

SECURITIES AND EXCHANGE COMMISSION

[Release No. IC-29831; 812-13695]

NGP Capital Resources Company, et al.; Notice of Application

October 7, 2011

Agency: Securities and Exchange Commission (“Commission”).

Action: Notice of application for an order under section 57(a)(4) and 57(i) of the Investment Company Act of 1940 (the “Act”) and rule 17d-1 under the Act to permit certain joint transactions otherwise prohibited by section 57(a)(4) of the Act.

Summary of Application: Applicants request an order to permit a business development company (“BDC”) to co-invest with certain affiliates in portfolio companies.

Applicants: NGP Capital Resources Company (the “Company”), NGP Co-Investment Opportunity Fund, LP (“NGPC”) and NGP Investment Advisor, L.P. (the “Adviser”).

Filing Dates: The application was filed on September 8, 2009, and amended on December 17, 2009, January 5, 2011, August 25, 2011, and October 6, 2011.

Hearing or Notification of Hearing: An order granting the requested relief will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission’s Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on November 1, 2011, and should be accompanied by proof of service on applicants, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer’s interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission’s Secretary.

Addresses: Secretary, U.S. Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549-1090. Applicants: c/o Stephen K. Gardner, NGP Capital Resources Company, 1221 McKinney Street, Suite 2975, Houston, TX 77010.

For Further Information Contact: Bruce R. MacNeil, Senior Counsel, at (202) 551-6817, or Janet M. Grossnickle, Assistant Director, at (202) 551-6821 (Office of Investment Company Regulation, Division of Investment Management).

Supplementary Information: The following is a summary of the application. The complete application may be obtained via the Commission's website by searching for the file number, or an applicant using the Company name box, at <http://www.sec.gov/search/search.htm> or by calling (202) 551-8090.

Applicants' Representations:

1. The Company, a Maryland corporation, is an externally managed, non-diversified, closed-end management investment company that has elected to be regulated as a BDC under the Act.¹ The Company's investment objective is to generate both current income and capital appreciation primarily through debt investments with certain equity components. The Company's operations are conducted by the Adviser. The Company has a five-member board of directors ("Board") of which three members are not interested persons of the Company within the meaning of section 2(a)(19) of the Act ("Independent Directors").

2. NGPC is organized as a limited partnership and, in reliance on the exclusion from the definition of investment company contained in section 3(c)(1), it is anticipated that NGPC will not register under the Act. NGP Energy Capital Management, LLC (the "Affiliated Adviser") owns

¹ Section 2(a)(48) defines a BDC to be any closed-end investment company that operates for the purpose of making investments in securities described in sections 55(a)(1) through 55(a)(3) of the Act and makes available significant managerial assistance with respect to the issuers of such securities.

99.9% of the ownership interest in NGPC, with the Company’s administrator, NGP Administration, LLC (the “Administrator”), owning the remaining 0.1%. The Affiliated Adviser’s 99.9% ownership interest will be diluted as NGPC offers its interests to outside investors. NGPC has not commