan balance and due at the end of the loan term. We include such OID or increases in loan balances from PIK arrangements in income before we receive any corresponding cash payments. These amounts could be significant relative to our overall investment activities. 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.

The provisions of the 1940 Act permit us, as a BDC, 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 (i) in connection with a rights offering to our existing stockholders, (ii) 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 or (iii) under such circumstances as the SEC may permit. In any such case, the price at which we may issue and sell our securities 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). If our common stock trades at a discount to net asset value, this restriction could adversely affect our ability to raise capital.

Because there are no judicial and few administrative interpretations of the provisions of the 1940 Act pertaining to BDCs, 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 would require the 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. Our government may enact new legislation or new interpretations or adopt new rulings or regulations, including those governing the types of our permitted investments. These actions could retroactively harm our Manager, our stockholders and us. 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 and several members of Congress have proposed 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, among other proposed tax increases specific to the energy industry. In addition, regulatory costs and requirements associated with offshore drilling in the United States have increased significantly in the wake of the blowout and oil spill involving the Macondo well in the Gulf of Mexico in 2010. It is not possible at this time to predict how any future legislation or new regulations adopted to address these proposals would impact our business or the businesses of our portfolio companies, but any such future laws and regulations could adversely affect our results of operations and the value of your investment.

Certain regulations restrict our ability to enter into transactions with our affiliates.

The 1940 Act prohibits us 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 the 1940 Act generally prohibits us 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 must obtain prior approval from the SEC before buying or selling any security from or to such person, or entering into joint transactions with such person.

Our business is subject to increasingly complex corporate governance, public disclosure and accounting requirements that could adversely affect our business and financial results.

We are subject to changing rules and regulations of federal and state government regulatory bodies as well as the stock exchange on which our common stock is listed. These entities, including the Public Company Accounting Oversight Board, the SEC and the NASDAQ Stock Market, have issued a significant number of new and increasingly complex requirements and regulations over the course of the last several years and continue to develop additional regulations and requirements in response to laws enacted by Congress. On July 21, 2010, the Dodd-Frank Wall Street Reform and Protection Act, or the Dodd-Frank Act, was enacted. There are significant corporate governance and executive compensation-related provisions in the Dodd-Frank Act that require the SEC to adopt additional rules and regulations. Prior to full implementation, it will be difficult to assess the impact of the Dodd-Frank Act on our company and our Manager. Our efforts to comply with these requirements have resulted in, and are likely to continue to result in, an increase in expenses and a diversion of management's time from other business activities.

Item 1B. Unresolved Staff Comments.

Not applicable.

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 presently conducted.

Item 3. Legal Proceedings.

From time to time, we are involved in various legal proceedings arising in the normal course of business. While we cannot predict the outcome of these proceedings with certainty, we do not believe that an adverse result in any pending legal proceeding other than those described below, individually or in the aggregate, would be material to our business, financial condition or cash flows.

ATP Litigation. On August 17, 2012, ATP Oil & Gas Corporation, or ATP, filed a petition for relief under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of Texas. We purchased limited term overriding royalty interests, or ORRIs, in certain offshore oil and gas producing properties operated by ATP (generally, the Gomez and Telemark properties). On August 23, 2012, on a motion filed by ATP (Bankr. Dkt. No. 15), the bankruptcy judge presiding over ATP's case signed an order (Bankr. Dkt. No. 191) allowing ATP to pay amounts received after August 17, 2012 to those parties it believes are entitled to receive them, including the ORRI holders, provided that the owners of the ORRIs execute a disgorgement agreement providing for the repayment to ATP of any amounts that the bankruptcy court later finds to have been inappropriately paid. We executed the disgorgement agreement and began receiving monthly distributions in September 2012 from ATP of our share of production proceeds received by ATP after August 17, 2012. As of December 31, 2013, our unrecovered investment was $29.0 million, and we had received aggregate production payments of $24.3 million subject to the disgorgement agreement. In addition, as of December 31, 2013, we had incurred legal and consulting fees totaling $3.2 million in connection with the enforcement of our rights under the ORRIs, $2.7 million of which has been added to the unrecovered investment balance under the terms of the ORRI transaction documents. Legal and consulting fees totaling $0.5 million and $0.6 million as of December 31, 2013 and December 31, 2012, respectively, are included in accounts receivable and other current assets on our consolidated balance sheets.

On October 17, 2012, we filed a lawsuit against ATP styled: *NGP Capital Resources Company v. ATP Oil & Gas Corporation*, Adv. Proc. No. 12-03443, in the U.S. Bankruptcy Court for the Southern District of Texas, seeking a declaration that the ORRIs are our property and not property of ATP and that the conveyance and purchase and sale documents are not executory contracts that may be rejected in order to remove or recharacterize our interests in the properties. ATP filed an answer and counterclaim in which it (a) denies that the ORRIs are valid and enforceable, (b) seeks a declaration that (i) the ORRIs are a financing agreement and not a true sale and (ii) the ORRIs are executory contracts that are subject to rejection under 11 U.S.C. Sec. 365, and (c) seeks disgorgement from us of amounts paid to us since August 17, 2012, the date of filing of ATP's Chapter 11 proceeding. The United States, on behalf of the Department of the Interior, intervened in the lawsuit, arguing that the underlying leases are unexpired leases of real property or executory contracts (and not real property conveyances) and are subject to rejection by ATP. Certain service companies claiming statutory liens or privileges have intervened in the lawsuit for the purposes of establishing that their liens and privileges are superior to our rights and asserting related claims for disgorgement of proceeds paid to us by ATP. The Bank of New York Mellon Trust Company, N.A., the secondary lien holder, has also intervened in the lawsuit, arguing (i) the ORRIs are a financing agreement and not a true sale, (ii) our claims are barred, waived, released and/or otherwise foreclosed by the express terms of the conveyance of the ORRIs, and (iii) either we have not met a condition precedent or we failed to perform or substantially perform our contractual obligations. The issues in the lawsuit have been bifurcated such that the issues of (i) whether the conveyances and transactions between us and ATP constituted outright transfers of ownership and (ii) whether the conveyances are executory contracts or leases that ATP may reject, will be tried first. This lawsuit is currently pending. The initial trial date was abated along with certain other deadlines pending consideration of various motions. In that context, a Motion for Summary Judgment that we filed was denied, and we have filed a motion to appeal such denial on an interlocutory basis. A new scheduling order has not been entered in the lawsuit. We intend to vigorously defend our position that the ORRIs constitute real property interests and are fully valid and enforceable pursuant to their terms, and we intend to vigorously defend our position that the service companies' statutory liens and privileges do not attach to our ORRIs and/or are not superior to our rights.

On April 23, 2013, the Department of the Interior, on behalf of the Bureau of Safety and Environmental Enforcement, issued an order directing that the wells on the Gomez properties be shut in and that operations cease. Operations and production ceased on the Gomez properties on April 30, 2013. On June 13, 2013, the Court entered an order (Bankr. Dkt. No. 1999) approving ATP's request (set forth in Bankr. Dkt. No. 1902) to reject and/or abandon and relinquish its interests in the Gomez properties and related agreements, or the Abandonment Order. Our cash flows attributable to the ORRIs have been reduced since we no longer receive payments attributable to the Gomez properties.

On May 7, 2013, ATP conducted an auction of its assets, and ATP selected a credit bid from Credit Suisse AG, as administrative and collateral agent to those lenders who are parties to that certain Senior Secured Super Priority Priming Debtor in Possession Credit Agreement dated August 29, 2012, or the DIP Lenders, based on a reduction in the amount of ATP's outstanding indebtedness to Credit Suisse AG, or the Credit Bid, as the highest and best bid. The Credit Bid did not include an offer to purchase the Gomez properties but it included an offer to purchase the Telemark properties. On October 17, 2013, the Court entered its Final Order approving the sale (Bankr. Dkt. No. 2706). Under the Final Order, Bennu Oil & Gas, LLC, or Bennu, a newly formed company owned by the DIP Lenders, was authorized to purchase certain ATP assets, including the Telemark properties, as well as claims asserted by ATP in our pending lawsuit relating to the Telemark properties. Our ORRI continues to burden the Telemark properties subject to a resolution of the issues in our pending lawsuit against ATP. The sale to Bennu closed on November 1, 2013.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II.

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

Our common stock trades on the NASDAQ Global Select Market under the symbol "NGPC". On March 5, 2014, there were approximately 55 record holders and 9,542 beneficial holders (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 Global Select Market and our dividends declared for the periods indicated.

	NAV(1)	Price Range High	Price Range Low	Ratio of High Sales Price to NAV	Ratio of Low Sales Price to NAV	Cash Dividend per Share(2)
Fiscal 2013						
Fourth quarter	$9.20	$7.79	$6.88	85%	75%	$0.16
Third quarter	9.22	7.69	6.19	83%	67%	0.16
Second quarter	9.13	7.15	6.00	78%	66%	0.16
First quarter	9.05	7.75	6.89	86%	76%	0.16
Fiscal 2012						
Fourth quarter	9.57	7.98	6.50	83%	68%	0.16
Third quarter	9.70	7.97	6.22	82%	64%	0.16
Second quarter	9.29	7.20	5.87	78%	63%	0.13
First quarter	9.33	8.14	6.42	87%	69%	0.12

(1) We calculate net asset value per share 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. We calculate net asset value per share based on outstanding shares at the end of each period.

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

Since the first full quarter following our initial public offering, 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 determine the timing and characterization of certain income and capital gains distributions annually in accordance with federal tax regulations, which may differ from GAAP. These differences primarily relate to items recognized as income for financial statement purposes and realized gains for tax purposes. As a result, net investment income and net realized gain (loss) on investments for a reporting period may differ significantly from distributions during such period. Accordingly, we may periodically make reclassifications among certain of our capital accounts without impacting our net asset value. We report the estimated tax characteristics of each dividend when declared, and we report the actual tax characteristics of dividends annually to each stockholder on Form 1099-DIV, prepared by our stock transfer agent. 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. During 2012 and 2013, we repurchased an aggregate of 608,125 shares and 520,889 shares, respectively, of our common stock pursuant to our stock repurchase plan, and we did not sell any equity securities during 2012 or 2013.

We classified 100% of our taxable dividends declared for the year ended December 31, 2013 as non-qualified dividends and as ordinary income for their characterization for income tax purposes. For tax purposes, approximately 36%, or $0.06 per share, of the $0.16 dividend paid on January 6, 2014 was treated as arising in 2013 and approximately 64%, or $0.10 per share, was treated as arising in 2014.

Our stock transfer agent, registrar and dividend reinvestment plan administrator is American Stock Transfer & Trust Company. You should direct information requests for American Stock Transfer & Trust Company to Operations Center, 6201 15th Avenue, Brooklyn, NY 11219. Their telephone number for shareholder or dividend reinvestment services is 1-800-937-5449.

We have established an ‘‘opt out’’ dividend reinvestment plan, or DRIP plan, for our common stockholders. As a result, if we declare a cash dividend, our plan agent automatically reinvests a stockholder’s cash dividend in additional shares of our 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. Our DRIP 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.

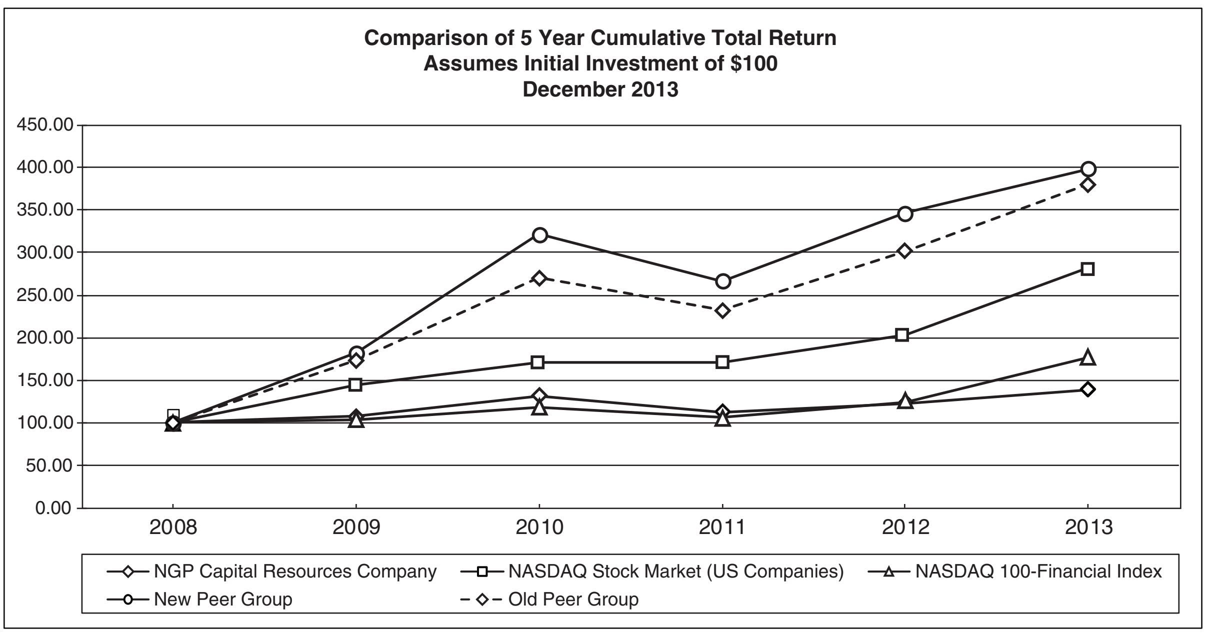
Stock Repurchase Plan

On October 31, 2011, our Board of Directors approved a stock repurchase plan, pursuant to which we may, from time to time, repurchase up to $10.0 million of our common stock in the open market at prices not to exceed the net asset value of our shares during our open trading periods. Our Board of Directors authorized this plan, because it believes that general market trading activity may cause our common stock to be undervalued from time to time. The repurchase program does not obligate us to purchase any shares and may be discontinued at any time. Pursuant to this plan, in May 2012, we repurchased an aggregate of 250,029 shares of our common stock in the open market at an average price of $6.55 per share, totaling $1.6 million. In November 2012, we repurchased an aggregate of 358,096 shares of our common stock in the open market at an average price of $7.13 per share, totaling $2.6 million. In May 2013, we repurchased an aggregate of 520,889 shares of our common stock in the open market at an average price of $6.49 per share, totaling $3.4 million. Under the terms of the stock repurchase plan, we are authorized to repurchase up to an additional $2.4 million of our common stock. Any future share repurchases will be made in accordance with applicable securities laws and regulations that set certain restrictions on the method, timing, price and volume of stock repurchases.

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, 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 Financial 100 Index, the NASDAQ U.S. Stock Market Total Return Index and an index of peer companies (selected by us) for the five years ended December 31, 2013. The graph assumes that $100 was invested in our common stock and each index on December 31, 2008, and that dividends were reinvested. We selected the peer group in good faith and it consists of the following six business development companies: Gladstone Capital Corporation, Gladstone Investment Corporation, KCAP Financial, Inc., MCG Capital Corporation, THL Credit, Inc. and TICC Capital Corporation. The change in our peer group of seven business development companies in 2012 is the omission of Hercules Technology Growth Capital, Inc., which is considerably larger than us, with market capitalization of over $600 million. Our revised peer group includes business development companies that generally invest in similar types of securities as we do, with market capitalizations between $100 million and $600 million and initial public offering dates in 2010 or earlier. This historic stock price Performance Graph and the related textual information are not necessarily indicative of future performance.



Prepared by Zacks Investment Research, Inc. Used with permission.

Item 6. Selected Financial Data.

The following table contains our selected financial and operating data, as of and for the dates and periods indicated. We derived the selected financial data from our audited financial statements and you should read it in conjunction with our financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this Annual Report on Form 10-K.

	Year ended December 31,				
	2013	2012	2011	2010	2009
	(In Thousands, Except Per Share Data and Other Data)				
Income Statement Data					
Total investment income	$ 27,912	$ 23,369	$ 27,903	$ 23,585	$ 24,520
Total operating expenses	15,245	11,560	12,034	12,091	14,601
Net investment income	12,576	11,763	15,809	11,440	9,728
Net realized capital gain (loss) on invesments	(2,261)	(17,827)	(30,614)	(32,276)	(14,329)
Net increase (decrease) in unrealized appreciation (depreciation) on investments	(6,445)	23,415	(5,083)	32,310	(4,218)
Net increase (decrease) in net assets resulting from operations	$ 3,870	$ 17,351	$ (19,888)	$ 10,474	$ (8,819)
Per Share Data					
Net investment income	$ 0.61	$ 0.55	$ 0.73	$ 0.53	$ 0.45
Net realized and unrealized gain (loss) on investments	(0.42)	0.26	(1.65)	(0.04)	(0.86)
Net increase (decrease) in net assets resulting from operations	0.19	0.81	(0.92)	0.49	(0.41)
Dividends declared	(0.64)	(0.57)	(0.72)	(0.69)	(0.64)
Net asset value per share	$ 9.20	$ 9.57	$ 9.26	$ 10.90	$ 11.10
Balance Sheet Data					
Total investments	$257,371	$259,610	$145,057	$216,063	$200,105
Portfolio investments	211,371	213,614	145,057	216,063	200,105
Cash and cash equivalents	29,298	47,655	106,570	68,457	108,288
Total assets	292,623	312,322	256,581	291,589	316,931
Long-term debt	53,000	59,500	50,000	50,000	67,500
Total net assets	188,552	201,266	200,266	235,726	240,175
Other Data					
Weighted average yield on targeted portfolio investments(1)	10.2%	10.0%	11.6%	10.4%	5.4%
Number of portfolio companies	16	14	19	20	16
Expense ratios (as a percentage of average net assets):					
Interest expense and bank fees	1.7%	1.0%	0.7%	0.5%	1.1%
Management and incentive fees	3.1%	2.3%	2.5%	2.4%	2.6%
Other operating expenses	3.1%	2.4%	2.3%	2.2%	2.1%
Total operating expenses	7.9%	5.7%	5.5%	5.1%	5.8%

(1) Calculated as of the end of the period.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following analysis of our financial condition and results of operations in conjunction with our financial statements and the notes thereto contained elsewhere in this Annual Report on Form 10K.

Forward-Looking Statements

Certain statements in this Annual Report on Form 10-K 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;
- the future operating results of our portfolio companies and their ability to achieve their objectives;
- changes in regional, national or international economic conditions and their impact on the industries in which we invest;
- disruption of credit and capital markets;
- 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,'' ''intends,'' ''plans,'' ''expects,'' ''projects,'' ''estimates,'' ''will,'' ''should,'' ''may'' and similar expressions to identify forward-looking statements. These forward-looking statements are subject to various risks and uncertainties. Certain factors could cause actual results and conditions to differ materially from those projected and our historical experience. You should not place undue reliance on such forward-looking statements, which speak only as of the date they are made. We undertake no obligation to update our forward-looking statements made herein, unless required by law.

Overview

We are a financial services company created to invest primarily in debt securities of small and mid-size private energy companies. In 2012, we expanded our investment strategy to also include middle market companies not engaged in the energy industry. We have elected to be regulated as a business development company, or BDC, under the Investment Company Act of 1940 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 include securities of private U.S. companies, U.S. companies whose securities are listed on a national securities exchange but whose market capitalization is less than $250 million, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. In addition, for federal income tax purposes we operate so as to be treated as a regulated investment company, or RIC, under the Internal Revenue Code of 1986, as amended. Pursuant to these elections, we generally do not have to pay corporate-level taxes on any income and capital gains we distribute to our stockholders. We have several direct and indirect subsidiaries that are single member limited liability companies and wholly-owned limited partnerships established to hold certain portfolio investments or provide services to us in accordance with specific rules prescribed for a company operating as a RIC. We consolidate the financial results of our subsidiaries for financial reporting purposes, and do not consolidate the financial results of our 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 and energy services. Beginning in 2012, we also seek middle market investments within diversified industry sectors, including manufacturing, value-added distribution, business services, healthcare products and services, consumer services and select other sectors. 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, limited-term royalty interests and net profits interests that we own, dividend income on any common or preferred stock that we own, royalty income on any royalty interests 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 paid-in-kind, or PIK, 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. We recognize any such fees generated in connection with our investments as earned.

Our level of investment activity can and does vary substantially from period to period depending on many factors. Some of these factors are the amount of debt and equity capital available to energy companies, the level of acquisition and divestiture activity for such companies, the level and volatility of energy commodity prices, the general economic environment and the competitive environment for the types of investments we make, and our own ability to raise capital to fund our investments, both through issuance of debt and equity securities. While we currently have capital available to invest, we do not have unlimited capital. We remain committed to our underwriting and investment disciplines in selectively investing in appropriate risk-reward opportunities within the energy and middle market sectors.

In September 2013, our Board of Directors engaged financial advisor Keefe, Bruyette & Woods, a Stifel company, or KBW, to evaluate strategic alternatives to enhance stockholder value. The Board of Directors, with the assistance of KBW, will consider a range of options, which may include a sale or merger of our company, the acquisition of existing investment portfolios, or a combination, joint venture or other strategic alliance with another company. No decision has been made to enter into a transaction at this time, and there can be no assurance that we will enter into a transaction in the future.

Portfolio and Investment Activity

On December 31, 2013, we amended our Senior Secured Term Loan with Huff Energy Holdings, Inc., or HEH. The amendment included a two-year maturity extension to November 20, 2015 and a reduction of the interest rate to 12.5% (18% default rate prior to amendment) in exchange for (i) a $7.4 million principal repayment, reducing the principal balance outstanding to $7.0 million, (ii) liens on additional producing properties, (iii) a pledge of the stock of HEH and all its subsidiaries, (iv) implementation of a $150,000 per month principal payment schedule, (v) a general and administrative expense limitation of $0.9 million per year, (vi) 30% penny warrants and a 3.0% after-payout ORRI that can be repurchased by HEH for $100,000 at maturity if the loan is fully repaid and (vii) an amendment fee of $75,000.

On October 2, 2013, we funded a $14.0 million participation in a $180.0 million Second Lien Term Loan to Shoreline Energy, LLC, or Shoreline, a Houston-based, privately-owned, independent oil and gas exploration and production company, focused in the Gulf Coast region. Proceeds from the Second Lien Term Loan were used to acquire producing oil and gas properties in South Louisiana. The Second Lien Term Loan was issued at a 3% discount, earns interest at the greater of 10.25% or LIBOR + 9.0% per annum and matures on March 27, 2019.

On June 28, 2013, Resaca Exploitation, Inc., or Resaca, completed the sale of substantially all of its oil and gas properties to Legacy Reserves Operating LP, a Midland, Texas-based oil and gas company, for $72 million, subject to customary adjustments. In connection with the sale, we received a cash payment of $16.1 million, representing full principal payment of our Senior Unsecured Term Loan and an interest ''make whole'' provision of $2.2 million, or $0.11 per share. Our investment in the Resaca Term Loan resulted in an internal rate of return of 21.2% and a return on investment of 1.61x. Subsequently, Resaca's common stock, of which we owned 1.36 million shares, or 6.6% of Resaca's common stock outstanding, was delisted from the Alternative Investment Market of the London Stock Exchange, and in November 2013, pursuant to Resaca's liquidation, we received $0.2 million for our shares of Resaca common stock.

On June 14, 2013, Castex Energy Development Fund, LP, or CDF, repaid its $55.0 million debt obligation under its Senior Secured Term Loan, including the $27.5 million face amount that we held and an interest ''make whole'' provision to us of $0.3 million, or $0.01 per share. CDF also repurchased the Class B LP units, resulting in net proceeds to us of $1.8 million, and a realized capital gain of $1.8 million, or $0.08 per share. This investment was outstanding for 22 months and generated an internal rate of return of 17.8% and a return on investment of 1.3x.

On May 24, 2013, we closed a $15.0 million Senior Secured Term Loan to Crossroads Energy Development, LLC, or Crossroads, a Houston-based oil and gas company, with initial availability of $11.0 million and initial funding of $9.0 million. Proceeds from the Senior Secured Term Loan were used to acquire a 100% working interest in certain producing oil properties located in Central Louisiana and for the development of such properties. The Senior Secured Term Loan earns interest at an annual rate of 11.5% (LIBOR + 10.5%) and matures in May 2016. As consideration for providing the Term Loan, we also received a 2% overriding royalty interest in the properties and penny warrants to purchase up to 18% of the operating subsidiary.

On April 22, 2013, we provided $17.5 million of financing to Nekoosa Coated Products Holdings, Inc., or Nekoosa, a private manufacturer of carbonless sheets and specialty products used in the commercial printing industry, in the form of a Second Lien Term Loan, to facilitate the acquisition of IGI Corp., a leading manufacturer of specialty pressure sensitive graphic arts materials used in the signage and visual communications industry. The Second Lien Term Loan earns interest payable in cash at an annual rate of 13% plus paid-in-kind interest of 2% per annum and matures on October 22, 2018.

In 2011 and 2012, we purchased from ATP Oil & Gas Corporation, or ATP, limited-term ORRIs in certain offshore oil and gas producing properties operated by ATP in the Gulf of Mexico. Under this arrangement, we purchased the right to portions (ranging from 5.0% to 10.8%) of the monthly production proceeds from oil and gas properties known as the Gomez and Telemark properties. The terms of the ORRIs provide that they will terminate after we receive payments that equal our investment in the ORRIs plus a time-value factor that is calculated at a rate of 13.2% per annum. On August 17, 2012, ATP filed for protection under Chapter 11 of the U.S. Bankruptcy Code. For more information, please refer to ''Item 3. Legal Proceedings'' for further discussion of the ATP Litigation. As of December 31, 2013, our unrecovered investment was $29.0 million, and we had received aggregate production payments of $24.3 million subject to a disgorgement agreement. In addition, as of December 31, 2013, we had incurred legal and consulting fees totaling $3.2 million in connection with the enforcement of our rights under the ORRIs, $2.7 million of which has been added to the unrecovered investment balance under the terms of the ORRI agreements. Legal and consulting fees totaling $0.5 million and $0.6 million as of December 31, 2013 and December 31, 2012, respectively, are included in accounts receivable and other current assets on our consolidated balance sheets.

On April 1, 2013, GMX Resources, Inc., or GMX, and certain of its affiliates filed petitions for relief under Chapter 11 of the U.S. Bankruptcy Code. In connection with its bankruptcy filing, GMX received a credit bid from certain senior first-lien creditors to acquire substantially all of GMX's operating assets and undeveloped acreage. On August 28, 2013, GMX completed a public auction of its assets, with the credit bid prevailing. In October 2013, settlement motions were filed with the bankruptcy court that included the establishment of a $1.5 million Litigation Trust, of which we would ultimately receive a pro rata share, after deducting certain trustee costs. We estimate that this pro rata share would imply a payout of approximately 1.25% of our claim before deducting any trustee costs. The settlement motions are subject to the approval of the unsecured creditors and the bankruptcy court. We held $12.7 million face amount of GMX's Senior

Secured Second-Priority Notes due 2018, or the GMX 2018 Notes, which are subordinate to the debt held by the senior creditors mentioned above. On January 14, 2014, we accepted a third party bid to purchase our GMX 2018 Notes for $70,000.

On February 15, 2013, we closed a $17.5 million investment in OCI Holdings, LLC, or OCI. Our investment in OCI includes a $15.0 million Subordinated Note and a $2.5 million direct equity co-investment. OCI is a home health provider of physical, occupational and speech therapy services to pediatric patients in the state of Texas. Proceeds from the investment were used to refinance OCI and to finance OCI's strategic acquisition of a provider of similar services. The OCI Subordinated Note matures August 15, 2018 and earns interest payable in cash at a rate of 11% per annum (LIBOR + 10%) plus paid-in-kind interest of 2% per annum.

On February 15, 2013, we provided $9.0 million of financing to KOVA International, Inc., or KOVA, in the form of Senior Subordinated Notes, to facilitate the acquisition of the urinalysis division of Hycor Biomedical, Inc. by a group of private equity sponsors. Since 1974, the KOVA product lines have been among the leading disposable plastics and liquid controls products used in the urinalysis testing market. The KOVA Senior Subordinated Notes earn interest payable in cash at an annual rate of 12.75% and mature on August 15, 2018.

On February 6, 2013, we purchased $20.0 million of the $300 million 9.75% Senior Notes offering issued by Talos Production, LLC and Talos Production Finance Inc., collectively, Talos, to partially fund Talos's acquisition of Energy Resource Technology GOM, Inc., the oil and gas subsidiary of Helix Energy Solutions Group, Inc. On February 15, 2013, we purchased an additional $5.0 million face value of the Talos Senior Notes in the secondary market. Talos is headquartered in Houston, Texas, and its parent company is a portfolio company of funds affiliated with Apollo Global Management, LLC and Riverstone Holdings LLC, which committed up to $600 million in equity to Talos's parent company in February 2012. The Talos Senior Notes mature February 15, 2018, and were issued at 99.025 for an effective yield of 10.0% per annum. During the second and fourth quarters of 2013, we sold $2.0 million and $8.0 million face amount of Talos Senior Notes at 99.25 and 100.0, respectively.

On January 25, 2013, we restructured our $13.5 million Senior Secured Term Loan, or the Original Term Loan, with Spirit Resources, LLC, or Spirit. Under the terms of the restructuring, (i) $8.0 million of the Original Term Loan was converted into Preferred Units, with the remaining $5.5 million structured as a Senior Secured Tranche A Term Loan; (ii) we provided $4.5 million of additional borrowing capacity in the form of a Senior Secured Tranche B Term Loan; (iii) we received a 3% overriding royalty interest in Spirit's oil and gas properties; and (iv) we conveyed our 33% penny warrants back to Spirit. The Tranche A Term Loan matures April 28, 2015 and earns interest payable monthly in cash at an annual rate of the greater of 8% or LIBOR + 4%. The Tranche B Term Loan matures October 28, 2015 and initially earns interest payable-in-kind at an annual rate of the greater of 15% or LIBOR + 11%. Beginning in January 2015, interest on the Tranche B Term Loan is payable monthly in cash at an annual rate of the greater of 13% or LIBOR + 9%. Borrowings under the Tranche B Term Loan are being used to execute relatively low-risk, high return development plans at Spirit's oil and gas properties and to provide additional working capital. The Preferred Units represent a preferred interest on 100% of any equity distributions from Spirit until certain hurdles are met, after which Spirit management would participate in 25% of any such distributions.

On January 25, 2013, Southern Pacific Resources Corp., or STP, repaid its debt obligations under its $272.2 million Second Lien Term Loan, including the $9.8 million face amount that we held, with a 1% call premium. Our investment in the STP Second Lien Term Loan, which was initially funded in the first quarter of 2012, generated an internal rate of return of 10.7% with a return on investment of 1.09x.

Also in January 2013, we sold our remaining $10.0 million face amount of EP Energy, LLC, or EP Energy, Senior Unsecured Notes at a price of 113.375 resulting in a realized capital gain of $1.3 million, or $0.06 per common share. Our total investment in EP Energy Senior Unsecured Notes, which began as a $25 million participation in their original issuance in April 2012, generated an internal rate of return of 36.5% with a return on investment of 1.16x.

From commencement of investment operations in November 2004 through December 31, 2013, we have invested $1.1 billion in 47 portfolio companies and received principal repayments, realizations and settlements of $883.4 million. The following table summarizes our investment activity for the years ended December 31, 2013, 2012 and 2011 (dollars in millions):

	2013	2012	2011
Investment portfolio, beginning of period	$219.9	$175.0	$ 242.6
New investments	92.5	98.8	51.4
Additional investments in existing clients	9.8	29.3	61.8
Principal repayments, realizations and settlements	(94.3)	(83.2)	(180.8)
Investment portfolio, end of period	$227.9	$219.9	$ 175.0
Number of portfolio clients at end of period	16	14	19

The table below shows our portfolio investments by type as of December 31, 2013 and 2012. We compute yields on investments using interest rates as of the balance sheet date and include amortization of 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. We compute the yield on income from derivatives using estimated derivative income, net of expired options costs. These yields do not include income from any investments on non-accrual status but do include the cost basis of such investments in the denominator. Such weighted average yields are not necessarily indicative of expected total returns on a portfolio.

	December 31, 2013			December 31, 2012		
	Weighted Average Yields	Percentage of Portfolio		Weighted Average Yields	Percentage of Portfolio	
		Cost	Fair Value		Cost	Fair Value
Senior secured debt	12.6%	15.7%	16.8%	12.0%	29.2%	30.1%
Subordinated debt	11.1%	41.7%	40.5%	9.3%	26.0%	26.4%
Limited term royalties	13.8%	12.9%	13.7%	13.6%	16.8%	17.3%
Contingent earn-out	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Commodity derivative instruments	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Royalty interests	78.2%	0.1%	0.5%	0.0%	0.0%	0.0%
Redeemable preferred units	8.0%	22.6%	25.0%	8.0%	23.0%	24.0%
Equity securities						
Membership and partnership units	0.0%	4.7%	2.8%	0.0%	0.2%	0.8%
Participating preferred stock	0.0%	1.9%	0.0%	0.0%	2.0%	0.0%
Common stock	0.0%	0.2%	0.3%	0.0%	2.6%	0.8%
Warrants	0.0%	0.2%	0.4%	0.0%	0.1%	0.5%
Total equity securities	0.0%	7.0%	3.5%	0.0%	4.9%	2.1%
Total portfolio investments	10.2%	100.0%	100.0%	10.0%	100.0%	100.0%

As of December 31, 2013 and 2012, the total fair value of our investment portfolio was $211.4 million and $213.6 million, respectively. Of those fair value totals, approximately $181.9 million, or 86%, as of December 31, 2013, and $185.7 million, or 87%, as of December 31, 2012 were measured using significant unobservable (i.e., Level 3) inputs.

Results of Operations

The following sections analyze our results of operations for the year ended December 31, 2013 compared to 2012 and for the year ended December 31, 2012 compared to 2011.

Investment Income

During 2013, our total investment income increased by $4.5 million, or 19%, to $27.9 million compared to $23.4 million during the same period in 2012. The increase in 2013 is primarily attributable to $2.5 million of "make whole" interest from the repayments of loans from Resaca and CDF and higher average portfolio balances during 2013.

During 2012, our total investment income was $23.4 million, decreasing $4.5 million, or 16%, compared to 2011. The decrease in 2012 is primarily attributable to the recognition, in the second quarter of 2011, of $4.5 million of previously unrecognized PIK interest income on Tranche B of a Term Loan issued to Alden Resources, LLC, or Alden, which was sold in July 2011.

Our portfolio balance, on a cost basis, increased from $172.6 million at December 31, 2011 to $217.8 million at December 31, 2012 and increased to $222.0 million at December 31, 2013. The $45.2 million increase in 2012 and the $4.2 million increase in 2013 are primarily a result of new investments in excess of net redemptions and settlements. The table below summarizes our non-accruing and non-income producing investments:

	December 31, 2013		December 31, 2012		December 31, 2011	
(Dollars in thousands)	**Cost**	**Fair Value**	**Cost**	**Fair Value**	**Cost**	**Fair Value**
Non-accruing investments						
BioEnergy Holding, LLC (non-accrual 3/31/11; realized 12/31/12)	$ —	$ —	$ —	$ —	$15,511	$ —
Bionol Clearfield, LLC (non-accrual 3/31/11; realized 12/31/12)	—	—	—	—	4,950	—
Chroma Exploration & Production, Inc.	4,312	21	4,312	43	4,312	500
GMX Resources, Inc. second-priority notes (non-accrual 1/1/13)	9,452	70	N/A	N/A	N/A	N/A
Total non-accruing investments	13,764	91	4,312	43	24,773	500
Non-income producing investments						
BioEnergy Holding, LLC units (realized 12/31/12)	—	—	—	—	1,297	—
BP Corporation NA, Inc. put options (expired 9/30/13)	—	—	245	9	417	417
Castex Energy Development Fund, LP units (sold 6/14/13)	—	—	0	910	—	—
Contour Highwall Holdings, LLC units	—	836	—	500	—	—
Crossroads Energy Development, LLC warrants	237	796	—	—	—	—
DeanLake Operator, LLC preferred units (sold 9/30/11)	—	—	—	—	—	150
Globe BG, LLC (contingent Alden Resources royalty earn-out)	—	—	—	240	—	3,270
GMX Resources, Inc. common stock (sold 3/01/13)	—	—	2,317	1,488	—	—
Huff Energy Holdings, Inc. warrants and overriding royalty (after pay-out)	84	84	—	—	10	—
Myriant Corporation common stock and warrants	468	670	468	880	468	770

(Dollars in thousands)	December 31, 2013 Cost	December 31, 2013 Fair Value	December 31, 2012 Cost	December 31, 2012 Fair Value	December 31, 2011 Cost	December 31, 2011 Fair Value
NGP/OCI Investments, LLC Class A Units	$ 2,500	$1,775	$ —	$ —	$ —	$ —
Resaca Exploitation, Inc. common stock (liquidated 11/26/13)	—	—	3,235	210	3,235	1,197
Resaca Exploitation, Inc. warrants (relinquished 6/28/13)	—	—	250	10	250	266
Spirit Resources, LLC preferred units (acquired on 1/25/13)	8,000	3,356	—	—	—	—
Spirit Resources, LLC warrants (relinquished 1/25/13)	—	—	25	520	25	25
Tammany Oil & Gas, LLC warrants (sold 11/26/12)	—	—	—	—	5	1,000
Total non-income producing investments	11,289	7,517	6,540	4,767	5,707	7,095
Total non-accruing and non-income producing investments	$25,053	$7,608	$10,852	$4,810	$30,480	$7,595

Although LIBOR rates remained low in 2013, as in 2012, they had minimal effect on our targeted investment income because of LIBOR floors established for new clients and certain other existing clients beginning in 2008. Additionally, the continued downward pressure on U.S. Treasury Bill interest rates during 2013 and 2012 reduced interest from cash and cash equivalents.

At December 31, 2013, the weighted average yield on portfolio investments, exclusive of capital gains, was 10.2%, compared to 10.0% at December 31, 2012 and 11.6% at December 31, 2011. The improvement in yield in 2013 compared to 2012 is primarily the result of the addition of new investments in the portfolio during 2013. The decrease in weighted average yield in 2012 compared to 2011 is primarily a function of improved credit quality in the portfolio with lower risk, as evidenced by the new investments in Castex Energy 2005, LP, or Castex 2005, Midstates Petroleum Company, Inc., or Midstates, and EP Energy, and the restructured debt securities with HEH and Pallas Contour Mining, LLC. We compute yields on investments using interest rates as of the balance sheet date and include amortization of original issue discount, or OID, and market premium or discount, royalty interest income, net profits income and other similar investment income, weighted by their respective costs when averaged. We compute the yield on income from derivatives using estimated derivative income, net of expired options costs. These yields do not include income from any investments on non-accrual status, but do include the cost basis of such investments in the denominator. Such weighted average yields are not necessarily indicative of expected total returns on a portfolio.

Operating Expenses

The table below summarizes the components of our operating expenses (in thousands):

	For the year ended December 31, 2013	2012	2011
Interest expense and bank fees	$ 3,195	$ 2,018	$ 1,473
Management and incentive fees	5,989	4,580	5,422
Professional fees, insurance expenses and other G&A	6,061	4,962	5,139
Total operating expenses	$15,245	$11,560	$12,034

For the year ended December 31, 2013, total operating expenses were $15.2 million, increasing $3.6 million, or 31%, compared to the year ended December 31, 2012. Operating expenses for 2012 of $11.6 million decreased 3% compared to the year ended December 31, 2011. Interest expense and fees on our credit facilities increased $1.2 million to $3.2 million in 2013 compared to $2.0 million in 2012 and $1.5 million in 2011, due to increased average borrowing levels supporting our larger investment portfolio.

Management and incentive fees for 2013 were $6.0 million, increasing $1.4 million compared to $4.6 million in 2012 primarily as a result of higher average total asset balances, which are the basis for the base management fee computation. In addition, 2013 management and incentive fees include investment income incentive fees of $0.4 million in 2013, as a result of our net investment income exceeding the quarterly hurdle rate of 2% in the second quarter of 2013. Management and incentive fees for 2012 were $4.6 million, decreasing $0.8 million in 2012 compared to 2011, primarily as a result of lower base management fees in 2012 and the incurrence of $0.3 million of investment income incentive fees in 2011. Professional fees, insurance expense and other general and administrative expenses increased 22% to $6.0 million compared to $5.0 million for 2012 and $5.1 million in 2011. The increase in 2013 is largely attributable to higher legal and professional fees, including $0.6 million, or $0.03 per share, of costs related to our process of evaluating strategic alternatives to enhance stockholder value.

Operating expenses include our allocable portion of the total organizational and operating expenses incurred by us, our Manager and our Administrator, as determined by our Board of Directors and representatives of our Manager and our Administrator. According to the terms of the Investment Advisory Agreement, we calculate the base management fee quarterly as 0.45% of the average of our total assets as of the end of the two previous quarters. Other general and administrative expenses include our allocated share of employee, facilities, stockholder services and marketing costs incurred by our Administrator.

Net Investment Income

For the year ended December 31, 2013, net investment income was $12.6 million, or $0.61 per common share, compared to $11.8 million, or $0.55 per share, for 2012. The 7%, or $0.8 million, increase in 2013 is primarily attributable to $2.5 million of ‘‘make whole’’ interest associated with the repayments of loans from Resaca and CDF and higher average portfolio balances during 2013, offset by higher interest expenses and fees on our credit facilities, management and incentive fees and general and administrative expenses, as described above.

For the year ended December 31, 2012, net investment income was $11.8 million, or $0.55 per share, compared to $15.8 million, or $0.73 per share, for 2011. The $4.0 million, or 26%, decrease was primarily attributable to the recognition, in the second quarter of 2011, of $4.5 million of previously unrecognized PIK interest income on Tranche B of a Term Loan issued to Alden, which was sold in July 2011.

Net Realized Losses

For the year ended December 31, 2013, we recognized net realized capital losses of $2.3 million resulting from a $3.3 million loss on the disposition of our warrants and common stock of Resaca, a $1.6 million loss from the sale of our shares of GMX common stock and a $0.5 million loss resulting from adjustments to the amounts recorded on our 2011 sales of our investments in Alden and DeanLake Operator, LLC, or DeanLake, partially offset by a $1.8 million gain from the sale of our Class B LP units of CDF and a $1.3 million gain from the sale of $10.0 million face amount of EP Energy Senior Unsecured Notes.

For the year ended December 31, 2012, net realized capital losses were $17.8 million, resulting primarily from realized losses on the write-off of our investments in Bionol Clearfield, LLC, or Bionol, and BioEnergy Holding, LLC, or BioEnergy, totaling $22.2 million after tax, partially offset by realized gains of $2.8 million on the sale of our Tammany Oil & Gas, LLC, or Tammany, overriding royalty interest and warrants, a net gain of $1.3 million on the sale of $15.0 million face amount of EP Energy Senior Unsecured Notes and net gains on remaining sales and settlements of $0.3 million.

For the year ended December 31, 2011, net realized capital losses were $30.6 million, resulting primarily from the sale of our investments in Alden and Gatliff Services, LLC, or Gatliff, $3.9 million; DeanLake, $13.9 million; TierraMar Energy, LP, or TierraMar, $15.2 million; and Pioneer Natural Resources Co., or Pioneer, $1.1 million; partially offset by realized gains from the sales of the overriding royalty interest associated with Greenleaf Investments, LLC, or Greenleaf, $1.0 million; a portion of our investment in GMX, $0.5 million; and the after pay-out overriding royalty interest and 50% of our warrants in Tammany of $2.0 million.

Unrealized Appreciation or Depreciation on Investments

For the year ended December 31, 2013, net unrealized depreciation on portfolio investments was $6.4 million, or $0.31 per share, primarily due to decreases in the estimated fair value of our investments in

GMX 2018 Notes and common stock of $6.5 million and Spirit preferred units and overriding royalty interests of $4.1 million and the reversal of unrealized appreciation, due to realizations, on our investments in CDF of $1.3 million and on our investments in EP Energy of $1.3 million. These decreases were partially offset by increases in the fair value of Castex 2005 Preferred Units of $1.6 million, Crossroads warrants and overriding royalty interest of $1.5 million and the reversal of unrealized depreciation, due to realization, on our investment in Resaca common stock and warrants of $3.1 million and net increases in our remaining investments of $0.6 million.

For the year ended December 31, 2012, net unrealized appreciation was $23.4 million, primarily due to the reversal of prior year unrealized depreciation, due to realization, on our investments in BioEnergy and Bionol of $21.8 million, increases in the estimated fair value of our debt investments in HEH of $3.7 million and EP Energy of $1.3 million, and increases in the estimated fair value of our equity investments in CDF, and Castex 2005 of $2.0 million, partially offset by the reversal of prior period unrealized appreciation, due to realization, associated with our investments in Tammany overriding royalty interests and warrants of $1.9 million and a decrease in the estimated fair value of our investment in Globe BG, LLC, or Globe, royalty earn-out of $3.0 million. Net decreases in the estimated fair value of our remaining investments totaled $0.5 million in 2012.

For the year ended December 31, 2011, net unrealized depreciation was $5.1 million, primarily due to decreases in the estimated fair value of our investments in BioEnergy and Bionol of $21.5 million, Black Pool Energy Partners, LLC of $3.7 million, GMX of $3.4 million and the reversal, due to realizations, of prior period unrealized net appreciation associated with our investments in Alden of $4.4 million, partially offset by the reversal of prior period unrealized depreciation associated with our investments in DeanLake of $10.7 million and TierraMar of $15.7 million which were exited in 2011. Net increases in the estimated fair value of our remaining investments totaled $1.5 million in 2011.

Net Increase or Decrease in Net Assets Resulting from Operations

For the year ended December 31, 2013, we recorded a net increase in net assets resulting from operations of $3.9 million, or $0.19 per share, compared to a net increase in net assets resulting from operations of $17.4 million, or $0.81 per share, for the year ended December 31, 2012. The $13.5 million, or $0.62 per share, net decrease between the two periods was primarily attributable to the $14.3 million decrease in net realized and unrealized gains on our investments, partially offset by a $0.8 million increase in net investment income, both of which are described above.

For the year ended December 31, 2012, we recorded a net increase in net assets resulting from operations of $17.4 million, or $0.81 per share, compared to a net decrease in net assets resulting from operations of $19.9 million, or $0.92 per share, for the year ended December 31, 2011. The $37.2 million, or $1.73 per share, net change between the two periods was primarily attributable to the $41.3 million decrease in net realized and unrealized losses on our investments, partially offset by a $4.0 million decrease in net investment income in 2012.

Financial Condition, Liquidity and Capital Resources

During the year ended December 31, 2013, we generated cash from operations of $8.8 million, excluding net purchases of investments, compared to $8.0 million in 2012 and $8.7 million in 2011. The higher amounts of cash generated from operations in 2013 are primarily attributable to higher cash investment income in 2013 compared to 2012.

Our net cash provided by operating activities for the year ended December 31, 2013 was $4.8 million, compared to $96.5 million of net cash used in operating activities in 2012 and $53.7 million of net cash provided by operating activities in 2011. This increase in net cash provided by operations in 2013 was primarily due to lower net purchases of investments in portfolio securities and U.S. Treasury Bills in 2013. Purchases of portfolio securities totaled $98.7 million during 2013, compared to $125.2 million in 2012 and $106.6 million in 2011. Purchases in 2013 primarily included the Talos Senior Notes of $24.8 million, OCI Subordinated Notes and direct equity co-investment totaling $17.2 million, Nekoosa Second Lien Term Loan of $17.2 million, Shoreline Second Lien Term Loan of $13.6 million, KOVA Senior Subordinated Notes of $8.8 million, Crossroads Senior Secured Term Loan of $8.8 million and additional investments in existing portfolio companies totaling $8.3 million. Purchases in 2012 included the Castex 2005 Preferred Units of

$50.0 million, EP Energy Senior Notes of $25.0 million, an additional investment in ATP of $25.0 million, the Midstates Notes of $14.0 million, the STP Term Loan of $10.0 million and additional investments in existing portfolio companies totaling $1.2 million. Purchases in 2011 included a $10.0 million Term Loan to Resaca, investments in ATP of $40.0 million, the Spirit Term Loan of $12.0 million, the $27.0 million Term Loan to CDF, and other purchases totaling $17.6 million.

Proceeds from the redemption of investments increased $28.1 million in 2013 to $94.7 million, compared to $66.6 million in 2012 and $151.5 million in 2011. Redemptions in 2013 included CDF Senior Secured Term Loan and Class B LP units, $29.3 million; Resaca Senior Unsecured Term Loan and common stock, $13.9 million; EP Energy Senior Unsecured Notes, $11.3 million; Talos Senior Notes, $10.0 million; ATP, $10.8 million; STP Term Loan, $9.7 million; HEH, $8.1 million and other redemptions totaling $1.6 million. Redemptions in 2012 included ATP, $16.4 million; EP Energy, $16.3 million; Tammany, $13.0 million; Crestwood Holdings, LLC, $8.3 million and other redemptions totaling $12.6 million. Redemptions in 2011 included Resaca, $10.0 million; Pioneer, $10.4 million; Greenleaf, $9.6 million; ATP, $18.1 million; Tammany, $15.5 million; Alden, $55.6 million; Gatliff, $15.6 million and other redemptions totaling $16.7 million. During 2013, we also purchased and redeemed $184.0 million in U.S. Treasury Bills with borrowings under our Treasury Secured Revolving Credit Agreement, or the Treasury Facility, compared to $102.2 million in U.S. Treasury Bills purchased and $56.2 million redeemed during 2012.

At December 31, 2013, we had cash and cash equivalents totaling $29.3 million. At December 31, 2013, the amount outstanding under our $72.0 million Investment Facility was $53.0 million and an additional $19.0 million was available for borrowing. At December 31, 2013, the amount outstanding under our $45.0 million Treasury Facility was $45.0 million and there was no additional amount available for borrowing.

During the year ended December 31, 2013, we paid cash dividends totaling $13.3 million, or $0.64 per share, to our common stockholders compared to $12.7 million, or $0.59 per share during 2012 and $15.6 million, or $0.72 per share, during 2011. We currently intend to continue to distribute, in the form of quarterly dividends, a minimum of 90% of our annual investment company taxable income to our stockholders.

On October 31, 2011, our Board of Directors approved a stock repurchase plan, pursuant to which we may, from time to time, repurchase up to $10.0 million of our common stock in the open market at prices not to exceed net asset value during our open trading periods. Our Board of Directors authorized this plan, because it believes that general market trading activity may cause our common stock to be undervalued from time to time. The repurchase program does not obligate us to purchase any shares and may be discontinued at any time. During 2012, we repurchased an aggregate of 608,125 shares of our common stock in the open market at an average price of $6.89 per share, totaling $4.2 million, in accordance with the approved stock repurchase plan. During 2013, we repurchased an aggregate of 520,889 shares of our common stock in the open market at an average price of $6.49 per share, totaling $3.4 million. Under the terms of the stock repurchase plan, we have remaining authorization to repurchase up to an additional $2.4 million of common stock. Any future share repurchases will be made in accordance with applicable securities laws and regulations that set certain restrictions on the method, timing, price and volume of stock repurchases.

As of December 31, 2013, we had investments in or commitments to fund loan facilities to sixteen portfolio companies totaling $231.1 million, of which $227.9 million was drawn. We expect to fund our investments and our operations in 2014 from available cash, repayments or realizations of existing investments and from borrowings under our credit facilities. In the future, we may also fund a portion of our investments with issuances of equity or senior debt securities. We expect our primary use of funds to be investments in portfolio companies, cash distributions to holders of our common stock and payment of fees and other operating expenses.

Commodity Derivative Instruments

We use commodity derivative instruments from time to time to manage our exposure to commodity price fluctuations. We do not designate these instruments as hedging instruments for financial accounting purposes, and, as a result, we recognize the change in the instruments' fair value currently on the Consolidated Statement of Operations as net increase (decrease) in unrealized appreciation (depreciation) on investments. In December 2011, in connection with our purchase of a limited term royalty interest from ATP, we purchased a series of oil put options, expiring in July 2012 through September 2013, to provide insurance against downside price movements.

All of our put options had expired as of September 30, 2013. See Note 11 of Notes to Consolidated Financial Statements included elsewhere herein for further description of our put options.

Credit Facilities and Borrowings

On May 23, 2013, we entered into a $72.0 million Investment Facility, which replaced our previous credit facility. The total amount outstanding under the Investment Facility and our previous facility was $53.0 million and $59.5 million as of December 31, 2013 and 2012, respectively. Substantially all of our assets except our investments in U.S. Treasury Bills are collateral for the obligations under the Investment Facility. The Investment Facility matures on May 23, 2016, and bears interest, at our option, at either (i) LIBOR plus 325 to 475 basis points, or (ii) the base rate plus 225 to 375 basis points, both based on our amounts outstanding. As of December 31, 2013, the weighted average interest rate on our outstanding balance of $53.0 million was 3.9%, and an additional $19.0 million was available for borrowing under the Investment Facility. We repaid $27.0 million of the balance during January and February 2014.

On March 31, 2011, we entered into the Treasury Facility, which can only be used to purchase U.S. Treasury Bills. Proceeds from the Treasury Facility facilitate the growth of our investment portfolio and provide flexibility in the sizing of our portfolio investments. On September 24, 2013, we entered into a fourth amendment to the Treasury Facility which extended the expiration date to September 24, 2014 and increased the applicable margins to either (i) LIBOR plus 150 basis points or (ii) the base rate plus 50 basis points. We have the right at any time to prepay the loans, in whole or in part, without premium or penalty. As of December 31, 2013, we had $45.0 million outstanding with no additional amount available for borrowing under the Treasury Facility, and the interest rate on our outstanding balance was 1.67% (LIBOR plus 150 basis points). We repaid the entire balance outstanding under the Treasury Facility in January 2014 with proceeds from the sale of U.S. Treasury Bills.

The Investment Facility and Treasury Facility contain affirmative and reporting covenants and certain financial ratio and restrictive covenants that apply to our subsidiaries and us. We complied with these covenants throughout 2013 and had no events of default under either facility. The most restrictive covenants are:

- maintaining a ratio of net asset value to consolidated total indebtedness (excluding net hedging liabilities) of not less than 2.25:1.0,
- maintaining a ratio of net asset value to consolidated total indebtedness (including net hedging liabilities) of not less than 2.0:1.0,
- maintaining a ratio of EBITDA (excluding revenue from cash collateral) to interest expense (excluding interest on loans under the Treasury Facility) of not less than 3.0:1.0, and
- maintaining a ratio of collateral to the aggregate principal amount of loans under the Treasury Facility of not less than 1.02:1.0.

In addition to our Investment Facility, we may also fund a portion of our investments with issuances of equity or senior debt securities. 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 have elected to operate our business to be taxed as a RIC for federal income tax purposes. As a RIC, we generally are not 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) 98.2% 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 of 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 may not achieve operating results that will allow us to make distributions at a specific level or to increase the amount of these distributions from time to time. In addition, we may be limited in our ability to make distributions due to the asset coverage requirements for borrowings applicable to us as a BDC under the 1940 Act and due to provisions in our Investment Facility. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including possible loss of our status as a RIC. We cannot assure stockholders that they will receive any distributions or distributions at any specific level.

We have established an ‘‘opt out’’ dividend reinvestment plan, or DRIP, 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 plan agent automatically reinvests a stockholder’s cash dividend in additional shares of our common stock unless the stockholder, or his or her broker, specifically ‘‘opts out’’ of the dividend reinvestment plan and elects to receive 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 DRIP 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 DRIP 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, Operations Center, 6201 15th Avenue, Brooklyn, NY 11219 or by calling the plan administrator at 1-800-937-5449.

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 DRIP 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, when permitted by the DRIP, to primarily use newly issued shares for reinvested dividends under the DRIP. However, we reserve the right to purchase shares in the open market in connection with the DRIP. 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. We can not calculate the number of shares of our common stock to be outstanding after giving effect to payment of the dividend 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. The plan will not pay interest on any uninvested cash payment.

There are no brokerage charges or other charges to stockholders who participate in the DRIP. We pay the plan administrator's fees.

We may terminate the DRIP 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 participant withdraws from the DRIP or when the DRIP 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. Participants and interested stockholders should direct all correspondence concerning the DRIP to the plan administrator by mail at American Stock Transfer & Trust Company, Operations Center, 6201 15th Avenue, Brooklyn, NY 11219.

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 DRIP 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 DRIP. Each participant will receive each year a Form 1099-DIV, prepared by our stock transfer agent, with respect to the U.S. federal income tax status of all dividends and distributions during the previous year.

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

As of January 6, 2014, the date of our most recent dividend payment, holders of 1,729,691 shares, or approximately 8.4% of the 20,499,188 outstanding shares, were participants in the DRIP. During 2013, we declared dividends totaling $0.64 per common share.

Portfolio Credit Quality

Most of our portfolio investments at December 31, 2013, are in negotiated, and often illiquid, securities of energy-related and middle market businesses. 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. Our rating scale ranges from 1 to 7, with 1 being the highest credit quality. As of December 31, 2013 and 2012, our average portfolio rating on a dollar-weighted fair market value basis was 3.7 and 4.1, respectively. Of the 26 rated investments in 16 portfolio companies as of December 31, 2013, compared to December 31, 2012, 3 improved in rating, 1 declined in rating, 9 retained the same rating and 13 rated investments were added during 2013. As of December 31, 2013, on a fair value basis, approximately 17% of our portfolio investments were in the form of senior secured debt securities. As of December 31, 2013, we had two investments on non-accrual status with an aggregate cost and fair value of $13.8 million and less than $0.1 million, respectively. Our portfolio investments at fair value were approximately 95% and 98% of the related cost basis as of December 31, 2013 and 2012, respectively.

For the year ended December 31, 2013, net unrealized depreciation on portfolio investments was $6.4 million, or $0.31 per share, primarily due to decreases in the estimated fair value of our investments in GMX 2018 Notes and common stock of $6.5 million and Spirit preferred units and overriding royalty interests of $4.1 million and the reversal of unrealized appreciation, due to realizations, on our investments in CDF of $1.3 million and on our investments in EP Energy of $1.3 million. These decreases were partially offset by increases in the fair value of Castex 2005 Preferred Units of $1.6 million, Crossroads warrants and overriding royalty interest of $1.5 million and the reversal of unrealized depreciation, due to realization, on our investment in Resaca common stock and warrants of $3.1 million and net increases in our remaining investments of $0.6 million.

Critical Accounting Policies

Valuation of Investments

The 1940 Act requires the separate identification of investments according to the percentage ownership in a portfolio company's outstanding voting securities. The percentages and categories are as follows:

- Control investments — majority owned — we own 50% or more of a portfolio company's outstanding voting securities
- Control investments — we own more than 25% but less than 50% of a portfolio company's outstanding voting securities
- Affiliate investments — we own 5% or more but not more than 25% of a portfolio company's outstanding voting securities
- Non-affiliate investments — we own less than 5% of a portfolio company's outstanding voting securities

We account for all of the investments in our portfolio at fair value, following the provisions of the Financial Accounting Standards Board Accounting Standards Codification *Fair Value Measurements and Disclosures*, or ASC 820. ASC 820 defines fair value, establishes a framework for measuring fair values, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances requirements for fair value measurements.

ASC 820 defines fair value as the price that a seller would receive for an asset or pay to transfer a liability in an orderly transaction between independent, knowledgeable and willing market participants at the measurement date. The fair value definition focuses on exit price in the principal, or most advantageous, market and prioritizes the use of observable market inputs over unobservable entity-specific inputs. On a quarterly basis, the investment team of our Manager prepares fair value estimates for all of the investments in our portfolio utilizing the income approach and market approach in accordance with ASC 820 and presents them to our valuation committee of our Board of Directors. The valuation committee recommends its fair value estimates to our Board of Directors, which in good faith determines the final estimates of fair value for each investment. Determination of estimated fair values involves subjective judgments and estimates not susceptible of substantiation by auditing procedures. Additionally, under current auditing standards, the notes to our financial statements refer to the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on our financial statements. For more information regarding our portfolio valuation policies and procedures, see ''Valuation Process'' in Part I, Item 1. Business, above.

We record investments in securities for which market quotations are readily available at such market quotations in our financial statements as of the valuation date. For investments in securities for which market quotations are unavailable, or which have various degrees of trading restrictions, the investment team of our Manager prepares valuation analyses and fair value estimates, as generally described below.

Using the most recently available financial statements, forecasts and, when applicable, comparable transaction data, the investment team of our Manager prepares valuation analyses and fair value estimates for the various securities in our investment portfolio. These valuation analyses 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 asset appraisal reports, futures prices and engineering reserve reports of oil and natural gas properties. The investment team of our Manager considers some or all of the above valuation methods to determine the estimated asset value of a portfolio company.

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

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 elements as size of issue, tenor, and liquidity. The investment team of our Manager considers some or all of the above valuation methods to determine the estimated current market value of a comparable security.

Debt Securities and Limited-Term Royalties: In estimating the fair value of our debt investments, we first assess the overall financial health of the portfolio company through an evaluation of a number of factors, including, as relevant, historical and projected financial results, the portfolio company's enterprise value, and the nature and realizable value of any collateral. In estimating the portfolio company's enterprise value, we analyze the discounted value of estimated future net cash flows of the portfolio company, derived, when appropriate, from third party valuations of a portfolio company's assets, such as engineering reserve reports of oil and natural gas properties. We also use a market approach in estimating the portfolio company's estimated enterprise value, considering recent comparable transactions involving similar businesses or assets. We also may consider the markets in which the portfolio company operates; 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. Based upon these analyses, we assess the sources of cash flow available to the portfolio company to service its debt and the underlying credit risk, and determine an appropriate yield, or discount rate, to apply to our anticipated cash flows to be collected from each debt investment, recognizing that the collection of contractual cash flows may come from one or a combination of cash flows generated from continuing operations of the portfolio company, liquidation of collateral or sale of the portfolio company. The appropriateness of the yield on our investments is directly relative to our judgment of the associated risks, using observable yield or price data for similar or comparable debt investments when available. Fair value measurements using the discounted cash flow method can be sensitive to significant changes in the inputs. A significant increase (decrease) in the discount rate for a particular security may result in a lower (higher) value for that security.

We invest primarily in illiquid debt investments in small private companies, many of which are in the early stages of development, or are start-up companies in need of growth development capital. There is limited activity, transparency and variable data in the markets in which we invest. We have observed that there is limited correlation in yield and price data in our principle market when compared to overall market trends based upon debt investments we have made throughout our history. In circumstances where there is limited observable price or yield data of similar or comparable securities, we base our considerations on our assessments of the credit trends and underlying performance of our portfolio companies and of the markets in which we invest, relying on the collective judgment of the investment team of our Manager, our Valuation Committee members and our Board of Directors, which is based on their extensive experience and expertise investing in public and non-public securities markets.

Equity Securities: We record our investments in preferred and common equity securities (including warrants or options to acquire equity securities) at fair value based on our pro rata share of the residual equity value available after deducting all outstanding debt and other obligations, as applicable, from the estimated enterprise value of the portfolio company. To estimate the enterprise value of the portfolio company, we analyze the discounted cash flows of the portfolio company and indicative pricing (on a proved reserve and/or units-of-production basis, as appropriate) in recent comparable market transactions as mentioned above, adjusted for lack of marketability due to the illiquid nature or other restrictions on the sale of the security. In most cases, we may compute an average of the calculated values of our share of the residual equity value (using multiple approaches or various assumptions) in determining the fair value of the equity security to be reported in our financial statements. Estimating a company's enterprise value involves judgment, and residual equity values can be relatively volatile based on changes in market conditions, the company's financial performance and outlook, and other factors. Fair value measurements using market comparables can be sensitive to significant changes in the inputs. A significant increase (decrease) in the reserve multiple, or a significant decrease (increase) in the discount for lack of marketability, for a particular equity security may result in a higher (lower) fair value for that security.

In some cases, where we deem recent or pending financing or recapitalization transactions involving the portfolio company to be more indicative of enterprise value, we use such recent transactions to value the enterprise, in lieu of the discounted cash flow or market comparables. In addition, in cases where we deem appropriate, we utilize an option pricing method, or OPM, to value the various preferred stock, common stock and warrants we have in companies with complex capital structures. The OPM treats preferred stock, common stock and warrants as call options on the enterprise value, with exercise prices based on liquidation preference of the security. The OPM commonly uses the Black-Scholes model to price the call option and considers the various terms of the stockholder agreements upon liquidation of the enterprise. In addition, the OPM implicitly considers the effect of the liquidation preference as of a future liquidation date, not as of the valuation date.

Royalty Interests: We record our investments in overriding royalty 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, adjusted for lack of marketability due to the illiquid nature or other restrictions on the sale of our investment. We derive appropriate cash flow multiples from the review of comparable transactions involving similar assets. We derive the discounted value of future net cash flows, when appropriate, from third party valuations of a portfolio company's assets, such as engineering reserve reports of oil and natural gas properties. A significant increase (decrease) in the cash flow multiple, or a significant decrease (increase) in the discount for lack of marketability, for a particular investment may result in a higher (lower) fair value for that investment.

Contingent Earn-Out: Our contingent earn-out investment resulted from the sale of our investment in Alden to Globe in July 2011. The amount of the payment, up to $6.8 million, is based on a formula involving the number of clean tons produced multiplied by the difference between the company's cost of production in 2010 and the cost of production during the optimal consecutive 12-month period during the 3-year period ending July 2014. We based our valuation of the earn-out on a weighted average of the discounted value of the earn-out payment computed under twenty scenarios with various production and production cost assumptions. A significant increase (decrease) in production, a significant decrease (increase) in cost of production, or a significant decrease (increase) in the discount rate may result in a higher (lower) value of the earn-out.

Commodity Derivative Instruments: We record all derivative instruments at fair value. Quoted market prices are the best evidence of estimated fair value. We estimate the fair value of the crude oil and natural gas options using a market-based valuation methodology based upon forward commodity price and volatility curves. Independent pricing services provide the curves, which reflect broker market quotes. We consider these investments as Level 2 on the valuation hierarchy, as the values represent quoted prices for similar instruments in active markets.

Due to the inherent uncertainty in the valuation process, the fair value estimates for our investments may differ materially from the values that would have been used had a ready market for the securities existed. Additionally, changes in the market environment, portfolio company performance and other events that may occur over the lives of the investments may cause the gains or losses ultimately realized on our investments to be materially different from the valuations currently assigned. We determine the fair value of each individual investment on a quarterly basis and record changes in fair value as unrealized appreciation or depreciation.

Securities Transactions, Interest and Dividend Income Recognition

We account for all securities transactions on a trade-date basis and we accrete premiums and discounts into interest income using the effective interest method. In conjunction with the acquisition of debt securities, we may receive detachable warrants, other equity securities or property interests such as overriding royalty interests. We record these interests separately from the debt securities at their initial estimated fair value, with a corresponding amount recorded as a discount to the associated debt security. We recognize income from overriding royalty interests as received and we amortize the recorded assets using the units of production method. We defer the portion of the loan origination fees paid that represent additional yield or discount on a loan and accrete the balance into interest income over the life of the loan using the effective interest method. Upon the prepayment of a loan or debt security, we record any unamortized loan origination fees as interest income and we record any unamortized premium or discount as a realized gain or loss on the investment. We accrete market premiums or discounts on acquired loans or fixed income investments into interest income using the effective interest method. We recognize dividend income on the ex-dividend date. We accrue interest income if we expect that we will ultimately be able to collect it. When collectability of interest or dividends is doubtful, we place the investment on non-accrual status and evaluate any existing interest or dividend receivable balances to determine if a write off is necessary. We assess the collectability of the interest and dividends 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

We have investments in our portfolio that contain payment-in-kind, or PIK, provisions. We compute PIK interest income or PIK dividend income at the contractual rate specified in each investment agreement and add that amount to the principal balance of the investment. For investments with PIK interest income or PIK dividends, we calculate our income accruals on the principal balance plus any PIK amounts. If the portfolio company's projected cash flows, further supported by total enterprise value, are not sufficient to cover the contractual principal and interest or dividend amounts, as applicable, we do not accrue interest income or dividend income on the investment. To maintain our RIC status, we must pay out this non-cash source of income to stockholders in the form of dividends, even though we have not yet collected the cash. We recorded net PIK interest income of $1.6 million, $2.6 million and $7.2 million in 2013, 2012 and 2011, respectively. We did not record any PIK dividend income in 2013, 2012 or 2011.

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

We calculate realized capital gains on a security as the excess of the net amount realized from the sale or other disposition of such security over the amortized cost for the security. We calculate realized capital losses on a security 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. We consider unamortized fees, prepayment premiums, and investments charged off during the year, net of recoveries and we do not include previously recognized unrealized appreciation or depreciation.

We calculate unrealized appreciation or depreciation on a security as the amount by which the fair value of such security exceeds or is less than the amortized cost of such security, as applicable. Net unrealized appreciation or depreciation for the period reflects the change in estimated portfolio investment values during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation when we realize the settled capital gains or losses.

We do not account for our commodity derivative instruments, if any, as hedging instruments for financial accounting purposes. Net unrealized appreciation or depreciation reflects the change in estimated derivative fair values during the reporting period including the reversal of previously recorded unrealized appreciation or depreciation when we realize the settled gains or losses.

Contractual Obligations and Off-Balance Sheet Arrangements

The following table summarizes our contractual payment obligations at December 31, 2013 (in thousands):

Revolving credit facilities[1]:	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
Investment Facility	$53,000	$ —	$53,000	$—	$—
Treasury Facility	45,000	45,000	—	—	—
Total	$98,000	$45,000	$53,000	$—	$—

(1) Excludes accrued interest amounts.

We have certain unused commitments to extend credit to our portfolio companies. Generally, these commitments have fixed expiration dates, and we do not expect to fund the entire amounts before they expire. Therefore, these commitment amounts do not necessarily represent future cash requirements. In February 2010, we arranged for a letter of credit issued under the Investment Facility with respect to our investment in one of our portfolio companies. As of December 31, 2012, the letter of credit balance was $0.1 million and it expired on February 23, 2013. We do not report the unused portions of these commitments on our Consolidated Balance Sheets. The following table shows our unused credit commitments and letter of credit as of December 31, 2013 and 2012 (in thousands):

	As of December 31,	
	2013	2012
Unused credit commitments	$3,267	$2,892
Letter of credit	—	137

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 and commodity price 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, since the underlying assets of our portfolio companies' debt investments are often security for some of our 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.

Historically, we have concentrated our investments in the securities of companies that operate in the energy industry. This industry is replete with risks that may affect individual companies or may systemically affect virtually 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 "Item 1A. 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 BDC and as a RIC, or for management of liquidity or credit risk). The proceeds realized from such liquidation would likely be significantly less than the long-term value of the liquidated investments.

We 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 Investment Facility as a means to bridge to long-term financing. These borrowings rank senior in our capital structure to interests of our stockholders and, thus, have a senior claim on earnings and cash flows generated by our investment portfolio. To the extent that we are able to invest 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 leverage. 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 leverage. Elaboration of the risks associated with the issue of senior securities is provided in "Item 1A. Risk Factors."

Another facet of utilizing borrowed money to make investments is that our net investment income is dependent upon the difference, or spread, between the rate at which we borrow funds and the interest rate or effective yield at which we invest those funds. For example, a hypothetical 1% increase in the interest rate under our Investment Facility, when fully drawn, would result in a $0.7 million increase in our interest expense. 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, 2013, excluding investments in U.S. Treasury Bills, approximately 70% of our portfolio investments at fair value in our portfolio were at fixed rates, while approximately 30% 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.

Item 8. Financial Statements and Supplementary Data.

INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
NGP Capital Resources Company

We have audited the accompanying consolidated balance sheets of NGP Capital Resources Company, including the consolidated schedules of investments, as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, cash flows, and financial highlights for each of the two years in the period ended December 31, 2013. Our audits also included the financial statement schedule listed in the Index at Item 15(a), Schedule 12 – 14 Schedule of Investments In and Advances to Affiliates. These financial statements, financial highlights, and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements, financial highlights, and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2013 and 2012 by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the consolidated financial position of NGP Capital Resources Company at December 31, 2013 and 2012, and the consolidated results of its operations, changes in net assets, and its cash flows for each of the two years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), NGP Capital Resources Company's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) and our report dated March 7, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Houston, Texas
March 7, 2014

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
NGP Capital Resources Company

We have audited NGP Capital Resources Company's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). NGP Capital Resources Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, NGP Capital Resources Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of NGP Capital Resources Company, including the consolidated schedules of investments, as of December 31, 2013 and 2012 and the related consolidated statements of operations, changes in net assets, cash flows, and financial highlights for each of the two years in the period ended December 31, 2013, and our report dated March 7, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Houston, Texas
March 7, 2014

Report of Independent Registered Public Accounting Firm

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

In our opinion, the consolidated statements of operations, of changes in net assets and of cash flows for the year ended December 31, 2011 present fairly, in all material respects, the results of operations and cash flows of NGP Capital Resources Company and its subsidiaries for the year ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Houston, Texas
March 9, 2012

NGP CAPITAL RESOURCES COMPANY

CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share and Per Share Amounts)

	December 31, 2013	December 31, 2012
Assets		
Investments in portfolio securities at fair value		
Control investments – majority owned (cost: $27,459 and $8,140, respectively)	$ 24,218	$ 8,608
Affiliate investments (cost: $17,510 and $16,280, respectively)	17,043	13,153
Non-affiliate investments (cost: $176,988 and $193,332, respectively)	170,110	191,853
Total portfolio investments	211,371	213,614
Investments in U.S. Treasury Bills at fair value (cost: $46,000 and $45,996, respectively)	46,000	45,996
Total investments	257,371	259,610
Cash and cash equivalents	29,298	47,655
Accounts receivable and other current assets	464	732
Interest receivable	2,397	1,876
Prepaid assets	3,093	2,449
Total current assets	35,252	52,712
Total assets	$292,623	$312,322
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	$ 1,313	$ 1,372
Management and incentive fees payable	1,387	1,305
Dividends payable	3,280	3,363
Income taxes payable	91	515
Short-term debt	45,000	45,000
Total current liabilities	51,071	51,555
Deferred tax liabilities	—	1
Long-term debt	53,000	59,500
Total liabilities	104,071	111,056
Commitments and contingencies (Note 7)		
Net assets		
Common stock, $.001 par value, 250,000,000 shares authorized; 20,499,188 and 21,020,077 shares issued and outstanding	20	21
Paid-in capital in excess of par	247,759	251,088
Undistributed net investment income (loss)	(583)	(1,672)
Undistributed net realized capital gain (loss)	(51,176)	(47,148)
Net unrealized appreciation (depreciation) on investments	(7,468)	(1,023)
Total net assets	188,552	201,266
Total liabilities and net assets	$292,623	$312,322
Net asset value per share	$ 9.20	$ 9.57

(See accompanying notes to consolidated financial statements)

NGP CAPITAL RESOURCES COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Data)

	For The Year Ended December 31, 2013	2012	2011
Investment income			
Interest income:			
Control investments – majority owned	$ 2,012	$ —	$ 8,605
Affiliate investments	5,094	1,728	1,325
Non-affiliate investments	16,702	18,638	15,587
Dividend income:			
Non-affiliate investments	3,988	1,917	—
Royalty income, net of amortization:			
Control investments – majority owned	48	—	1,195
Non-affiliate investments	43	523	1,031
Other income	25	563	160
Total investment income	27,912	23,369	27,903
Operating expenses			
Interest expense and bank fees	3,195	2,018	1,473
Management and incentive fees	5,989	4,580	5,422
Professional fees, net of legal fees of $3,205, $0 and $0 related to the ATP bankruptcy (See Note 7)	1,949	1,098	1,065
Insurance expense	719	721	728
Other general and administrative expenses	3,393	3,143	3,346
Total operating expenses	15,245	11,560	12,034
Income tax provision (benefit), net	91	46	60
Net investment income	12,576	11,763	15,809
Net realized capital gain (loss) on investments			
Control investments – majority owned	(464)	(143)	(32,978)
Affiliate investments	(3,336)	(21,758)	—
Non-affiliate investments	1,592	4,535	2,364
Benefit (provision) for taxes on realized gain (loss)	(53)	(461)	—
Total net realized capital gain (loss) on investments	(2,261)	(17,827)	(30,614)
Net unrealized appreciation (depreciation) on investments			
Control investments – majority owned	(3,709)	350	18,680
Affiliate investments	2,661	20,604	(22,197)
Non-affiliate investments	(5,398)	2,452	(1,588)
Benefit (provision) for taxes on unrealized appreciation (depreciation) on investments	1	9	22
Total net unrealized appreciation (depreciation) on investments	(6,445)	23,415	(5,083)
Net increase (decrease) in net assets resulting from operations	$ 3,870	$ 17,351	$(19,888)
Net increase (decrease) in net assets resulting from operations per common share	$ 0.19	$ 0.81	$ (0.92)
Dividends declared per common share	$ 0.64	$ 0.57	$ 0.72
Weighted average shares outstanding – basic and diluted	20,698	21,429	21,628

(See accompanying notes to consolidated financial statements)

NGP CAPITAL RESOURCES COMPANY

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
(In Thousands)

	Common Stock		Paid-in Capital in Excess of Par	Undistributed Net Investment Income (Loss)	Undistributed Net Realized Capital Gain (Loss)	Net Unrealized Appreciation (Depreciation) on Investments	Total Net Assets
	Shares	Amount					
Balance at December 31, 2010	21,628	$22	$295,684	$ (7,846)	$(32,779)	$(19,355)	$235,726
Net increase (decrease) in net assets resulting from operations	—	—	(40,198)	22,900	2,493	(5,083)	(19,888)
Dividends declared	—	—	—	(15,572)	—	—	(15,572)
Balance at December 31, 2011	21,628	22	255,486	(518)	(30,286)	(24,438)	200,266
Net increase (decrease) in net assets resulting from operations	—	—	(206)	11,004	(16,862)	23,415	17,351
Acquisition of common stock under repurchase plan	(608)	(1)	(4,192)	—	—	—	(4,193)
Dividends declared	—	—	—	(12,158)	—	—	(12,158)
Balance at December 31, 2012	21,020	21	251,088	(1,672)	(47,148)	(1,023)	201,266
Net increase (decrease) in net assets resulting from operations	—	—	51	14,292	(4,028)	(6,445)	3,870
Acquisition of common stock under repurchase plan	(521)	(1)	(3,380)	—	—	—	(3,381)
Dividends declared	—	—	—	(13,203)	—	—	(13,203)
Balance at December 31, 2013	20,499	$20	$247,759	$ (583)	$(51,176)	$ (7,468)	$188,552

(See accompanying notes to consolidated financial statements)

NGP CAPITAL RESOURCES COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	For The Year Ended December 31, 2013	2012	2011
Cash flows from operating activities			
Net increase (decrease) in net assets resulting from operations	$ 3,870	$ 17,351	$ (19,888)
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:			
Payment-in-kind interest	(1,636)	(2,571)	(7,230)
Net amortization of premiums, discounts and fees	(757)	(1,362)	(2,437)
Net realized capital (gain) loss on investments	2,208	17,366	30,614
Net unrealized depreciation (appreciation) on investments	6,446	(23,406)	5,105
Net deferred income tax provision (benefit)	(1)	(9)	(8)
Effects of changes in operating assets and liabilities:			
Accounts receivable and other current assets	268	710	1,654
Interest receivable	(521)	(1,084)	1,444
Prepaid assets	(644)	271	(983)
Payables and accrued expenses	(401)	780	460
Purchase of investments in portfolio securities	(98,690)	(125,204)	(106,558)
Proceeds from redemption of investments in portfolio securities	94,667	66,620	151,512
Purchase of investments in U.S. Treasury Bills	(183,999)	(102,198)	(30,601)
Proceeds from redemption of investments in U.S. Treasury Bills	184,000	56,202	30,601
Net cash provided by (used in) operating activities	4,810	(96,534)	53,685
Cash flows from financing activities			
Borrowings under revolving credit facilities	409,500	201,313	160,000
Repayments on revolving credit facilities	(416,000)	(146,813)	(160,000)
Acquisition of common stock under repurchase plan	(3,381)	(4,193)	—
Dividends paid	(13,286)	(12,688)	(15,572)
Net cash provided by (used in) financing activities	(23,167)	37,619	(15,572)
Net increase (decrease) in cash and cash equivalents	(18,357)	(58,915)	38,113
Cash and cash equivalents, beginning of period	47,655	106,570	68,457
Cash and cash equivalents, end of period	$ 29,298	$ 47,655	$ 106,570
Supplemental Disclosures:			
Cash paid for interest	$ 1,940	$ 795	$ 442
Cash paid for taxes, net of refunds	568	67	51

(See accompanying notes to consolidated financial statements)

NGP CAPITAL RESOURCES COMPANY

CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2013
(In Thousands, Except Share Amounts and Percentages)

Portfolio Company	Industry Segment	Investment[1]	Principal	Cost	Fair Value[2]
PORTFOLIO INVESTMENTS					
Control Investments – Majority Owned (50% or more owned)					
Contour Highwall Holdings, LLC[8]	Coal Mining	Senior Secured Term Loan (12%, due 10/14/2015)	$10,344	$10,379	$10,344
		800 Membership Units representing 80% of the common equity[11]		—	836
Spirit Resources, LLC	Oil & Natural Gas Production and Development	Tranche A – Senior Secured Term Loan (The greater of 8% or LIBOR + 4%, due 4/28/2015)	5,500	5,406	5,500
		Tranche B – Senior Secured Term Loan (The greater of 15% PIK or LIBOR + 11%, due 10/28/2015)	3,664	3,664	3,664
		80,000 Preferred Units representing 100% of the outstanding equity		8,000	3,356
		3% Overriding Royalty Interest		10	518
Subtotal Control Investments – Majority Owned (50% or more owned)				**$27,459**	**$24,218**
Affiliate Investments – (5% to 25% owned)					
OCI Holdings, LLC	Home Health Services	Subordinated Note (The greater of 11% or LIBOR + 10% cash plus 2% PIK, due 8/15/2018)	$15,268	$15,010	$15,268
		NGP/OCI Investments, LLC Class A Units representing 24.07% ownership of OCI Holdings, LLC		2,500	1,775
Subtotal Affiliate Investments – (5% to 25% owned)				**$17,510**	**$17,043**
Non-affiliate Investments – (Less than 5% owned)					
ATP Oil & Gas Corporation	Oil & Natural Gas Production and Development	Limited Term Royalty Interest (Notional rate of 13.2%)[5]		$28,704	$28,966
Castex Energy 2005, LP	Oil & Natural Gas Production and Development	Redeemable Preferred LP Units (current pay 8% cash, due 7/1/2016)[10]	$50,000	50,034	52,760
Chroma Exploration & Production, Inc.	Oil & Natural Gas Production and Development	13,051 Shares Series A Participating Convertible Preferred Stock[6]		2,222	—
		11,918 Shares Series AA Participating Convertible Preferred Stock[6]		2,090	21
		8.11 Shares Common Stock		—	—

(See accompanying notes to consolidated financial statements)

CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2013
(In Thousands, Except Share Amounts and Percentages)
(Continued)

Portfolio Company	Industry Segment	Investment[1]	Principal	Cost	Fair Value[2]
Non-affiliate Investments – (Less than 5% owned) — Continued					
Crossroads Energy Development, LLC	Oil & Natural Gas Production and Development	Senior Secured Term Loan (The greater of 11.5% or LIBOR + 10.5%, due 5/24/2016)	$ 8,975	$ 8,463	$ 8,975
		2% Overriding Royalty Interest		166	546
		Warrants[12]		237	796
Globe BG, LLC	Coal Production	Contingent earn-out related to July 2011 sale of royalty interests in Alden Resources, LLC[9]		—	—
GMX Resources, Inc.	Oil & Natural Gas Production and Development	Senior Secured Second-Priority Notes (9%, due 3/2/2018)[6][15]	12,661	9,452	70
Huff Energy Holdings, Inc.	Oil & Natural Gas Production and Development	Senior Secured Term Loan (The greater of 12.5% or LIBOR + 8.5%, due 11/20/2015)	7,000	6,916	7,000
		3% Overriding Royalty Interest[13]		42	42
		Warrants[14]		42	42
KOVA International, Inc.	Medical Supplies Manufacturing and Distribution	Senior Subordinated Notes (12.75%, due 8/15/2018)	9,000	8,841	9,000
Midstates Petroleum Company	Oil & Natural Gas Production and Development	Senior Unsecured Notes (10.75%, due 10/1/2020)[3][5]	13,000	13,367	14,137
Myriant Corporation	Alternative Fuels and Specialty Chemicals	131,741 shares of common stock, representing 0.56% of the outstanding common shares		419	640
		Warrants[7]		49	30
Nekoosa Coated Products Holdings, Inc.	Coated Paper Products Manufacturing and Distribution	Second Lien Term Loan (13% cash plus 2% PIK, due 10/22/2018)	17,748	17,427	17,748
Shoreline Energy, LLC	Oil & Natural Gas Production and Development	Second Lien Term Loan (The greater of 10.25% or LIBOR plus 9%, or the greater of 10.25% or Prime plus 8%, due 3/27/2019)	14,000	13,594	14,000
Talos Production, LLC	Oil & Natural Gas Production and Development	Senior Unsecured Notes (9.75%, due 2/15/2018)[3]	15,000	14,923	15,337
Subtotal Non-affiliate Investments – (Less than 5% owned)				**$176,988**	**$170,110**
Subtotal Portfolio Investments (82.1% of total investments)				**$221,957**	**$211,371**
GOVERNMENT SECURITIES					
U.S. Treasury Bills[4]			$46,000	$ 46,000	$ 46,000
Subtotal Government Securities (17.9% of total investments)				**$ 46,000**	**$ 46,000**
TOTAL INVESTMENTS				**$267,957**	**$257,371**

(See accompanying notes to consolidated financial statements)

NOTES TO CONSOLIDATED SCHEDULE OF INVESTMENTS

(1) All of our portfolio investments are collateral for obligations under our Investment Facility. Our investments in U.S. Treasury Bills are collateral for obligations under our Treasury Facility. See Note 3 of Notes to Consolidated Financial Statements. Percentages represent interest rates in effect at the end of the period and due dates represent the contractual maturity dates. Warrants, common stocks, units and earn-outs are non-income producing securities, unless otherwise stated.

(2) Our Board of Directors determines, in good faith, the final estimates of fair value of our investments. Fair value estimates are determined using unobservable inputs (Level 3 hierarchy), unless otherwise stated.

(3) Fair value estimate is determined using prices with observable market inputs (Level 2 hierarchy). See Note 10 of Notes to Consolidated Financial Statements.

(4) Fair value is determined using prices for identical securities in active markets (Level 1 hierarchy). See Note 10 of Notes to Consolidated Financial Statements.

(5) We have determined that this investment is not a ‘‘qualifying asset’’ under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. The status of these assets under the 1940 Act is subject to change. We monitor the status of these assets on an ongoing basis.

(6) Non-accrual status.

(7) Myriant Corporation warrants expire on August 15, 2015 and provide us the right to purchase 32,680 shares of Myriant Corporation common stock at a purchase price of $10.00 per share.

(8) Effective January 14, 2013, Pallas Contour Mining, LLC changed its name to Contour Highwall Holdings, LLC.

(9) Contingent payment of up to $6.8 million is dependent upon Alden Resources, LLC’s ability to achieve certain sales volume and operating efficiency levels during the three year period ending July 2014.

(10) Upon redemption, we will receive the outstanding face amount plus an option to elect to receive either: a) a cash payment resulting in a total 12% IRR (inclusive of the 8% cash distributions) or b) our pro rata share of 2% of the outstanding regular limited partner interests in Castex Energy 2005, LP (0.67% net to us).

(11) The fair value of our Contour Highwall Holdings, LLC membership units also includes the value attributable to our ownership of 8,000 shares of Bundy Auger Mining, Inc. common stock.

(12) Crossroads Energy Development, LLC, or Crossroads, warrants expire seven years after repayment of the Term Loan and entitle us to purchase 21,529 Class A Units, representing 18% ownership in Crossroads, for $0.01 per unit.

(13) Huff Energy Holdings, Inc., or HEH, overriding royalty interests are after payout. HEH has the right to purchase the overriding royalty interests on, or before, the maturity date of the term loan for $50,000, provided that the Term Loan is repaid by the maturity date.

(14) HEH warrants expire seven years after repayment of the Term Loan and entitle us to purchase 30% of the outstanding equity at $0.01 per share. HEH has the right to purchase these warrants on, or before, the maturity date of the term loan for $50,000, provided that the Term Loan is repaid by the maturity date.

(15) On January 14, 2014, we sold all of our investment in GMX Resources, Inc. Senior Secured Second-Priority Notes for $70,000.

NGP CAPITAL RESOURCES COMPANY

CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2012
(In Thousands, Except Share Amounts and Percentages)

Portfolio Company	Industry Segment	Investment[1]	Principal	Cost	Fair Value[2]
PORTFOLIO INVESTMENTS					
Control Investments – Majority Owned (50% or more owned)					
Pallas Contour Mining, LLC	Coal Mining	Senior Secured Term Loan (12%, due 10/14/2015)	$ 8,108	$ 8,140	$ 8,108
		800 Membership Units representing 80% of the common equity		—	500
Rubicon Energy Partners, LLC[10]	Oil & Natural Gas Production and Development	4,000 LLC Units – 50% ownership of the assets		—	—
Subtotal Control Investments – Majority Owned (50% or more owned)				**$ 8,140**	**$ 8,608**
Affiliate Investments – (5% to 25% owned)					
Resaca Exploitation, Inc.	Oil & Natural Gas Production and Development	Senior Unsecured Term Loan (9.5% cash, 12% PIK or 14% default, due 12/31/2014)[15]	$12,933	$12,795	$12,933
		Common Stock (1,360,972 shares) – representing 6.56% of the outstanding common stock[3][8]		3,235	210
		Warrants[11]		250	10
Subtotal Affiliate Investments – (5% to 25% owned)				**$16,280**	**$13,153**
Non-affiliate Investments – (Less than 5% owned)					
ATP Oil & Gas Corporation	Oil & Natural Gas Production and Development	Limited Term Royalty Interest (Notional rate of 13.2%)[5]		$36,614	$37,026
BP Corporation North America, Inc.	Oil & Natural Gas Production and Development	Put options to sell up to 83,048 Bbls of crude oil at a strike price of $65.00 per Bbl. 9 monthly contracts expiring through September 30, 2013[3][5]		245	9
Castex Energy Development Fund, LP	Oil & Natural Gas Production and Development	Senior Secured Term Loan (The greater of 11.5% or LIBOR + 10.5%, due 12/31/2014)	$27,500	27,141	27,500
		Castex Class B Units – 5%[14]		0	910
Castex Energy 2005, LP	Oil & Natural Gas Production and Development	Redeemable Preferred LP Units (current pay 8% cash, due 7/1/2016)[16]	50,000	50,046	51,180
Chroma Exploration & Production, Inc.	Oil & Natural Gas Production and Development	12,301 Shares Series A Participating Convertible Preferred Stock[6]		2,222	—
		11,234 Shares Series AA Participating Convertible Preferred Stock[6]		2,090	43
		8.11 Shares Common Stock		—	—

(See accompanying notes to consolidated financial statements)

NGP CAPITAL RESOURCES COMPANY

CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2012
(In Thousands, Except Share Amounts and Percentages)
(Continued)

Portfolio Company	Industry Segment	Investment[1]	Principal	Cost	Fair Value[2]
Non-affiliate Investments – (Less than 5% owned) – (continued)					
EP Energy, LLC	Oil & Natural Gas Production and Development	Senior Unsecured Notes (9.375%, due 5/1/2020)[3]	$10,000	$ 10,000	$ 11,338
Globe BG, LLC	Coal Production	Contingent earn-out related to July 2011 sale of royalty interests in Alden Resources, LLC[13]		—	240
GMX Resources, Inc.	Oil & Natural Gas Production and Development	Senior Secured Second-Priority Notes (9%, due 3/2/2018)	12,661	9,452	7,407
		2,975,098 Shares Common Stock[4]		2,317	1,488
Huff Energy Holdings, Inc.	Oil & Natural Gas Production and Development	Senior Secured Term Loan (The greater of 11% or LIBOR +7%, due 4/15/2013)[9]	15,100	15,100	15,100
Midstates Petroleum Company	Oil & Natural Gas Production and Development	Senior Subordinated Notes (10.75%, due 10/1/2020)[3][5]	14,000	14,435	14,875
Myriant Corporation	Alternative Fuels and Specialty Chemicals	131,741 shares of common stock, representing 0.56% of the outstanding common shares		419	770
		Warrants[7]		49	110
Southern Pacific Resources Corp.	Oil & Natural Gas Production and Development	Second Lien Term Loan (The greater of 10.5% or LIBOR + 8.5% or the greater of 10.5% or Prime + 7.5%, due 1/07/2016)[5]	9,740	9,850	9,837
Spirit Resources, LLC	Oil & Natural Gas Production and Development	Senior Secured Term Loan (The greater of 12% or LIBOR + 8%, due 4/27/2015)	13,500	13,327	13,500
		Warrants[12]		25	520
Subtotal Non-affiliate Investments – (Less than 5% owned)				**$193,332**	**$191,853**
Subtotal Portfolio Investments (82.3% of total investments)				**$217,752**	**$213,614**
GOVERNMENT SECURITIES					
U.S. Treasury Bills[4]			$46,000	$ 45,996	$ 45,996
Subtotal Government Securities (17.7% of total investments)				**$ 45,996**	**$ 45,996**
TOTAL INVESTMENTS				**$263,748**	**$259,610**

(See accompanying notes to consolidated financial statements)

NOTES TO CONSOLIDATED SCHEDULE OF INVESTMENTS

(1) All of our portfolio investments are collateral for obligations under our Investment Facility. Our investments in U.S. Treasury Bills are collateral for obligations under our Treasury Facility. See Note 3 of Notes to Consolidated Financial Statements. Percentages represent interest rates in effect at the end of the period and due dates represent the contractual maturity dates. Warrants, common stocks, units, commodity derivative instruments and earn-outs are non-income producing securities, unless otherwise stated.

(2) Our Board of Directors determines, in good faith, the final estimates of fair value of our investments. Fair value estimates are determined using unobservable inputs (Level 3 hierarchy), unless otherwise stated.

(3) Fair value estimate is determined using prices with observable market inputs (Level 2 hierarchy). See Note 10 of Notes to Consolidated Financial Statements.

(4) Fair value is determined using prices for identical securities in active markets (Level 1 hierarchy). See Note 10 of Notes to Consolidated Financial Statements.

(5) We have determined that this investment is not a ‘‘qualifying asset’’ under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. The status of these assets under the 1940 Act is subject to change. We monitor the status of these assets on an ongoing basis.

(6) Non-accrual status.

(7) Myriant Corporation warrants expire on August 15, 2015 and provide us the right to purchase 32,680 shares of Myriant Corporation common stock at a purchase price of $10.00 per share.

(8) Resaca Exploitation, Inc., or 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, 2012 has been converted to U.S. dollars.

(9) The Black Pool Energy Partners, LLC, or Black Pool, Term Loan originally matured on October 24, 2011 without repayment. On September 21, 2012, we, Black Pool and Huff Energy Holdings, Inc., or HEH, executed an amendment (effective July 31, 2012) whereby HEH unconditionally assumed the Black Pool Term Loan and became the new borrower.

(10) Assets of this portfolio company have been sold. The legal entity, in which we retain an equity interest, is in the process of dissolution.

(11) Resaca warrants expire 10 business days following termination of the credit agreement and entitle us to purchase up to 2,420,000 shares of Resaca common stock at a purchase price of $1.92 per share.

(12) Spirit Resources, LLC penny warrants expire five years after repayment of principal and interest and entitle us to acquire 33% of the Units of Membership Interest.

(13) Contingent payment of up to $6.8 million is dependent upon Alden Resources, LLC’s ability to achieve certain sales volume and operating efficiency levels during the three year period ending July 2014.

(14) Lenders were granted 10% (5% net to us) of the LP interest in Castex Energy Development Fund, or Castex EDF, via Class B LP units that will become effective at the earlier of maturity or a liquidity event in which the Castex EDF assets are sold.

(15) In March 2012, Resaca received a default notice from the agent for its Senior Unsecured Term Loan, regarding the violation of two financial covenants. Beginning March 2, 2012, the applicable interest rate under this loan is 14% as long as the covenant violation persists.

(16) Upon redemption, we will receive the outstanding face amount plus an option to elect to receive either: a) a cash payment resulting in a total 12% IRR (inclusive of the 8% cash distributions) or b) our pro rata share of 2% of the outstanding regular limited partner interests in Castex Energy 2005, LP (0.67% net to us).

(See accompanying notes to consolidated financial statements)

Note 1: Organization

These Consolidated Financial Statements present the financial position, results of operations and cash flows of NGP Capital Resources Company and its consolidated subsidiaries. The terms ''we,'' ''us,'' ''our'' and ''NGPC'' refer to NGP Capital Resources Company and its consolidated subsidiaries. We are a financial services company organized in July 2004 as a Maryland corporation to invest primarily in small and mid-size private energy companies. In 2012, we expanded our investment strategy to also include middle market companies not engaged in the energy industry. 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, or 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, or the Code. We have several direct and indirect subsidiaries that are single member limited liability companies and wholly-owned limited partnerships established to hold certain portfolio investments or provide services to us in accordance with specific rules prescribed for a company operating as a RIC. We consolidate the financial results of our wholly-owned subsidiaries for financial reporting purposes, and we do not consolidate the financial results of our portfolio companies. Our external manager, NGP Investment Advisor, LP, or our Manager, conducts our operations pursuant to an investment advisory agreement (see Note 5). NGP Energy Capital Management, L.L.C., or NGP, and NGP Administration, LLC, or our Administrator, together own 100% of our Manager.

In September 2013, our Board of Directors engaged financial advisor Keefe, Bruyette & Woods, a Stifel company, or KBW, to evaluate strategic alternatives to enhance stockholder value. The Board of Directors, with the assistance of KBW, will consider a range of options, which may include a sale or merger of our company, the acquisition of existing investment portfolios, or a combination, joint venture or other strategic alliance with another company. No decision has been made to enter into a transaction at this time, and there can be no assurance that we will enter into a transaction in the future.

Note 2: Accounting Policies

These consolidated financial statements include the accounts of NGPC and its subsidiaries. We eliminate all significant intercompany accounts and transactions. We prepare our financial statements 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. Our consolidated financial statements include all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of our financial position, results of operations and cash flows. We do not consolidate portfolio company investments, including those in which we have a controlling interest.

Use of Estimates

Preparing consolidated financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes to the consolidated financial statements. Although we believe our estimates and assumptions are reasonable, actual results could differ materially from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, liquid investments with an original maturity of three months or less in accounts such as demand deposit accounts, money market accounts, certain overnight investment sweep accounts and money market fund accounts. We record cash and cash equivalents at cost, which approximates fair value.

Prepaid Assets

Prepaid assets consist of premiums paid for directors' and officers' liability insurance and fidelity bonds with policy terms of one year, fees associated with the establishment of such policies or credit facilities

Note 2: Accounting Policies – (continued)

(See Note 3) and registration expenses related to our shelf registration statement filing. We amortize such premiums and fees monthly on a straight-line basis over the term of the policy or credit facility. We defer registration expenses and charge them 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.

The majority of our investments and accounts receivable are with companies involved in the energy industry or in energy-related businesses.

Valuation of Investments

The 1940 Act requires the separate identification of investments according to the percentage ownership in a portfolio company's outstanding voting securities. The percentages and categories are as follows:

- Control investments — majority owned — we own 50% or more of a portfolio company's outstanding voting securities
- Control investments — we own more than 25% but less than 50% of a portfolio company's outstanding voting securities
- Affiliate investments — we own 5% or more but not more than 25% of a portfolio company's outstanding voting securities
- Non-affiliate investments — we own less than 5% of a portfolio company's outstanding voting securities

We account for all of the assets in our portfolio at fair value, following the provisions of the Financial Accounting Standards Board Accounting Standards Codification *Fair Value Measurements and Disclosures*, or ASC 820. ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and establishes disclosure requirements for fair value measurements.

On a quarterly basis, the investment team of our Manager prepares fair value estimates for all of the investments in our portfolio utilizing the income approach and market approach in accordance with ASC 820 and presents them to our Valuation Committee of our Board of Directors. The Valuation Committee recommends its fair value estimates to the Board of Directors, which in good faith determines the final estimates of fair value for each investment. We record investments in securities for which market quotations are readily available at such market quotations as of the valuation date. For investments in securities for which market quotations are unavailable, or which have various degrees of trading restrictions, the investment team of our Manager prepares valuation analyses and fair value estimates, as generally described below.

Using the most recently available financial statements, forecasts and, when applicable, comparable transaction data, the investment team of our Manager prepares valuation analyses and fair value estimates for the various securities in our investment portfolio. These valuation analyses 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 asset appraisal reports, futures prices and engineering reserve reports of oil and natural gas properties. The investment team of our Manager considers some or all of the above valuation methods to determine the estimated asset value of a portfolio company.

Note 2: Accounting Policies – (continued)

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 on the methodologies used for asset valuations. The investment team of our Manager considers some or all of the above valuation methods to determine the estimated enterprise value of a portfolio company.

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 elements as size of issue, tenor, and liquidity. The investment team of our Manager considers some or all of the above valuation methods to determine the estimated current market value of a comparable security.

Debt Securities and Limited-Term Royalties: In estimating the fair value of our debt investments, we first assess the overall financial health of the portfolio company through an evaluation of a number of factors, including, as relevant, historical and projected financial results, the portfolio company's enterprise value, and the nature and realizable value of any collateral. In estimating the portfolio company's enterprise value, we analyze the discounted value of estimated future net cash flows of the portfolio company, derived, when appropriate, from third party valuations of a portfolio company's assets, such as engineering reserve reports of oil and natural gas properties. We also use a market approach in estimating the portfolio company's estimated enterprise value, considering recent comparable transactions involving similar businesses or assets. We also may consider the markets in which the portfolio company operates; 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. Based upon these analyses, we assess the sources of cash flow available to the portfolio company to service its debt and the underlying credit risk, and determine an appropriate yield, or discount rate, to apply to our anticipated cash flows to be collected from each debt investment, recognizing that the collection of contractual cash flows may come from one or a combination of cash flows generated from continuing operations of the portfolio company, liquidation of collateral or sale of the portfolio company. The appropriateness of the yield on our investments is directly relative to our judgment of the associated risks, using observable yield or price data for similar or comparable debt investments when available. Fair value measurements using the discounted cash flow method can be sensitive to significant changes in the inputs. A significant increase (decrease) in the discount rate for a particular security may result in a lower (higher) value for that security.

We invest primarily in illiquid debt investments in small private companies, many of which are in the early stages of development, or are start-up companies in need of growth development capital. There is limited activity, transparency and variable data in the markets in which we invest. We have observed that there is limited correlation in yield and price data in our principle market when compared to overall market trends based upon debt investments we have made throughout our history. In circumstances where there is limited observable price or yield data of similar or comparable securities, we base our considerations on our assessments of the credit trends and underlying performance of our portfolio companies and of the markets in which we invest, relying on the collective judgment of the investment team of our Manager, our Valuation Committee members and our Board of Directors, which is based on their extensive experience and expertise investing in public and non-public securities markets.

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

Note 2: Accounting Policies – (continued)

analyze the discounted cash flows of the portfolio company and indicative pricing (on a proved reserve and/or units-of-production basis, as appropriate) in recent comparable market transactions as mentioned above, adjusted for lack of marketability due to the illiquid nature or other restrictions on the sale of the security. In most cases, we may compute an average of the calculated values of our share of the residual equity value (using multiple approaches or various assumptions) in determining the fair value of the equity security to be reported in our financial statements. Estimating a company's enterprise value involves judgment, and residual equity values can be relatively volatile based on changes in market conditions, the company's financial performance and outlook, and other factors. Fair value measurements using market comparables can be sensitive to significant changes in the inputs. A significant increase (decrease) in the reserve multiple, or a significant decrease (increase) in the discount for lack of marketability, for a particular equity security may result in a higher (lower) fair value for that security.

In some cases, where we deem recent or pending financing or recapitalization transactions involving the portfolio company to be more indicative of enterprise value, we use such recent transactions to value the enterprise, in lieu of the discounted cash flow or market comparables. In addition, in cases where we deem appropriate, we utilize an option pricing method, or OPM, to value the various preferred stock, common stock and warrants we have in companies with complex capital structures. The OPM treats preferred stock, common stock and warrants as call options on the enterprise value, with exercise prices based on liquidation preference of the security. The OPM commonly uses the Black-Scholes model to price the call option and considers the various terms of the stockholder agreements upon liquidation of the enterprise. In addition, the OPM implicitly considers the effect of the liquidation preference as of a future liquidation date, not as of the valuation date.

Royalty Interests: We record our investments in overriding royalty 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, adjusted for lack of marketability due to the illiquid nature or other restrictions on the sale of our investment. We derive appropriate cash flow multiples from the review of comparable transactions involving similar assets. We derive the discounted value of future net cash flows, when appropriate, from third party valuations of a portfolio company's assets, such as engineering reserve reports of oil and natural gas properties. A significant increase (decrease) in the cash flow multiple, or a significant decrease (increase) in the discount for lack of marketability, for a particular investment may result in a higher (lower) fair value for that investment.

Contingent Earn-Out: Our contingent earn-out investment resulted from the sale of our investment in Alden Resources, LLC to Globe BG, LLC (''Globe'') in July 2011. The amount of the payment, up to $6.8 million, is based on a formula involving the number of clean tons produced multiplied by the difference between the company's cost of production in 2010 and the cost of production during the optimal consecutive 12-month period during the 3-year period ending July 2014. We based our valuation of the earn-out on a weighted average of the discounted value of the earn-out payment computed under twenty scenarios with various production and production cost assumptions. A significant increase (decrease) in production, a significant decrease (increase) in cost of production, or a significant decrease (increase) in the discount rate may result in a higher (lower) value of the earn-out.

Commodity Derivative Instruments: We record all derivative instruments at fair value. Quoted market prices are the best evidence of estimated fair value. We estimate the fair value of the crude oil and natural gas options using a market-based valuation methodology based upon forward commodity price and volatility curves. Independent pricing services provide the curves, which reflect broker market quotes. We consider these investments as Level 2 on the valuation hierarchy, as the values represent quoted prices for similar instruments in active markets.

Note 2: Accounting Policies – (continued)

We hold certain investments in debt or equity securities that are publicly traded, but for which there are relatively few transactions or for which trading activity is relatively infrequent. We value these investments at broker quotes as of the balance sheet date or at prices for which such securities were most recently traded. We consider these investments as Level 2 on the valuation hierarchy, as the values represent quoted prices for identical instruments in thinly-traded markets.

Due to the inherent uncertainty in the valuation process, the fair value estimates for our investments may differ materially from the values that would have been used had a ready market for the securities existed. Additionally, changes in the market environment, portfolio company performance and other events that may occur over the lives of the investments may cause the gains or losses ultimately realized on our investments to be materially different than the valuations currently assigned.

Securities Transactions, Interest and Dividend Income Recognition

We account for all securities transactions on a trade-date basis and we accrete premiums and discounts into interest income using the effective interest method. In conjunction with the acquisition of debt securities, we may receive detachable warrants, other equity securities or property interests such as overriding royalty interests. We record these interests separately from the debt securities at their initial estimated fair value, with a corresponding amount recorded as a discount to the associated debt security. We recognize income from overriding royalty interests as received and we amortize the recorded assets using the units of production method. We defer the portion of the loan origination fees paid that represent additional yield or discount on a loan and accrete the balance into interest income over the life of the loan using the effective interest method. Upon the prepayment of a loan or debt security, we record any unamortized loan origination fees as interest income and we record any unamortized premium or discount as a realized gain or loss on the investment. We accrete market premiums or discounts on acquired loans or fixed income investments into interest income using the effective interest method. We recognize dividend income on the ex-dividend date. We accrue interest income if we expect that we will ultimately be able to collect it. When collectability of interest or dividends is doubtful, we place the investment on non-accrual status and evaluate any existing interest or dividend receivable balances to determine if a write off is necessary. We assess the collectability of the interest and dividends 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

We have investments in our portfolio that contain payment-in-kind, or PIK, provisions. We compute PIK interest income or PIK dividend income at the contractual rate specified in each investment agreement and add that amount to the principal balance of the investment. For those investments with PIK interest or PIK dividends, we calculate our income accruals on the principal balance plus any PIK amounts. If the portfolio company's projected cash flows, further supported by total enterprise value, are not sufficient to cover the contractual principal and interest or dividend amounts, as applicable, we do not accrue interest income or dividend income on the investment. To maintain our RIC status, we must pay out this non-cash source of income to stockholders in the form of dividends, even though we have not yet collected the cash. We recorded net PIK interest income of $1.6 million, $2.6 million and $7.2 million in 2013, 2012 and 2011, respectively. We did not record any PIK dividend income in 2013, 2012 or 2011.

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

We calculate realized capital gains on a security as the excess of the net amount realized from the sale or other disposition of such security over the amortized cost for the security. We calculate realized capital losses on a security 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. We consider unamortized fees, prepayment premiums, and investments charged off during the year, net of recoveries, and we do not include previously recognized unrealized appreciation or depreciation.

Note 2: Accounting Policies – (continued)

We calculate unrealized appreciation or depreciation on a security as the amount by which the fair value of such security exceeds or is less than the amortized cost of such security, as applicable. Net unrealized appreciation or depreciation for the period reflects the change in portfolio investment values during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation when we realize the settled capital gains or losses.

We do not account for our commodity derivative instruments, if any, as hedging instruments for financial accounting purposes. Net unrealized appreciation or depreciation reflects the change in estimated derivative fair values during the reporting period including the reversal of previously recorded unrealized appreciation or depreciation when we realize the settled gains or losses.

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 we recognize these fees as earned when we perform such services, 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. We defer such fees and accrete them 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 the transaction closes or not. We defer commitment fees on transactions that close within the commitment period and accrete these fees into interest income over the life of the loan using the effective interest method. We record commitment fees on transactions that do not close in the month the commitment period expires. We recognize prepayment and loan administration fees when we receive them. During the years ended December 31, 2013, 2012 and 2011 we recorded the following amounts of fee income (in thousands):

	2013	2012	2011
Commitment fees forfeited	$ 113	$ 326	$ —
Prepayment and loan administration fees	254	265	160
Commitment fees and discounts accreted into income	761	1,391	1,399
Total fee income	$1,128	$1,982	$1,559

Dividends

We record dividends to stockholders 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 excise tax liability. We currently intend to make distributions to stockholders on a quarterly basis that total substantially all net taxable income for the year. 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 such capital gains for investment and designate such retained amounts as a deemed distribution. Each quarter, our Manager estimates our annual taxable earnings. The Board of Directors considers this estimate and determines the distribution amount, if any. We generally declare our dividends each quarter and pay them shortly thereafter.

Note 2: Accounting Policies – (continued)

The following table summarizes our recent distribution history:

Declaration Date	Per Share Amount	Record Date	Payment Date
March 19, 2012	$0.12	April 2, 2012	April 9, 2012
June 12, 2012	0.13	June 29, 2012	July 9, 2012
September 11, 2012	0.16	September 28, 2012	October 8, 2012
December 11, 2012	0.16	December 28, 2012	January 7, 2013
March 18, 2013	0.16	March 29, 2013	April 8, 2013
June 10, 2013	0.16	June 28, 2013	July 8, 2013
September 10, 2013	0.16	September 30, 2013	October 7, 2013
December 3, 2013	0.16	December 27, 2013	January 6, 2014

We have established an "opt out" dividend reinvestment plan for our common stockholders. As a result, if we declare a dividend, our plan agent automatically reinvests a stockholder's cash dividend in additional shares of our 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 purpose of the plan is to provide stockholders 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. 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.

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

The table below summarizes recent participation in our dividend reinvestment plan (in thousands, except percentages and price per share):

					Common Stock Dividends	
Dividend	Participating Shares	Percentage of Outstanding Shares	Total Distribution	Cash Dividends	Purchased in Open Market	Price per Share
March 2012	1,666	7.7%	$2,595	$2,395	$200	$6.40
June 2012	1,441	6.7%	2,779	2,592	187	7.50
September 2012	1,488	7.0%	3,421	3,183	238	7.97
December 2012	1,465	6.9%	3,363	3,129	234	7.52
March 2013	1,115	5.3%	3,363	3,185	178	7.08
June 2013	1,098	5.2%	3,280	3,104	176	6.77
September 2013	922	4.5%	3,280	3,132	148	7.55
December 2013	1,730	8.4%	3,280	3,003	277	7.59

Income Taxes

We currently qualify as a RIC for federal income tax purposes, which generally allows us to avoid paying corporate income taxes on income or capital gains that we distribute to our stockholders. We have distributed and intend to distribute sufficient dividends to eliminate taxable income. We may also be subject to federal excise tax if we do not distribute an amount at least equal to the sum of (1) 98% of our ordinary income for the calendar year, (2) 98.2% of our capital gain net income, computed for the one year period ended October 31st of that calendar year, and (3) 100% of any ordinary income or capital gain net income not

Note 2: Accounting Policies – (continued)

distributed in prior years. Dividends to stockholders are recorded on the ex-dividend date. We currently intend to make sufficient distributions each year to maintain our status as a RIC for federal income tax purposes and to avoid excise taxes.

Certain of our wholly owned subsidiaries, or Taxable Subsidiaries, have elected to be taxed as corporations for federal income tax purposes. The Taxable Subsidiaries hold certain of our portfolio investments, and are consolidated for financial reporting purposes but not for income tax reporting purposes. These Taxable Subsidiaries permit us to hold equity investments in portfolio companies that are organized as limited liability companies, or LLCs, or other forms of pass-through entities and still satisfy the RIC tax requirement that at least 90% of our gross revenue for income tax purposes must consist of investment income. The IRS taxes the income of the LLCs or other pass-through entities owned by our Taxable Subsidiaries and this tax is to the subsidiary only and does not flow through to the RIC. The Taxable Subsidiaries may generate net income tax expense or benefit, which is reflected on our Consolidated Statements of Operations among the income categories to which they relate (namely, net investment income, realized gains (losses) on investments and unrealized gains (losses) on investments.

We record any tax interest and penalties in other general and administrative expenses on our Consolidated Statement of Operations. Tax interest and penalties were immaterial for all periods presented.

Note 3: Credit Facilities and Borrowings

On May 23, 2013, we entered into a $72.0 million Third Amended and Restated Revolving Credit Agreement, or the Investment Facility, which replaced our previous investment credit facility. The total amounts outstanding under the Investment Facility and our previous facility were $53.0 million and $59.5 million as of December 31, 2013 and 2012, respectively. Substantially all of our assets except our investments in U.S. Treasury Bills are collateral for the obligations under the Investment Facility. The Investment Facility matures on May 23, 2016, and bears interest, at our option, at either (i) LIBOR plus 325 to 475 basis points, or (ii) the base rate plus 225 to 375 basis points, both based on our amounts outstanding. As of December 31, 2013, the weighted average interest rate on our outstanding balance of $53.0 million was 3.9%, and an additional $19.0 million was available for borrowing under the Investment Facility. We repaid $27.0 million of the balance during January and February 2014.

On March 31, 2011, we entered into a $30.0 million Treasury Secured Revolving Credit Agreement, or the Treasury Facility, which can only be used to purchase U.S. Treasury Bills. Proceeds from the Treasury Facility facilitate the growth of our investment portfolio and provide flexibility in the sizing of our portfolio investments. On September 24, 2013, we entered into a fourth amendment to the Treasury Facility which extended the expiration date to September 24, 2014 and increased the applicable margins to either (i) LIBOR plus 150 basis points or (ii) the base rate plus 50 basis points. We have the right at any time to prepay the loans, in whole or in part, without premium or penalty. As of December 31, 2013, we had $45.0 million outstanding with no additional amount available for borrowing under the Treasury Facility, and the interest rate on our outstanding balance was 1.7% (LIBOR plus 150 basis points). We repaid the entire balance outstanding under the Treasury Facility in January 2014 with proceeds from the sale of U.S. Treasury Bills.

The Investment and Treasury Facilities contain affirmative and reporting covenants and certain financial ratio and restrictive covenants that apply to our subsidiaries and us. We complied with these covenants throughout 2013 and had no events of default under either facility. The most restrictive covenants are:

- maintaining a ratio of net asset value to consolidated total indebtedness (excluding net hedging liabilities) of not less than 2.25:1.0,
- maintaining a ratio of net asset value to consolidated total indebtedness (including net hedging liabilities) of not less than 2.0:1.0,

Note 3: Credit Facilities and Borrowings – (continued)

- maintaining a ratio of EBITDA (excluding revenue from cash collateral) to interest expense (excluding interest on loans under the Treasury Facility) of not less than 3.0:1.0, and
- maintaining a ratio of collateral to the aggregate principal amount of loans under the Treasury Facility of not less than 1.02:1.0.

Our average amount of debt outstanding during 2013 was $56.8 million and the average interest rate was 3.4%. During the years ended December 31, 2013, 2012 and 2011, interest expense and bank fees included the following (in thousands):

	2013	2012	2011
Interest expense on borrowed amounts	$1,912	$ 821	$ 448
Commitment fees on unborrowed amounts	230	289	321
Amortization of deferred loan costs	1,053	908	704
Total interest expense and bank fees	$3,195	$2,018	$1,473

Note 4: Common Stock

On October 31, 2011, our Board of Directors approved a stock repurchase plan, pursuant to which we may, from time to time, repurchase up to $10.0 million of our common stock in the open market at prices not to exceed the net asset value of our shares during our open trading periods. During 2012 and 2013, we repurchased an aggregate of 1,129,014 shares of our common stock in the open market at an average price of $6.71 per share, totaling $7.6 million, in accordance with the approved stock repurchase plan. These repurchases were made at an approximate discount to net asset value of 30%, 26% and 28% in May and November 2012 and May 2013, respectively. Under the terms of the stock repurchase plan, we have remaining authorization to repurchase up to an additional $2.4 million of common stock. Any future share repurchases will be made in accordance with applicable securities laws and regulations that set certain restrictions on the method, timing, price and volume of stock repurchases.

Note 5: Investment Management

Investment Advisory Agreement

We have an Investment Advisory Agreement with our Manager under which our Manager administers our day-to-day operations and provides investment advisory services to us. Our Manager is subject to the overall supervision of our Board of Directors. For providing these services, we pay our Manager a fee, consisting of two components — a base management fee and an incentive fee.

Base Management Fee: According to the Investment Advisory Agreement, we calculate the base management fee as 0.45% of the average of our total assets as of the end of the two previous quarters. We record and pay this base management fee quarterly in arrears.

Incentive Fee: The incentive fee under the Investment Advisory Agreement consists of two parts. We calculate the first part of the incentive fee, the Investment Income Incentive Fee, as 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. We calculate and pay this Investment Income Incentive Fee quarterly in arrears. For the purpose of this fee calculation, net investment income means interest income, dividend income, royalty 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 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, and interest expense, 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

Note 5: Investment Management – (continued)

deferred interest feature (such as original issue discount, or OID, 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. For the years ended December 31, 2013, 2012 and 2011, we incurred Investment Income Incentive Fees totaling $0.4 million, $0 and $0.3 million, respectively.

We calculate the second part of the incentive fee, the Capital Gains Fee, as (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 our Manager in prior fiscal years. We determine and pay the Capital Gains Fee in arrears as of the end of each fiscal year (or upon termination of the Investment Advisory Agreement, as of the termination date). For accounting purposes only, in order to reflect the theoretical Capital Gains Fee that would be payable for a given period as if all unrealized capital gains were realized, we accrue a Capital Gains Fee as described above (in accordance with the terms of the Investment Advisory Agreement), plus 20% of unrealized capital gains on investments held at the end of such period. It should be noted that the portion of the accruals for the Capital Gains Fees attributable to unrealized capital gains will not necessarily be payable under the Investment Advisory Agreement, and may never be paid based on the computation of Capital Gains Fees in subsequent periods. As of December 31, 2013, we had cumulative net capital losses of $75.9 million and unrealized capital depreciation of $7.5 million. We have not incurred or paid any Capital Gains Fees since 2007.

Our Board of Directors originally approved the Investment Advisory Agreement on November 9, 2004. The Board of Directors or the affirmative vote of the holders of a majority of our outstanding voting securities must approve the continuation of the Investment Advisory Agreement at least annually. Additionally, in either case, the approval must be by a majority of our independent directors. On October 30, 2013, our Board of Directors, including all of the independent directors, approved an extension of the Investment Advisory Agreement through November 9, 2014.

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 our Manager, and would automatically terminate in the event of its ''assignment'' (as defined in the 1940 Act). Either party may terminate the Investment Advisory Agreement 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, our Manager, its partners and our Manager's 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 our Manager's services or obligations under the Investment Advisory Agreement or otherwise as our Manager.

Pursuant to the Investment Advisory Agreement, our Manager pays 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. We bear all other costs and expenses of our operations and transactions.

Our Manager, NGP Investment Advisor, LP, was formed in 2004 and maintains an office at 909 Fannin Street, Suite 3800, Houston, Texas 77010. Our Manager's sole activity is to perform management and investment advisory services for us. Our Manager is a registered investment adviser under the Investment Advisers Act of 1940.

Note 5: Investment Management – (continued)

Administration Agreement

We have an Administration Agreement with our Administrator, under which our Administrator furnishes us with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities. Under the Administration Agreement, our 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, our Administrator assists in determining and publishing our net asset value, oversees the preparation and filing of our tax returns, 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, our Administrator may also provide, on our behalf, significant managerial assistance to our portfolio companies. We base payments under the Administration Agreement upon the allocable portion of our Administrator's costs and expenses incurred in connection with administering our business. The Administration Agreement may be terminated at any time, without penalty, by a vote of our Board of Directors or by our 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).

We owed $296,000 and $299,000 to our Administrator as of December 31, 2013 and 2012, respectively, for expenses incurred on our behalf for the month of December of the respective year. We include these amounts in accounts payable and accrued expenses. Our Board of Directors originally approved the Administration Agreement on November 9, 2004. Our Board of Directors and a majority of our independent directors must approve the continuation of the Administration Agreement at least annually. On October 30, 2013, our Board of Directors, including all of the independent directors, approved an extension of the Administration Agreement through November 9, 2014.

Note 6: Federal Income Taxes

We currently qualify for tax purposes as a RIC under Subchapter M of Chapter 1 of the Code, as amended. As a RIC, the IRS generally will not tax the portion of our 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, we are required, among other things, to distribute to our stockholders at least 90% of investment company taxable income, as defined by the Code, and to meet certain asset diversification requirements. We distributed substantially all of our investment company taxable income for these years. Thus, we did not incur any federal income tax liability for any of these periods.

Certain of our Taxable Subsidiaries have elected to be taxed as corporations for federal income tax purposes. The Taxable Subsidiaries hold certain of our portfolio investments, and are consolidated for financial reporting purposes but not for income tax reporting purposes. These Taxable Subsidiaries permit us to hold equity investments in portfolio companies that are organized as LLCs or other forms of pass-through entities and still satisfy the RIC tax requirement that at least 90% of our gross revenue for income tax purposes must consist of investment income. The IRS taxes the income of the LLCs or other pass-through entities owned by our Taxable Subsidiaries, and this tax is imposed on the subsidiary only and does not flow through to the RIC. The Taxable Subsidiaries may generate net income tax expense or benefit, which is reflected on our Consolidated Statements of Operations among the income categories to which they relate (namely, net investment income, realized gains (losses) on investments and unrealized gains (losses) on investments.

Tax years 2010 through 2013 with respect to the Company and our Taxable Subsidiaries are open to future IRS examination. Our Taxable Subsidiaries have federal net operating loss carryforwards of $27.2 million that expire in various years through 2033.

Note 6: Federal Income Taxes – (continued)

Deferred income tax expense (benefit) results from temporary differences in the recognition of income and expenses for financial reporting purposes and for income tax purposes. The significant components of the income tax effects of these temporary differences, representing deferred income tax assets and liabilities are as follows (in thousands):

	December 31,	
	2013	2012
Deferred tax assets		
Net operating loss carryforwards	$ 9,749	$ 9,769
Unrealized losses, net	765	—
AMT credit carryforward	630	578
Total gross deferred tax assets	11,144	10,347
Less valuation allowance	(9,925)	(8,843)
Net deferred tax assets	1,219	1,504
Deferred tax liabilities		
Investment in partnerships – Federal	(1,219)	(661)
Unrealized gains, net	—	(844)
Total gross deferred tax liabilities	(1,219)	(1,505)
Net deferred tax assets (liablilities)	$ —	$ (1)

Federal and state income tax provisions (benefits) on net investment income, capital gains (losses) and unrealized appreciation (depreciation) on investments are as follows (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Current:			
U.S. federal – unrealized	$ —	$ —	$(14)
U.S. federal – capital (AMT)	53	461	—
State – net investment income	91	46	60
	$144	$507	$ 46
Deferred:			
U.S. federal – unrealized	$ (1)	$ (9)	$ (8)
	$ (1)	$ (9)	$ (8)
Total:			
U.S. federal – unrealized	$ (1)	$ (9)	$(22)
U.S. federal – capital (AMT)	53	461	—
State – net investment income	91	46	60
	$143	$498	$ 38

Note 6: 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 statutory Federal tax rate and the effective income tax rate were as follows (in thousands, except percentages):

	Year Ended December 31,					
	2013		2012		2011	
Net income (loss) before taxes	$ 4,013		$17,849		$(19,850)	
Provision (benefit) at the statutory rate	1,364	34%	6,069	34%	(6,749)	34%
Increase (decrease) in provision resulting from:						
RIC loss (income) not subject to income taxes	(2,361)	(59)%	(5,237)	(29)%	3,305	(17)%
State income taxes, net of federal benefit	76	2%	46	0%	60	(0)%
Valuation allowance	1,064	27%	(380)	(2)%	3,343	(17)%
Other	—	0%	—	0%	79	(0)%
Total income tax provision (benefit), net	$ 143	4%	$ 498	3%	$ 38	(0)%
Effective tax rate	4%		3%		(0)%	

Note 7: Commitments and Contingencies

As of December 31, 2013, we had investments in or commitments to fund investments to 16 portfolio companies totaling $231.1 million. Of this total, $227.9 million was outstanding and $3.2 million remained committed and available to fund. Generally, these commitments have fixed expiration dates, and we may not fund the entire $3.2 million of commitments before they expire. We do not report the unused portions of these commitments on our Consolidated Balance Sheets.

In February 2010, we arranged for a letter of credit issued under the Investment Facility with respect to our investment in one of our portfolio companies. As of December 31, 2012, the letter of credit balance was $0.1 million and it expired on February 23, 2013.

We have continuing obligations under the Investment Advisory Agreement with our Manager and the Administration Agreement with our Administrator. See Note 5. 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, our Manager, our 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 us for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of our Manager's or Administrator's services under the agreements or otherwise as our investment adviser or administrator. The agreements also provide that our Manager, our Administrator and their affiliates will not be liable to us or any stockholder for any error of judgment, mistake of law, any loss or damage with respect to any of our investments, or any action taken or omitted to be taken by our Manager or our Administrator in connection with the performance of any of their duties or obligations under the agreements or otherwise as investment adviser or administrator to us, 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, we enter into a variety of undertakings containing a variety of representations that may expose us to some risk of loss. We do not expect significant losses, if any, from such undertakings.

Note 7: Commitments and Contingencies – (continued)

Legal Proceedings

From time to time, we are involved in various legal proceedings arising in the normal course of business. While we cannot predict the outcome of these proceedings with certainty, we do not believe that an adverse result in any pending legal proceeding other than those described below, individually or in the aggregate, would be material to our business, financial condition or cash flows.

ATP Litigation. On August 17, 2012, ATP Oil & Gas Corporation, or ATP, filed a petition for relief under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of Texas. We own limited term overriding royalty interests, or ORRIs, in certain offshore oil and gas producing properties operated by ATP (generally, the Gomez and Telemark properties). On August 23, 2012, on a motion filed by ATP (Bankr. Dkt. No. 15), the bankruptcy judge presiding over ATP's case signed an order (Bankr. Dkt. No. 191) allowing ATP to pay amounts received after August 17, 2012 to those parties it believes are entitled to receive them, including the ORRI holders, provided that the owners of the ORRIs execute a disgorgement agreement providing for the repayment to ATP of any amounts that the bankruptcy court later finds to have been inappropriately paid. We executed the disgorgement agreement and began receiving monthly distributions in September 2012 from ATP of our share of production proceeds received by ATP after August 17, 2012. As of December 31, 2013, our unrecovered investment was $29.0 million, and we had received aggregate production payments of $24.3 million subject to the disgorgement agreement. In addition, as of December 31, 2013, we had incurred legal and consulting fees totaling $3.2 million in connection with the enforcement of our rights under the ORRIs, $2.7 million of which has been added to the unrecovered investment balance under the terms of the ORRI transaction documents. Legal and consulting fees totaling $0.5 million and $0.6 million as of December 31, 2013 and 2012, respectively, are included in accounts receivable and other current assets on our consolidated balance sheets.

On October 17, 2012, we filed a lawsuit against ATP styled: *NGP Capital Resources Company v. ATP Oil & Gas Corporation*, Adv. Proc. No. 12-03443, in the U.S. Bankruptcy Court for the Southern District of Texas, seeking a declaration that the ORRIs are our property and not property of ATP and that the conveyance and purchase and sale documents are not executory contracts that may be rejected in order to remove or recharacterize our interests in the properties. ATP filed an answer and counterclaim in which it (a) denies that the ORRIs are valid and enforceable, (b) seeks a declaration that (i) the ORRIs are a financing agreement and not a true sale and (ii) the ORRIs are executory contracts that are subject to rejection under 11 U.S.C. Sec. 365, and (c) seeks disgorgement from us of amounts paid to us since August 17, 2012, the date of filing of ATP's Chapter 11 proceeding. The United States, on behalf of the Department of the Interior, intervened in the lawsuit, arguing that the underlying leases are unexpired leases of real property or executory contracts (and not real property conveyances) and are subject to rejection by ATP. Certain service companies claiming statutory liens or privileges have intervened in the lawsuit for the purposes of establishing that their liens and privileges are superior to our rights and asserting related claims for disgorgement of proceeds paid to us by ATP. The Bank of New York Mellon Trust Company, N.A., the secondary lien holder, has also intervened in the lawsuit, arguing (i) the ORRIs are a financing agreement and not a true sale, (ii) our claims are barred, waived, released and/or otherwise foreclosed by the express terms of the conveyance of the ORRIs, and (iii) either we have not met a condition precedent or we failed to perform or substantially perform our contractual obligations. The issues in the lawsuit have been bifurcated such that the issues of (i) whether the conveyances and transactions between us and ATP constituted outright transfers of ownership and (ii) whether the conveyances are executory contracts or leases that ATP may reject, will be tried first. This lawsuit is currently pending, and the initial trial date was abated along with certain other deadlines pending consideration of various motions. In that context, a Motion for Summary Judgment that we filed was denied, and we have filed a motion to appeal such denial on an interlocutory basis. A new scheduling order has not been entered. We intend to vigorously defend our position that the ORRIs constitute

Note 7: Commitments and Contingencies – (continued)

real property interests and are fully valid and enforceable pursuant to their terms, and we intend to vigorously defend our position that the service companies' statutory liens and privileges do not attach to our ORRIs and/or are not superior to our rights.

On April 23, 2013, the Department of the Interior, on behalf of the Bureau of Safety and Environmental Enforcement, issued an order directing that the wells on the Gomez properties be shut in and that operations cease. Operations and production ceased on the Gomez properties on April 30, 2013. On June 13, 2013, the Court entered an order (Bankr. Dkt. No. 1999) approving ATP's request (set forth in Bankr. Dkt. No. 1902) to reject and/or abandon and relinquish its interests in the Gomez properties and related agreements, or the Abandonment Order. Our cash flows attributable to the ORRIs have been reduced since we no longer receive payments attributable to the Gomez properties.

On May 7, 2013, ATP conducted an auction of its assets, and ATP selected a credit bid from Credit Suisse AG, as administrative and collateral agent to those lenders who are parties to that certain Senior Secured Super Priority Priming Debtor in Possession Credit Agreement dated August 29, 2012, or the DIP Lenders, based on a reduction in the amount of ATP's outstanding indebtedness to Credit Suisse AG, or the Credit Bid, as the highest and best bid. The Credit Bid did not include an offer to purchase the Gomez properties but it included an offer to purchase the Telemark properties. On October 17, 2013, the Court entered its Final Order approving the sale (Bankr. Dkt. No. 2706). Under the Final Order, Bennu Oil & Gas, LLC, or Bennu, a newly formed company owned by the DIP Lenders, was authorized to purchase certain ATP assets, including the Telemark properties, as well as claims asserted by ATP in our pending lawsuit relating to the Telemark properties. Our ORRI continues to burden the Telemark properties subject to a resolution of the issues in our pending lawsuit against ATP. The sale to Bennu closed on November 1, 2013.

Note 8: Dividends and Distributions

We declared dividends for the year ended December 31, 2013 totaling $13.2 million, or $0.64 per share. For tax purposes, all of the distributions were paid from ordinary income and we classified all of our taxable dividends declared for the year ended December 31, 2013 as non-qualified dividends.

The following table summarizes the differences between financial statement net increase in net assets resulting from operations and taxable income available for distribution to stockholders for the years ended December 31, 2013, 2012 and 2011 (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Net increase (decrease) in net assets resulting from operations	$ 3,870	$ 17,351	$(19,888)
Adjustments:			
Net change in unrealized (appreciation) depreciation, net of income tax (benefit) provision	6,445	(23,415)	5,083
Amortization of insurance premiums	708	713	719
Insurance premiums deducted in prior year	(708)	(708)	(713)
Net income from consolidating affiliate	(371)	(316)	(410)
Revenue from affiliates	260	140	300
Administrative fees of affiliate	145	181	487
Realized (gain)/loss of affiliate	(1,575)	1,317	35,264
Realized (gain)/loss of investment company offset by capital loss carryforwards	3,783	16,049	(4,650)
Net subsidiary interest expense	—	—	(13)

Note 8: Dividends and Distributions – (continued)

	Year Ended December 31,		
	2013	2012	2011
Reclassification of capital loss on closed options	$ 245	$ 172	$ —
Allowance for uncollectible interest and dividends	(400)	400	(2,029)
State taxes, tax penalty, interest and fees	46	1	1
Material debt modifications	—	—	(150)
Income tax (benefit)/provision	52	452	—
Other	2	3	13
Taxable income available for distribution to stockholders	12,502	12,340	14,014
Less:			
Dividends declared	13,203	12,158	15,572
Dividends payable at prior year end	3,363	3,893	3,893
Dividends payable at current year end	(3,280)	(3,363)	(3,893)
Current year IRC Section 852(b)(7) dividend payable	2,579	1,973	3,893
Prior year IRC Section 852(b)(7) dividend payable	(3,363)	(2,321)	(896)
Current year deemed distributions	12,502	12,340	18,569
Under/(over) distribution of dividends	—	—	(4,555)
Taxable over distribution of dividends	—	—	4,555
Current year IRC Section 855 election	$ —	$ —	$ —

As of December 31, 2013, the components of net assets (excluding paid in capital) on a tax basis consisted of a $0.6 million undistributed net investment loss and net unrealized depreciation on portfolio investments of $16.8 million. In the year ended December 31, 2013, we generated long term and short term capital loss carryforwards of $22.2 million and $0.5 million, respectively, which do not expire. We have a $22.3 million remaining capital loss carryforward balance generated in the year ended December 31, 2010, expiring in 2018, for a total remaining capital loss carryforward of $45.0 million at December 31, 2013. The temporary timing differences between book and tax amounts consist of amortization of insurance premiums and capital gains recognized for tax purposes. At December 31, 2013 the aggregate cost of total portfolio investments for federal income tax purposes was $274.1 million, resulting in gross unrealized appreciation of $8.9 million and gross unrealized depreciation of $25.6 million.

Note 9: 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. These reclassifications are primarily due to reclassification of the distribution of dividends paid, non-deductible meal expenses, income and expenses from wholly owned subsidiaries and tax basis adjustments for investments sold. The table below summarizes the reclassifications from undistributed net investment income (loss), undistributed net realized capital gain (loss), and paid-in capital in excess of par for the years ended December 31, 2013, 2012, and 2011 (in thousands).

Note 9: Reclassifications – (continued)

Year	Undistributed Net Investment Income (Loss)	Undistributed Net Realized Capital Gain (Loss)	Paid-in Capital in Excess of Par
2013	$1,716	$ (1,767)	$ 51
2012	(759)	965	(206)
2011	7,091	33,107	(40,198)

Note 10: Fair Value

Investments consisted of the following as of December 31, 2013 and 2012:

	December 31, 2013				December 31, 2012			
(Dollar amounts in thousands)	Cost	% of Total	Fair Value	% of Total	Cost	% of Total	Fair Value	% of Total
Portfolio investments								
Senior secured debt	$ 34,828	13.0%	$ 35,483	13.8%	$ 63,708	24.2%	$ 64,208	24.7%
Subordinated debt	92,614	34.5%	85,560	33.2%	56,532	21.4%	56,390	21.8%
Limited term royalties	28,704	10.7%	28,966	11.4%	36,614	13.9%	37,026	14.3%
Contingent earn-out	—	0.0%	—	0.0%	—	0.0%	240	0.1%
Commodity derivative instruments	—	0.0%	—	0.0%	245	0.1%	9	0.0%
Royalty interests	218	0.1%	1,106	0.4%	—	0.0%	—	0.0%
Redeemable preferred units	50,034	18.7%	52,760	20.5%	50,046	19.0%	51,180	19.7%
Equity securities								
Membership and partnership units	10,500	3.9%	5,967	2.3%	419	0.2%	1,680	0.6%
Participating preferred stock	4,312	1.6%	21	0.0%	4,312	1.6%	43	0.0%
Common stock	419	0.2%	640	0.2%	5,552	2.1%	1,698	0.7%
Warrants	328	0.1%	868	0.3%	324	0.1%	1,140	0.4%
Total equity securities	15,559	5.8%	7,496	2.8%	10,607	4.0%	4,561	1.7%
Total portfolio investments	221,957	82.8%	211,371	82.1%	217,752	82.6%	213,614	82.3%
Government securities								
U.S. Treasury Bills	46,000	17.2%	46,000	17.9%	45,996	17.4%	45,996	17.7%
Total investments	$267,957	100.0%	$257,371	100.0%	$263,748	100.0%	$259,610	100.0%

ASC 820 defines fair value as the price that a seller would receive for an asset or pay to transfer a liability in an orderly transaction between independent, knowledgeable and willing market participants at the measurement date. The fair value definition focuses on exit price in the principal, or most advantageous, market and prioritizes the use of observable market inputs over unobservable entity-specific inputs. In accordance with ASC 820, we categorize our investments based on the inputs to our valuation methodologies as follows:

- Level 1 — Quoted unadjusted prices for identical instruments in active markets to which we have access at the date of measurement.

Note 10: Fair Value – (continued)

- 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 our own assumptions that market participants would use to price the asset or liability based on the best available information.

Fair value accounting classifies financial assets and liabilities in their entirety based on the lowest level of input that is significant to the estimated fair value measurement. Our assessment of the significance of a particular input to the estimated fair value measurement requires judgment, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels. We did not have any liabilities measured at fair value at December 31, 2013 or 2012.

During the year ended December 31, 2013, as a result of a restructuring that occurred in January 2013, our investment in Spirit Resources, LLC changed from the category of Non-Affiliate Investments to Control Investments — Majority Owned. During 2013, we transferred our investment in Resaca Exploitation, Inc. common stock from Level 2 to Level 3 due to changes in the observability of significant inputs. During the year ended December 31, 2012, as a result of a restructuring that occurred in December 2012, our investment in Pallas Contour Mining, LLC changed from the category of Non-Affiliate Investments to Control Investments — Majority Owned.

The following tables set forth our financial assets by level within the fair value hierarchy that we accounted for at fair value as of December 31, 2013 and 2012.

	Fair Value Measurements as of December 31, 2013 (In Thousands)			
	Total	Quoted Prices in Active Markets (Level 1)	Prices with Observable Market Inputs (Level 2)	Unobservable Inputs (Level 3)
Portfolio investments				
Control investments – majority owned				
Senior secured debt	$19,508	$—	$ —	$19,508
Royalty interests	518	—	—	518
Equity securities	4,192	—	—	4,192
Total control investments – majority owned	24,218	—	—	24,218
Affiliate investments				
Subordinated debt	15,268	—	—	15,268
Equity securities	1,775	—	—	1,775
Total affiliate investments	17,043	—	—	17,043
Non-affiliate investments				
Senior secured debt	15,975	—	—	15,975
Subordinated debt	70,292	—	29,474	40,818
Limited term royalties	28,966	—	—	28,966
Contingent earn-out	—	—	—	—

Note 10: Fair Value – (continued)

	Fair Value Measurements as of December 31, 2013 (In Thousands)			
	Total	Quoted Prices in Active Markets (Level 1)	Prices with Observable Market Inputs (Level 2)	Unobservable Inputs (Level 3)
Redeemable preferred units	$ 52,760	$ —	$ —	$ 52,760
Royalty interests	588	—	—	588
Equity securities	1,529	—	—	1,529
Total non-affiliate investments	170,110	—	29,474	140,636
Total portfolio investments	211,371	—	29,474	181,897
Government securities				
U.S. Treasury Bills	46,000	46,000	—	—
Total investments	$257,371	$46,000	$29,474	$181,897

	Fair Value Measurements as of December 31, 2012 (In Thousands)			
	Total	Quoted Prices in Active Markets (Level 1)	Prices with Observable Market Inputs (Level 2)	Unobservable Inputs (Level 3)
Portfolio investments				
Control investments – majority owned				
Senior secured debt	$ 8,108	$ —	$ —	$ 8,108
Equity securities	500	—	—	500
Total control investments – majority owned	8,608	—	—	8,608
Affiliate investments				
Subordinated debt	12,933	—	—	12,933
Equity securities	220	—	210	10
Total affiliate investments	13,153	—	210	12,943
Non-affiliate investments				
Senior secured debt	56,100	—	—	56,100
Subordinated debt	43,457	—	26,213	17,244
Limited term royalties	37,026	—	—	37,026
Contingent earn-out	240	—	—	240
Commodity derivative instruments	9	—	9	—
Redeemable preferred units	51,180	—	—	51,180
Equity securities	3,841	1,488	—	2,353
Total non-affiliate investments	191,853	1,488	26,222	164,143
Total portfolio investments	213,614	1,488	26,432	185,694
Government securities				
U.S. Treasury Bills	45,996	45,996	—	—
Total investments	$259,610	$47,484	$26,432	$185,694

Note 10: Fair Value – (continued)

The following table presents a rollforward of the changes in the estimated fair value during the years ended December 31, 2013 and 2012 for all investments for which we determine estimated fair value using unobservable (Level 3) factors (in thousands).

	Senior Secured Debt and Limited Term Royalties	Subordinated Debt and Redeemable Preferred Units	Net Profits Interests, Royalty Interests and Equity Securities	Contingent Earn-out	Total Investments
Fair value at December 31, 2011	$113,511	$ 11,265	$ 7,294	$ 3,270	$135,340
Total gains, (losses) and amortization:					
Net realized gains (losses)	(20,461)	—	1,804	—	(18,657)
Net unrealized gains (losses)	24,263	(983)	202	(3,030)	20,452
Net amortization of premiums, discounts and fees	418	144	(43)	—	519
New investments, repayments and settlements, net:					
New investments	25,750	69,355	—	—	95,105
Payment-in-kind	902	1,669	—	—	2,571
Repayments and settlements	(43,149)	(93)	(6,394)	—	(49,636)
Fair value at December 31, 2012	101,234	81,357	2,863	240	185,694
Total gains, (losses) and amortization:					
Net realized gains (losses)	—	—	(1,586)	—	(1,586)
Net unrealized gains (losses)	6	(4,725)	(1,957)	(240)	(6,916)
Net amortization of premiums, discounts and fees	663	117	(9)	—	771
Transfers in (out) of Level 3	—	—	210	—	210
New investments, repayments and settlements, net:					
New investments	16,604	54,256	2,980	—	73,840
Restructuring	(8,000)	—	8,000	—	—
Payment-in-kind	343	1,293	—	—	1,636
Repayments and settlements	(46,401)	(23,452)	(1,899)	—	(71,752)
Fair value at December 31, 2013	$ 64,449	$108,846	$ 8,602	$ —	$181,897

Of the $6.9 million in net unrealized losses in 2013 presented in the table above, $8.3 million was attributable to assets we held at December 31, 2013. Of the $20.5 million in net unrealized gains in 2012 presented in the table above, $1.2 million was attributable to assets we held at December 31, 2012. We present net unrealized gains (losses) on our Consolidated Statements of Operations as ‘‘Net unrealized appreciation (depreciation) on investments.’’

Note 10: Fair Value – (continued)

The following table summarizes the significant unobservable inputs in the fair value measurements of our Level 3 investments by category of investment and valuation technique as of December 31, 2013.

Type of Investment	Fair Value as of December 31, 2013 (in thousands)	Valuation Technique	Significant Unobservable Inputs	Range of Inputs	Weighted Average
Senior debt securities and limited term royalties	$ 64,449	Discounted cash flow	Discount rate	8.0% – 15.0%	12.4%
Subordinated debt securities and redeemable preferred units	42,016	Discounted cash flow	Discount rate	11.8% – 16.2%	13.8%
	66,760	Market comparables	Reserve multiples(1)	$9.00 – $15.00	$ 12.37
			Production multiples(2)	$24.00 – $48.00	$ 33.47
			EBITDA multiples	3.5x – 5.0x	4.1x
	70	Recent or pending transactions	N/A	N/A	N/A
	108,846				
Royalty interests and equity securities	2,611	Market comparables	EBITDA multiples	4.0x – 6.0x	5.5x
			Discount for lack of marketability	20%	20%
	3,356	Discounted cash flow	Discount rate	20%	20%
			Reserve multiples(1)	$12.00	$ 12.00
			Discount for lack of marketability	20%	20%
	817	Market comparables	Reserve multiples(1)	$6.00 – $20.00	$ 17.30
			Production multiples(2)	$100.00 – $150.00	$125.00
	670	Option pricing model	Implied volatility	75% – 81%	75.3%
			Discount for lack of marketability	40%	40%
			Discount for potential dilution	30%	30%
	1,106	Market comparables	Cash flow multiples	6.0x – 8.0x	6.7x
			Discount rate	10% – 20%	14.4%
	42	Recent or pending transactions	N/A	N/A	N/A
	8,602				
	$181,897				

(1) Based on recent comparable transactions involving similar assets, expressed as price per unit of equivalent barrel of oil in proved reserves.

(2) Based on recent comparable transactions involving similar assets, expressed as price per daily production of equivalent barrels of oil in proved reserves.

Note 11: Commodity Derivative Instruments

We use commodity derivative instruments from time to time to manage our exposure to commodity price fluctuations. We use all of our derivatives for risk management purposes and do not hold any amounts for speculative or trading purposes. These contracts generally consist of options contracts on underlying commodities. We do not designate these instruments as hedging instruments for financial accounting purposes and, as a result, we recognize the change in the instruments' fair value currently on the Consolidated Statement of Operations as net increase (decrease) in unrealized appreciation (depreciation) on investments. The realized gains (losses) on commodity derivatives consist of payments received on favorable expired options less the cost of all expired positions, and we recognized these gains or losses in investment income.

Note 11: Commodity Derivative Instruments – (continued)

In 2011, we acquired a limited term royalty interest from ATP and on December 29, 2011, we purchased a series of oil put options, covering 141,376 barrels of oil at a strike price of $65 per barrel, expiring in July 2012 through September 2013, to provide insurance against downside price movements. These commodity derivative instruments fully expired in September 2013.

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

	Year Ended December 31,		
	2013	2012	2011
Unrealized gains (losses) on commodity derivatives	$ 236	$ (236)	$ —
Realized losses on commodity derivatives	(245)	(172)	—
Net losses on commodity derivative instruments	$ (9)	$ (408)	$ —

Note 12: Financial Highlights

	Year Ended December 31,				
Per Share Data(1)	2013	2012	2011	2010	2009
Net asset value, beginning of period	$ 9.57	$ 9.26	$ 10.90	$ 11.10	$ 12.15
Net investment income	0.61	0.55	0.73	0.53	0.45
Net realized and unrealized gain (loss) on investments(2)	(0.42)	0.26	(1.65)	(0.04)	(0.86)
Net increase (decrease) in net assets resulting from operations	0.19	0.81	(0.92)	0.49	(0.41)
Dividends declared	(0.64)	(0.57)	(0.72)	(0.69)	(0.64)
Other(3)	0.08	0.07	—	—	—
Net asset value, end of period	$ 9.20	$ 9.57	$ 9.26	$ 10.90	$ 11.10
Market value, beginning of period	$ 7.22	$ 7.19	$ 9.20	$ 8.13	$ 8.37
Market value, end of period	$ 7.47	$ 7.22	$ 7.19	$ 9.20	$ 8.13
Market value return(4)	12.9%	8.4%	(14.6)%	22.4%	6.3%
Net asset value return(4)	4.9%	11.5%	(7.1)%	6.2%	0.0%
Ratios and Supplemental Data					
($ and shares in thousands)					
Net assets, end of period	$188,552	$201,266	$200,266	$235,726	$240,175
Average net assets	$192,392	$202,519	$217,996	$237,951	$251,506
Common shares outstanding, end of period	20,499	21,020	21,628	21,628	21,628
Net investment income/average net assets	6.5%	5.8%	7.3%	4.8%	3.9%
Portfolio turnover rate	43.6%	47.3%	60.9%	31.5%	21.9%
Total operating expenses/average net assets(5)	7.9%	5.7%	5.5%	5.1%	5.8%
Net increase (decrease) in net assets resulting from operations/average net assets	2.0%	8.6%	(9.1)%	4.4%	(3.5)%
Expense Ratios (as a percentage of average net assets)					
Interest expense and bank fees	1.7%	1.0%	0.7%	0.5%	1.1%
Management and incentive fees	3.1%	2.3%	2.5%	2.4%	2.6%
Other operating expenses(5)	3.1%	2.4%	2.3%	2.2%	2.1%
Total operating expenses(5)	7.9%	5.7%	5.5%	5.1%	5.8%

(1) Per Share Data is based on weighted average number of common shares outstanding for the period.

Note 12: Financial Highlights – (continued)

(2) May include a balancing amount necessary to reconcile the change in net asset value per share with other per share information presented. This amount may not agree with the aggregate gains and losses for the period because the difference in the net asset value at the beginning and end of the period may not equal the per share changes of the line items disclosed.

(3) Represents the impact of common stock repurchases. See Note 4.

(4) Return calculations assume reinvestment of dividends.

(5) Net of legal fee reimbursements of $3.2 million in 2013. Excluding these legal fee reimbursements, other operating expense ratio and total operating expense ratios would have been 4.8% and 9.6%, respectively, for the year ended December 31, 2013.

Note 13: Selected Quarterly Financial Data (unaudited)

	Investment Income		Net Investment Income		Net Realized and Unrealized Gain (Loss) on Investments		Net Increase (Decrease) in Net Assets Resulting from Operations	
Quarter Ended	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
	(In Thousands, Except Per Share Amounts)							
March 31, 2012	$5,619	$0.26	$2,966	$0.14	$ 1,245	$ 0.05	$ 4,211	$ 0.19
June 30, 2012	5,311	0.25	2,642	0.12	(1,552)	(0.07)	1,090	0.05
September 30, 2012	6,326	0.30	3,402	0.16	8,832	0.41	12,234	0.57
December 31, 2012	6,113	0.28	2,754	0.13	(2,937)	(0.14)	(183)	(0.01)
March 31, 2013	5,803	0.28	2,319	0.11	(9,926)	(0.47)	(7,607)	(0.36)
June 30, 2013	9,613	0.46	5,464	0.26	(1,951)	(0.10)	3,513	0.16
September 30, 2013	5,966	0.29	2,633	0.13	2,418	0.12	5,051	0.25
December 31, 2013	6,530	0.32	2,160	0.11	753	0.03	2,913	0.14

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 Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended, or the Exchange Act), designed to ensure that information required to be disclosed in our reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and accumulated and communicated 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, 2013), we performed an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15(b) and 15d-15(b) of the Exchange Act. Based on an evaluation of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K conducted by our management, with the participation of our Chief Executive Officer and Chief Financial Officer, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective in providing reasonable assurance (i) that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and (ii) that such information is accumulated and communicated to management in a manner that allows timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act.

Our 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. Our 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 our assets; (2) provide reasonable assurance that we record transactions as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are in accordance with authorizations of management and our Board of Directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent misstatements or detect misstatements on a timely basis. 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, 2013. 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, 2013, our internal control over financial reporting is effective based on the criteria in *Internal Control — Integrated Framework* issued by COSO.

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, 2013, as stated in their report included herein.

Changes in Internal Control Over Financial Reporting

No changes to our internal control over financial reporting occurred during the quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act).

Item 9B. Other Information.

None.

PART III.

Item 10. Directors, Executive Officers and Corporate Governance.

We hereby incorporate by reference the information required by Item 10 of Form 10-K from the information appearing in our definitive Proxy Statement relating to our 2014 annual meeting of stockholders, which will be filed pursuant to Regulation 14A within 120 days after our fiscal year ended December 31, 2013.

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 L. Scott Biar at 713-752-0062 to request a copy or send the request to NGP Capital Resources Company, Attn: L. Scott Biar, 909 Fannin Street, Suite 3800, 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.

We hereby incorporate by reference the information required by Item 11 of Form 10-K from the information appearing in our definitive Proxy Statement relating to our 2014 annual meeting of stockholders, which will be filed pursuant to Regulation 14A within 120 days after our fiscal year ended December 31, 2013.

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

We hereby incorporate by reference the information required by Item 12 of Form 10-K from the information appearing in our definitive Proxy Statement relating to our 2014 annual meeting of stockholders, which will be filed pursuant to Regulation 14A within 120 days after our fiscal year ended December 31, 2013.

Item 13. Certain Relationships and Related Transactions.

We hereby incorporate by reference the information, if any, required by Item 13 of Form 10-K from the information, if any, appearing in our definitive Proxy Statement relating to our 2014 annual meeting of stockholders, which will be filed pursuant to Regulation 14A within 120 days after our fiscal year ended December 31, 2013.

Item 14. Principal Accountant Fees and Services.

We hereby incorporate by reference the information required by Item 14 of Form 10-K from the information appearing in our definitive Proxy Statement relating to our 2014 annual meeting of stockholders, which will be filed pursuant to Regulation 14A within 120 days after our fiscal year ended December 31, 2013.

PART IV.

Item 15. Exhibits, Financial Statement Schedules.

(a) We are filing the following documents as a part of this Annual Report on Form 10-K:

(1) Financial Statements

(2) Financial Statement Schedules

(b) Exhibits required to be filed by Item 601 of Regulation S-K

See "Index to Exhibits" following the signature page for a description of the exhibits filed as part of this Annual Report on Form 10-K.

NGP CAPITAL RESOURCES COMPANY

SCHEDULE OF INVESTMENTS IN AND ADVANCES TO AFFILIATES[1]
December 31, 2013
(In Thousands)

Portfolio Company	Investment[2]	Year Ended December 31, 2013 Amount of Interest or Royalties Credited to Income[5]	As of December 31, 2012 Fair Value	Gross Additions[3]	Gross Reductions[4]	As of December 31, 2013 Fair Value
Control Investments – Majority Owned						
Contour Highwall Holdings, LLC	Term Loan	$1,192	$ 8,108	$ 2,236	$ —	$10,344
	Membership Units	—	500	336	—	836
Spirit Resources, LLC.	Tranche A Term Loan	475	—	5,500	—	5,500
	Tranche B Term Loan	345	—	3,664	—	3,664
	Preferred Units	—	—	8,000	(4,644)	3,356
	Overriding Royalty Interests	48	—	518	—	518
Subtotal Control Investments – Majority Owned		$2,060	$ 8,608	$20,254	$ (4,644)	$24,218
Affiliate Investments						
OCI Holdings, LLC	Subordinated Note	$1,792	$ —	$15,268	$ —	$15,268
	NGP/OCI Investments, LLC Units	—	—	2,500	(725)	1,775
Resaca Exploitation Inc.. . . .	Senior Unsecured Term Loan	3,302	12,933	778	(13,711)	—
	Warrants	—	10	—	(10)	—
	Common Stock	—	210	—	(210)	—
Subtotal Affiliate Investments		$5,094	$13,153	$18,546	$(14,656)	$17,043
Total Control Investments and Affiliate Investments		$7,154	$21,761	$38,800	$(19,300)	$41,261

(1) This schedule should be read in conjunction with our Consolidated Financial Statements for the year ended December 31, 2013.

(2) Warrants, units and common stock are generally non-income producing and restricted. The principal amount for debt, number of shares of common stock or number, or percentage of, units is shown in the Consolidated Schedule of Investments as of December 31, 2013.

(3) Gross additions include increases in investments resulting from new portfolio company investments, payment-in-kind interest or dividends, the amortization of discounts or fees, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company into this category from a different category. Gross additions also include net increases in unrealized appreciation or net decreases in unrealized depreciation.

(4) Gross reductions include decreases in the cost basis resulting from principal collections related to investment repayments, sales or write-offs, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company out of this category into a different category. Gross reductions also include increases in net unrealized depreciation or net decreases in unrealized appreciation.

(5) Represents the total amount of interest, dividends or royalties, net of amortization, credited to income for the portion of the year an investment was included in our Control Investments — Majority Owned or Affiliate categories, respectively.

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/ Stephen K. Gardner

Stephen K. Gardner
President and Chief Executive Officer

Date: March 7, 2014

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	Date
/s/ STEPHEN K. GARDNER Stephen K. Gardner	President and Chief Executive Officer (Principal Executive Officer)	March 7, 2014
/s/ L. SCOTT BIAR L. Scott Biar	Chief Financial Officer, Secretary, Treasurer and Chief Compliance Officer (Principal Financial and Accounting Officer)	March 7, 2014
/s/ KENNETH A. HERSH Kenneth A. Hersh	Director and Chairman of the Board	March 7, 2014
/s/ DAVID R. ALBIN David R. Albin	Director	March 7, 2014
/s/ EDWARD W. BLESSING Edward W. Blessing	Director	March 7, 2014
/s/ LON C. KILE Lon C. Kile	Director	March 7, 2014
/s/ WILLIAM K. WHITE William K. White	Director	March 7, 2014

INDEX TO EXHIBITS

Exhibit 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	Amended and Restated Bylaws (filed as Exhibit 3.1 to our Current Report on Form 8-K filed on November 4, 2013 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 10.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated herein by reference)
10.2	Administration Agreement 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	Trademark License Agreement between the Company and NGP Energy Capital Management, L.L.C. (formerly known as Natural Gas Partners, L.L.C.) (filed as Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference)
10.4	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	Custody Agreement between Registrant and Wells Fargo Bank, N.A. (filed as Exhibit (j)(1) to the Company's Registration Statement on Form N-2 filed October 15, 2007 (Registration No. 333-146715) and incorporated herein by reference)
10.6	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)
10.7	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)
10.8	Amendment No. 3 to Custody Agreement dated as of February 28, 2011, between the Company and Wells Fargo Bank, N.A. (filed as Exhibit (j)(4) to our Amendment No. 1 Registration Statement on Form N-2 filed on April 28, 2011 (Registration No. 333-160923) and incorporated herein by reference)
10.9	Third Amended and Restated Revolving Credit Agreement effective as of May 23, 2013, between the Company, the lenders from time to time party thereto and SunTrust Bank and Comerica Bank (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K on May 23, 2013 and incorporated herein by reference)

Exhibit No.	Exhibit
10.10	Treasury Secured Revolving Credit Agreement effective as of March 31, 2011, 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 April 6, 2011 and incorporated herein by reference)
10.11	Consent and First Amendment to Treasury Secured Revolving Credit Agreement effective as of March 30, 2012, between the Company, the lenders from time to time party thereto and SunTrust Bank (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q on May 10, 2012 and incorporated herein by reference)
10.13	Second Amendment to Treasury Secured Revolving Credit Agreement effective as of September 25, 2012, between the Company, the lenders from time to time party thereto and SunTrust Bank (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q on November 8, 2012 and incorporated herein by reference)
10.14	Third Amendment to Treasury Secured Revolving Credit Agreement effective as of May 23, 2013, between the Company, the lenders from time to time party thereto and Sun Trust Bank (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q on November 7, 2013 and incorporated herein by reference)
10.15	Fourth Amendment to Treasury Secured Revolving Credit Agreement effective as of September 24, 2013, between the Company, the lenders from time to time party thereto and Sun Trust Bank (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q on November 7, 2013 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 December 3, 2009 (filed as Exhibit 14.3 to the Company's Annual Report on Form 10-K on March 31, 2010 and incorporated herein by reference)
16.1	Letter from PricewaterhouseCoopers LLP to the Securities and Exchange Commission dated April 13, 2012 (filed as Exhibit 16.1 to the Company's Current Report on Form 8-K on April 13, 2012 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.

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

FORM 10-K/A
(Amendment No. 1)

(Mark One)

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

For the fiscal year ended December 31, 2013

OR

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

For the transition period from to

Commission file number 814-00672

NGP CAPITAL RESOURCES COMPANY

(Exact name of registrant as specified in its charter)

Maryland	**20-1371499**
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification Number)
909 Fannin Street, Suite 3800 **Houston, Texas**	**77010**
(Address of principal executive offices)	(Zip Code)

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

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

Common Stock, Par Value $.001 per share	**NASDAQ Global Select Market**
(Title of each class)	(Name of each exchange on which registered)

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

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

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

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

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

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

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

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

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

As of June 28, 2013, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $119,168,136 based on the closing sale price of the registrant's common stock on the NASDAQ Global Select Market on that date.

As of April 28, 2014, there were 20,499,188 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain exhibits previously filed with the Securities and Exchange Commission are incorporated by reference into Part IV of this report.

NGP CAPITAL RESOURCES COMPANY

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EXPLANATORY NOTE

This Amendment No. 1 to Form 10-K (this ''Form 10-K/A'') amends the Annual Report on Form 10-K for the year ended December 31, 2013 originally filed on March 10, 2014 (the ''Original Report'') by NGP Capital Resources Company (the ''Company,'' ''we,'' ''our'' or ''us''). We are filing this Form 10-K/A to present the information required by Part III of the Form 10-K as we will not file a definitive proxy statement within 120 days of the end of our fiscal year ended December 31, 2013. Terms previously defined in the Original Report have the same meanings in this Form 10-K/A.

Also included in this Form 10-K/A are (i) the signature page, (ii) certifications required of the principal executive officer and principal financial officer under Section 302 of the Sarbanes-Oxley Act of 2002 and (iii) Part IV of the Form 10-K, which has been included solely to allow for filing of the additional certifications. Because no financial statements are contained within this Form 10-K/A, we are not including certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Except as described above, no other changes have been made to the Original Report. Other than the information specifically amended and restated herein, this Form 10-K/A does not reflect events occurring after March 10, 2014, the date of the Original Report, or modify or update those disclosures that may have been affected by subsequent events. Accordingly, this Form 10-K/A should be read in conjunction with our Original Report and our other filings made with the Securities and Exchange Commission subsequent to the filing of the Original Report.

PART III.

Item 10. Directors, Executive Officers and Corporate Governance.

The Board is divided into three classes, which we refer to as Class I, Class II and Class III directors. At each annual meeting of stockholders, a class of directors is elected for a term expiring at the annual meeting in the third year following the year of election. Each director holds office until his successor is elected and qualified.

Our restated articles of incorporation, or our charter, provides that we will have five directors, which number may be increased or decreased by the Board pursuant to our bylaws. There are currently five directors, including three independent directors.

All of our directors bring to our Board a wealth of executive leadership experience derived from their service as executives. They also all bring extensive board experience. Our directors are highly educated and have diverse backgrounds and talents and extensive track records of success in what we believe are highly relevant positions with reputable organizations. Certain individual qualifications and skills of our directors that contribute to the Board's effectiveness as a whole are described below.

Current Board of Directors

Name, Address and Age	Position(s) Held with Company	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Other Directorships Held by Director or Nominee for Director Presently and During the Past Five Years[1]
Independent Directors				
Edward W. Blessing 8235 Douglas Ave., Suite 1325 Dallas, Texas 75225 Age 77	Director	Term expires 2014; director since 2004	Mr. Blessing is the Managing Director and founder of Blessing Petroleum Group, LLC which advises and assists in the implementation of energy-related natural resource projects. Mr. Blessing has been involved with the firm since its formation in 1989. In addition, Mr. Blessing is a member of the San Diego State University Campanile Foundation. As a director of the Foundation, he serves on the Finance and Investment Committee and the Audit Committee. Mr. Blessing is a National Association of Corporate Directors (NACD) Board Leadership Fellow.	None
Lon C. Kile 808 Huntington Court Southlake, Texas 76092 Age 58	Director	Term expires 2015; director since 2008	Mr. Kile has been active in the energy industry for over thirty years. He retired as the Chief Financial Officer of Energy Transfer Company (now Energy Transfer Partners, L.P. and Energy Transfer Equity, L.P.) in 2004. Prior to Energy Transfer, he served as Director, President and Chief Operating Officer of Prize Energy Corp. from 1999 – 2002.	None

Name, Address and Age	Position(s) Held with Company	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Other Directorships Held by Director or Nominee for Director Presently and During the Past Five Years[1]
William K. White 112 Barranca Drive Santa Fe, New Mexico 87501 Age 72	Director	Term expires 2016; director since 2012	Mr. White has been active in the energy industry for over 30 years. He is a retired oil and gas executive. From May 2005 to September 2007, he served as an independent director and member of the audit and compensation committees of the board of directors of Teton Energy Corporation, a public company. From July 2008 through December 2008, Mr. White served as independent director, audit committee Chairman and member of the compensation committee of CRC-Evans International, Inc., an affiliate of a portfolio company of NGP Energy Capital Management, LLC. From September 1996 to November 2002, Mr. White was Vice President, Finance and Administration and Chief Financial Officer for Pure Resources, Inc., an NYSE-listed independent oil and gas producer.	*Presently:* Eagle Rock Energy Partners, L.P. and Resolute Energy Corporation.
Interested Directors[2]				
David R. Albin 100 N. Guadalupe Street, Suite 205 Santa Fe, NM 87501 Age 54	Director	Term expires 2015; director since 2004	Mr. Albin is a director of NGP Energy Capital Management, LLC and has been involved with the NGP funds since the inception of the initial fund in 1988.	*Presently:* RSP Permian Inc. *During the past five years:* Energy Transfer Partners, L.P. and Energy Transfer Equity, L.P.
Kenneth A. Hersh 5221 N. O'Connor Blvd., Suite 1100 Irving, TX 75039 Age 51	Director, Chairman of the Board	Term expires 2016; director since 2004	Mr. Hersh is the Co-Founder and Chief Executive Officer of NGP Energy Capital Management, LLC and a Managing Partner of the Natural Gas Partners Funds.	*Presently:* Memorial Production Partners, LP. *During the past five years:* Eagle Rock Energy Partners, L.P., Energy Transfer Partners, L.P., Energy Transfer Equity, L.P., and Resolute Energy Corporation,

(1) No director otherwise serves as a director of an investment company subject to the 1940 Act.

(2) Director is an "interested director" (as defined in the 1940 Act). Mr. Albin and Mr. Hersh are deemed to be interested directors by reason of their affiliations with our manager, NGP Investment Advisor, LP.

Information About Our Executive Officers

Name, Address and Age	Position(s) Held with Company	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years
Stephen K. Gardner 909 Fannin, Suite 3800 Houston, Texas 77010 Age: 54	President and Chief Executive Officer	One year; President and CEO since 2011	Mr. Gardner has served as our President and Chief Executive Officer since February 2011. From December 2005 to June 2011, he served as our Chief Financial Officer and Treasurer. From September 2006 to June 2011, he served as our Corporate Secretary. From October 2005 to December 2005, he served as our Director of Finance. From September 2002 to May 2004, he was Chief Financial Officer of Dunhill Resources, Inc., a privately-held oil and natural gas production company. Prior to September 2002, Mr. Gardner served as president of a private construction firm and as Chief Financial Officer of Mesa, Inc., the predecessor to Pioneer Natural Resources.
L. Scott Biar 909 Fannin, Suite 3800 Houston, Texas 77010 Age: 51	Chief Financial Officer, Secretary, Treasurer and Chief Compliance Officer	One year; Officer since 2011	Mr. Biar has served as our Chief Financial Officer, Secretary, Treasurer and Chief Compliance Officer since June 2011. He previously served as Vice President and Controller of BJ Services Company from 2007 through 2010, and served in various senior financial roles at Stewart & Stevenson Services, Inc., including as Controller and Chief Accounting Officer from 2002 through 2006, as Chief Financial Officer, Treasurer and Controller in 2006, and in a transitional integration role from 2006 to 2007 after the sale of the company to Armor Holdings, Inc.

Section 16(a) Beneficial Ownership Reporting Compliance

Under the federal securities laws, our directors, executive (and certain other) officers and any persons holding more than ten percent of our common stock are required to report their ownership of our common stock and any changes in that ownership to us and the SEC. Specific due dates for these reports have been established by regulation, and we are required to report any failure to file by these dates in 2013. To our knowledge, based solely on a review of the copies of beneficial ownership reports furnished to us and written representations that no other reports were required, during the year ended December 31, 2013, all of our directors, officers and more than 10 percent beneficial owners complied with all applicable Section 16(a) filing requirements.

Meetings of the Board of Directors and Committees

The Board provides overall guidance and supervision with respect to our operations and performs the various responsibilities imposed on the directors of business development companies by the 1940 Act. Among other things, the Board supervises our management arrangements, the custodial arrangements with respect to portfolio securities, the selection of accountants, fidelity bonding and transactions with affiliates. All actions taken by the Board are taken by majority vote unless a higher percentage is required by law or unless the 1940 Act or our charter or bylaws require that the actions be approved by a majority of the directors who are not "interested persons" (as defined in the 1940 Act).

During 2013, the Board met 16 times. Each director attended at least 75% of all meetings held by the Board or the committees of the Board on which he served. We have adopted a policy about directors' attendance at the annual meeting of stockholders, which states that we expect our directors to attend the annual meetings of our stockholders, although attendance is not mandatory. Three out of five of our directors attended the 2013 annual meeting of stockholders.

Board Leadership Structure. We separate the roles of Chief Executive Officer and Chairman of the Board in recognition of the differences between the two roles. Our Chief Executive Officer is responsible for setting the strategic direction for the Company and the day to day leadership and performance of the Company, while the Chairman of the Board provides guidance to the Chief Executive Officer, sets the agenda for Board meetings and presides over meetings of the Board. Presently, Mr. Hersh serves as the Chairman of the Board. Mr. Hersh is an "interested person" as defined in Section 2(a)(19) of the 1940 Act because he is the Chief Executive Officer and Co-Founder of NGP Energy Capital Management, LLC, which is the sole limited partner of NGPIA. The Board does not currently have a lead independent director; however, it has determined that its leadership structure, in which 60% of the directors are independent directors and, as such, are not affiliated with NGPIA or NGPA, is appropriate in light of the services that NGPIA and NGPA provide to the Company and the potential conflicts of interest that could arise from these relationships.

Risk Oversight. The Board has an active role, as a whole and also at the committee level, in overseeing management of the Company's risks. The Board regularly reviews information regarding the Company's credit, liquidity and operations, as well as the risks associated with each. The Compensation Committee is responsible for overseeing the management of risks relating to the Company's investment advisory agreement. The Audit Committee oversees management of financial risks. The Nominating and Corporate Governance Committee manages risks associated with the independence of the Board of Directors and potential conflicts of interest. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is regularly informed through committee reports about such risks.

Board Committees. The Board has four standing committees: an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee and a Valuation Committee. The members of the Board of Directors and the committees of the Board on which they serve, are identified below.

Director	Audit Committee	Compensation Committee	Valuation Committee	Nominating and Corporate Governance Committee
David R. Albin				
Edward W. Blessing	**	*		**
Kenneth A. Hersh			**	
Lon C. Kile	*	**	*	*
William K. White	*	*		*

** Indicates committee chairman.

There are no family relationships between any director, executive officer or nominee.

Audit Committee. The charter of the Audit Committee sets forth the responsibilities of the Audit Committee, which include selecting or retaining each year an independent registered public accounting firm, which we refer to as the auditors, to audit our accounts and records; reviewing and discussing with management and the auditors our annual audited financial statements, including disclosures made in management's discussion and analysis, and recommending to the Board of Directors whether the audited financial statements should be included in our annual report on Form 10-K; reviewing and discussing with management and the auditors our quarterly financial statements prior to the filings of our quarterly reports on Form 10-Q; pre-approving the auditors' engagement to render audit and/or permissible non-audit services; and evaluating the qualifications, performance and independence of the auditors.

Each member of the Audit Committee is independent within the meaning of SEC regulations and the Nasdaq Global Select Market qualitative listing requirements and is able to read and understand fundamental financial statements, including the statement of net assets, statement of operations, statement of changes in net assets and statement of cash flows. No member of the Audit Committee has participated in the preparation of the financial statements at any time during the past three years. Mr. Blessing, the chair of the Committee, is qualified as an audit committee financial expert within the meaning of SEC regulations and the Board has determined that he has past experience in finance or accounting that results in his financial sophistication within the meaning of the Nasdaq Global Select Market qualitative listing requirements. The charter of the Audit Committee is available on our website (*www.ngpcrc.com*). Information contained on or connected to our website is not incorporated by reference into this Form 10-K/A and should not be considered a part of this Form 10-K/A or any other filing that we file with the SEC. The Audit Committee met six times during 2013.

Compensation Committee. The function of the Compensation Committee is to review and approve the compensation of our investment advisor relative to performance pursuant to an investment advisory agreement dated November 9, 2004, and most recently extended on October 30, 2013 through November 9, 2014, or, if we cease to have a separate investment advisor and directly compensate our executive officers, the compensation of our Executive Officers relative to performance. All members of the Committee are independent within the meaning of SEC regulations and the Nasdaq Global Select Market qualitative listing requirements. The charter of the Compensation Committee is available on our website (*www.ngpcrc.com*). Information contained on or connected to our website is not incorporated by reference into this Form 10-K/A and should not be considered a part of this Form 10-K/A or any other filing that we file with the SEC. The Compensation Committee met three times during 2013.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee is responsible for developing and implementing policies and practices relating to corporate governance. The Committee selects individuals for nomination to the Board of Directors. In addition, the Committee develops and reviews background information on candidates for the Board and makes recommendations to the Board regarding such candidates. The Committee also prepares and supervises the Board's annual review of director independence. The Committee also reviews and may make recommendations to the Board relating to those issues that pertain to the effectiveness of the Board in carrying out its responsibilities in governing us and overseeing our management. The charter of the Nominating and Corporate Governance Committee is available on our website (*www.ngpcrc.com*). Information contained on or connected to our website is not incorporated by reference into this Form 10-K/A and should not be considered a part of this Form 10-K/A or any other filing that we file with the SEC. The Nominating and Corporate Governance Committee met three times during 2013.

The Nominating and Corporate Governance Committee considers candidates for Board membership suggested by its members and other Board members, as well as management and stockholders. A stockholder who wishes to recommend a prospective nominee for the Board should notify our Secretary or any member of the Nominating and Corporate Governance Committee in writing in care of NGP Capital Resources Company, Attention: Corporate Secretary, 909 Fannin, Suite 3800, Houston, Texas 77010. To be considered by the Nominating and Corporate Governance Committee, stockholder nominations must be submitted before the fiscal year-end and must be accompanied by a description of the qualifications of the proposed candidate and a written statement from the proposed candidate that he or she is willing to be nominated and desires to serve if elected. The Committee will also consider whether to nominate any person nominated by a stockholder pursuant to the provisions of our bylaws relating to stockholder nominations. Nominees for director who are recommended by stockholders will be evaluated in the same manner as any other nominee for director.

Once the Nominating and Corporate Governance Committee has identified a prospective nominee, the Committee makes an initial determination as to whether to conduct a full evaluation of the candidate. This initial determination is based on whatever information is provided to the Committee with the recommendation of the prospective candidate, as well as the Committee's own knowledge of the prospective candidate, which may be supplemented by inquiries to the person making the recommendation or others. The preliminary determination is based primarily on the need for additional Board members to fill vacancies or expand the size of the Board and the likelihood that the prospective nominee can satisfy the evaluation factors considered by the Committee. If the Committee determines, in consultation with the other Board members as appropriate, that additional consideration is warranted, it may gather additional information about the prospective nominee's background and experience. The Chairman of the Committee and the Chairman of the Board will then interview a qualified candidate. A qualified candidate is then invited to meet the remaining members of the Committee and the other directors. The Committee then determines, based on the background information and information obtained in interviews, whether to recommend to the Board that a candidate be nominated to the Board.

The Committee believes a prospective nominee for director should, at a minimum, satisfy the following standards and qualifications and evaluates prospective nominees accordingly:

- the prospective nominee's ability to represent the interests of our stockholders;
- the prospective nominee's standards of integrity, commitment and independence of thought and judgment;
- the prospective nominee's ability to dedicate sufficient time, energy and attention to the diligent performance of his or her duties, including the prospective nominee's service on other public company boards; and
- the extent to which the prospective nominee contributes to the range of talent, skill and expertise appropriate for the Board.

The Committee also considers such other relevant factors as it deems appropriate, including the current composition of the Board, the balance of management and independent directors and the need for Audit Committee expertise. After completing this evaluation and interview, the Committee makes a recommendation to the full Board as to the persons who should be nominated by the Board, and the Board determines the nominees after considering the recommendation and report of the Committee.

All of the members of the Committee are independent within the meaning of SEC regulations and the Nasdaq Global Select Market qualitative listing requirements. No member of the Committee is an ''interested person'' as defined in the 1940 Act.

Valuation Committee. The function of the Valuation Committee is to aid the Board in estimating the fair values of debt and equity securities that are not publicly traded or for which current market valuations are not readily available. The Committee met ten times during 2013.

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 L. Scott Biar at 713-752-0062 to request a copy or send the request to NGP Capital Resources Company, Attn: L. Scott Biar, 909 Fannin Street, Suite 3800, 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.

Compensation Discussion and Analysis

Our executive officers do not receive any direct compensation from us. We do not currently have any employees and do not expect to have any employees. Services necessary for our business are provided by individuals who are employees of NGPIA, our manager, and NGPA, our administrator, pursuant to the terms of our investment advisory agreement and our administration agreement, respectively. Each of our executive officers is an employee of NGPA. Our day-to-day investment operations are managed by our investment adviser. Most of the services necessary for the origination and administration of our investment portfolio are provided by investment professionals employed by NGPA. In addition, we reimburse NGPA for our allocable portion of expenses incurred by it in performing its obligations under the administration agreement, including our allocable portion of the cost of our officers and their respective staffs.

Under our investment advisory agreement, NGPIA earned approximately $6.0 million and $4.6 million in fees for the years ended December 31, 2013 and 2012, respectively. In addition, during 2013 and 2012, we reimbursed NGPA approximately $3.1 million and $2.9 million, respectively, in connection with our allocable portion of certain expenses under the administration agreement.

Potential Payments upon Termination or Change in Control

In September 2013, in conjunction with our board's evaluation of strategic alternatives to enhance stockholder value, our administrator entered into retention agreements with all of its salaried employees. These retention agreements permit us to continue to operate in the normal course of business during our board's evaluation of strategic alternatives and provide that upon a Change in Control (as defined below) of the Company, each of the salaried employees of our administrator will be entitled to certain compensatory benefits. Assuming that a Change in Control occurred on December 31, 2013, the dollar amounts of potential payments to each of our named executive officer would have been as follows: Mr. Gardner — $625,000; and Mr. Biar — $440,000. Consistent with the allocation under the administration agreement of expenses incurred in connection with our evaluation of strategic alternatives, at least 75% of any retention payments paid pursuant to these retention agreements shall be allocated to, and paid by, the Company, with the remaining portion, not to exceed 25%, to be paid by NGPIA. The amounts above are before taxes, which would reduce amounts ultimately due to our named executive officers. Any actual payments that may be made under the agreements described above depend on various factors, which may or may not exist at the time a Change in Control actually occurs and/or the named executive officer is actually terminated. Therefore, such amounts and disclosures should be considered ''forward looking statements.''

For purposes of these retention agreements, ''Change of Control'' means (1) any consolidation, merger, or share exchange of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's common stock would be converted into cash, securities, or other property, other than a consolidation, merger, or share exchange in which the holders of the Company's common stock immediately prior to such transaction have the same proportionate ownership of common stock of the surviving corporation immediately after such transaction; (2) any sale, lease, exchange, or other transfer (excluding transfer by way of pledge or hypothecation) in one transaction or a series of related transactions of all or substantially all of the assets of the Company; (3) the stockholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; (4) the cessation of control (by virtue of their not constituting a majority of directors) of the Company's Board by the individuals (the ''Continuing Directors'') who were directors of the Company at the Effective Date or become directors after the effective date of the retention agreements and whose election or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then in office who were directors at the effective date of the retention agreements or whose election or nomination for election was previously so approved; (5) the acquisition of beneficial ownership (within the meaning of Rule 13d-3 under the Act) of an aggregate of 50% or more of the voting power of the Company's outstanding voting securities by any person or group (as such term is used in Rule 13d-5 under the Act) who beneficially owned less than 50% of the voting power of the Company's outstanding voting securities on the effective date of the retention agreements; or (6) in a Title 11 bankruptcy proceeding, the appointment of a trustee or the conversion of a case involving the Company to a case under Chapter 7.

Compensation of Directors

The following table sets forth the compensation paid to our directors in 2013:

Name of Person, Position	Fees earned or paid in cash	Total
Independent directors		
Edward W. Blessing	$90,000	$90,000
Lon C. Kile	$80,000	$80,000
William K. White	$75,000	$75,000
Interested directors[(1)]		
David R. Albin	$ 0	$ 0
Kenneth A. Hersh	$ 0	$ 0

(1) Interested directors do not receive any direct compensation from us.

Each director who is not an officer will receive an annual fee of $75,000 and reimbursement for all out-of-pocket expenses relating to attendance at meetings. In addition, the Chairman of the Audit Committee receives an annual fee of $10,000 in quarterly payments, and each chairman of any other committee receives an annual fee of $5,000 in quarterly payments. The independent directors do not receive any additional compensation from us or our portfolio companies for any additional services rendered. Each director who is not an officer is also provided an allowance of up to $10,000 to be used for professional training purposes. The directors who were not officers were paid an aggregate of $245,000 as compensation for the year ended December 31, 2013, representing the annual fees for the year served in 2013.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee of the Board is currently comprised of Messrs. Kile (chair), Blessing and White. No member of the Compensation Committee is a former officer of the Company or was an officer or employee of the Company during the last fiscal year. None of our executive officers served on the Board of Directors or the Compensation Committee of any other entity for which any officers of such other entity served either on our Board of Directors or Compensation Committee.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based upon such review, the related discussions and such other matters deemed relevant and appropriate by the Compensation Committee, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Form 10-K/A.

Respectfully submitted by the Compensation Committee of the Board,
Lon C. Kile, Chairman
Edward W. Blessing
William K. White

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

To our knowledge, there have been no persons that owned 25% or more of the outstanding voting securities and no person would be deemed to control us, as such term is defined in the Investment Company Act of 1940, as amended, which we refer to as the 1940 Act.

Our directors are divided into two groups — interested directors and independent directors. Interested directors are ''interested persons'' of us, as defined in the 1940 Act.

The following table shows the amount of our common stock beneficially owned (unless otherwise indicated) as of April 28, 2014, by (1) any person known to us to be the beneficial owner of more than 5% of the outstanding shares of our common stock, (2) each of our directors and nominees for director, (3) our chief executive officer and certain other executive officers and (4) all directors and executive officers as a group. The number of shares beneficially owned by each entity, person, director or executive officer is determined under the rules of the SEC and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has the sole or shared voting power or investment power and also any shares that the individual has the right to acquire within 60 days of April 28, 2014, through the exercise of any stock option or other right. Unless otherwise indicated, each person has the sole investment and voting power, or shares such powers with his spouse, with respect to the shares set forth in the table. Unless known otherwise by us, the beneficial ownership information is based on the most recent Form 3, Form 4, Form 5, Schedule 13D or Schedule 13G, as applicable.

Unless otherwise noted below, the address of each person listed in the table below is 909 Fannin, Suite 3800, Houston, Texas 77010.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned(1)	Percent of Class(2)	Dollar Range of Equity Securities Beneficially Owned by Directors(3)(4)(5)(6)
Beneficial owners of more than 5%			
None			
Independent Directors			
Lon C. Kile	11,299	*	$50,001 – $100,000
Edward W. Blessing	15,000	*	$100,001 – $500,000
William K. White	—	—	None
Interested Directors			
Kenneth A. Hersh(7)	706,769	3.45%	Over $1,000,000
David R. Albin(8)	151,562	*	Over $1,000,000
Executive Officers			
Stephen K. Gardner(9)	78,487	*	N/A
L. Scott Biar	41,833	*	N/A
Directors and Executive Officers as a group (7 persons)	1,004,950	4.90%	N/A

* Indicates less than one percent.

(1) Beneficial ownership has been determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934.

(2) Based on a total of 20,499,188 shares of our common stock issued and outstanding on April 28, 2014.

(3) Beneficial ownership has been determined in accordance with Rule 16a-1(a)(2) of the Securities Exchange Act of 1934.

(4) Dollar ranges are as follows: None, $1 – $10,000, $10,001 – $50,000, $50,001 – $100,000, $100,001 – $500,000, $500,001 – $1,000,000; or Over $1,000,000.

(5) The dollar range of the equity securities beneficially owned is calculated by multiplying $6.86, the closing price of the common stock as of April 28, 2014, as reported on the Nasdaq Global Select Market, by the number of shares.

(6) Includes only shares of NGP Capital Resources Company. There are no other funds in the family of investment companies.

(7) NGP Energy Capital Management, LLC, which is the sole limited partner of NGPIA, owns 100 shares of the Company. Mr. Hersh is an officer and manager of NGP Energy Capital Management, LLC, but he disclaims beneficial ownership of these shares.

(8) NGP Energy Capital Management, LLC, which is the sole limited partner of NGPIA, owns 100 shares of the Company. Mr. Albin is an officer and manager of NGP Energy Capital Management, LLC, but he disclaims beneficial ownership of these shares.

(9) Each of Mr. Gardner's son and daughter hold an aggregate of 7,310 shares in their respective UGMA accounts. Mr. Gardner retains control over voting and investment decisions of these accounts but disclaims beneficial ownership of these shares.

For the period ended December 31, 2013, none of the independent directors or their immediate family members owned any shares of NGPIA or in any person directly or indirectly controlling, controlled by, or under common control with NGPIA. However, Mr. Albin and Mr. Hersh have indirect interests, through several entities, in NGPIA. The nature of both Mr. Albin's and Mr. Hersh's indirect interest in NGPIA is less than 25% of its total partnership interests, but the specific value varies from time to time.

Item 13. Certain Relationships and Related Transactions.

Investment Advisory and Administration Agreements

We are party to an investment advisory agreement with our manager, NGPIA, whose general partner is NGPA. Both of our executive officers, Messrs. Gardner and Biar, are officers of our manager. In addition, two of our directors, Messrs. Hersh and Albin, have direct and indirect ownership interests in our manager. The address of our manager is 909 Fannin, Suite 3800, Houston, Texas 77010.

Pursuant to the terms of the administration agreement, our administrator, NGPA, currently provides us with administrative services necessary to conduct our day-to-day operations. Both of our executive officers, Messrs. Gardner and Biar, are officers of our administrator. In addition, two of our directors, Messrs. Hersh and Albin, have direct and indirect ownership interests in our administrator. The address of our administrator is 909 Fannin, Suite 3800, Houston, Texas 77010.

License Agreement

We are party to a license agreement with NGP, pursuant to which NGP has granted us a non-exclusive, royalty-free license to use the ''Natural Gas Partners'' and ''NGP'' names. Affiliates of NGP own and control our administrator.

Indemnity Agreements

We have entered into indemnity agreements with certain officers and directors which provide, among other things, that we will indemnify such officer or director, under the circumstances and to the extent provided for therein, for expenses, damages, judgments, fines, liabilities, losses, penalties, excise taxes and amounts paid in settlement that he or she may be required to pay in actions or proceedings to which he or she is or may be made a party by reason of his or her position as a director or officer, and otherwise to the fullest extent permitted under Maryland law and our charter and bylaws. In addition, 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, our manager, its partners and our 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 out of or otherwise based upon any of our manager's duties or obligations under the investment advisory agreement or otherwise as our investment adviser.

Review, Approval or Ratification of Transactions with Related Persons

Our independent directors are required to review and approve any transactions with related persons (as such term is defined in Item 404 of Regulation S-K).

Item 14. Principal Accountant Fees and Services.

The following table represents aggregate fees billed to us for the fiscal years ended December 31, 2013 and 2012 by Ernst &Young LLP, or E&Y, our principal independent registered public accounting firm.

	Fiscal Year Ended December 31, 2013	Fiscal Year Ended December 31, 2012
Audit Fees	$599,500(1)	$560,784(1)
Audit-related Fees	22,271	22,892
Tax Fees	35,000	35,000
All Other Fees	—	—
Total Fees	$656,771	$618,676

(1) Includes approximately $40,000 and $49,000 in audit fees related to our universal shelf registration statement on Form N-2 for the fiscal years ended December 31, 2013 and 2012, respectively.

Audit fees relate to fees and expenses billed by E&Y for the annual audit, including the audit of our annual financial statements, audit of management's report on internal controls over financial reporting, review of our quarterly financial statements and review of registration statements filed with the SEC. Audit-related fees include fees billed for out-of-pocket expenses for audit-related services and for attest services that are not required by statute or regulation. Tax fees consist of fees billed for professional services for tax compliance, tax advice and tax planning. All other fees would relate to fees billed for products and services other than services described above.

All of the audit-related and tax compliance consultation services were pre-approved by the Audit Committee. The Audit Committee has considered whether the provision of non-audit services by E&Y to us, our manager and our administrator is compatible with maintaining E&Y's independence in the conduct of its auditing functions.

There were no non-audit services billed by E&Y to our manager or our administrator. In addition, E&Y did not provide any non-audit services to any entity controlling, controlled by or under common control with our manager.

PART IV.

Item 15. Exhibits, Financial Statement Schedules.

The following information required under this item 15 (other than Exhibits 31.3 and 31.4) was filed with the SEC as part of the Original Report on March 10, 2014:

(a)

(1) Financial Statements

(2) Financial Statement Schedules

(b) Exhibits required to be filed by Item 601 of Regulation S-K

See ‘‘Index to Exhibits’’ following the signature page for a description of the exhibits filed as part of the Original Report and this Form 10-K/A.

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.

Date: April 29, 2014

NGP CAPITAL RESOURCES COMPANY

By: /s/ Stephen K. Gardner
Stephen K. Gardner
President and Chief Executive Officer

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	Date
/s/ STEPHEN K. GARDNER Stephen K. Gardner	President and Chief Executive Officer (Principal Executive Officer)	April 29, 2014
/s/ L. SCOTT BIAR L. Scott Biar	Chief Financial Officer, Secretary, Treasurer and Chief Compliance Officer (Principal Financial and Accounting Officer)	April 29, 2014
/s/ KENNETH A. HERSH Kenneth A. Hersh	Director and Chairman of the Board	April 29, 2014
/s/ DAVID R. ALBIN David R. Albin	Director	April 29, 2014
/s/ EDWARD W. BLESSING Edward W. Blessing	Director	April 29, 2014
/s/ LON C. KILE Lon C. Kile	Director	April 29, 2014
/s/ WILLIAM K. WHITE William K. White	Director	April 29, 2014

INDEX TO EXHIBITS

Exhibit 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	Second Amended and Restated Bylaws (filed as Exhibit 3.1 to our Current Report on Form 8-K filed on April 22, 2014 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 10.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated herein by reference)
10.2	Administration Agreement 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	Trademark License Agreement between the Company and NGP Energy Capital Management, L.L.C. (formerly known as Natural Gas Partners, L.L.C.) (filed as Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference)
10.4	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	Custody Agreement between Registrant and Wells Fargo Bank, N.A. (filed as Exhibit (j)(1) to the Company's Registration Statement on Form N-2 filed October 15, 2007 (Registration No. 333-146715) and incorporated herein by reference)
10.6	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)
10.7	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)
10.8	Amendment No. 3 to Custody Agreement dated as of February 28, 2011, between the Company and Wells Fargo Bank, N.A. (filed as Exhibit (j)(4) to our Amendment No. 1 Registration Statement on Form N-2 filed on April 28, 2011 (Registration No. 333-160923) and incorporated herein by reference)
10.9	Third Amended and Restated Revolving Credit Agreement effective as of May 23, 2013, between the Company, the lenders from time to time party thereto and SunTrust Bank and Comerica Bank (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K on May 23, 2013 and incorporated herein by reference)

Exhibit No.	Exhibit
10.10	Treasury Secured Revolving Credit Agreement effective as of March 31, 2011, 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 April 6, 2011 and incorporated herein by reference)
10.11	Consent and First Amendment to Treasury Secured Revolving Credit Agreement effective as of March 30, 2012, between the Company, the lenders from time to time party thereto and SunTrust Bank (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q on May 10, 2012 and incorporated herein by reference)
10.13	Second Amendment to Treasury Secured Revolving Credit Agreement effective as of September 25, 2012, between the Company, the lenders from time to time party thereto and SunTrust Bank (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q on November 8, 2012 and incorporated herein by reference)
10.14	Third Amendment to Treasury Secured Revolving Credit Agreement effective as of May 23, 2013, between the Company, the lenders from time to time party thereto and Sun Trust Bank (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q on November 7, 2013 and incorporated herein by reference)
10.15	Fourth Amendment to Treasury Secured Revolving Credit Agreement effective as of September 24, 2013, between the Company, the lenders from time to time party thereto and Sun Trust Bank (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q on November 7, 2013 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 December 3, 2009 (filed as Exhibit 14.3 to the Company's Annual Report on Form 10-K on March 31, 2010 and incorporated herein by reference)
16.1	Letter from PricewaterhouseCoopers LLP to the Securities and Exchange Commission dated April 13, 2012 (filed as Exhibit 16.1 to the Company's Current Report on Form 8-K on April 13, 2012 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
31.3**	Certification required by Rule 13a-14(a)/15d-14(a) by the Chief Executive Officer
31.4**	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

* Indicates that the exhibit was previously filed with the Company's Original Report on March 10, 2014.

** Filed herewith.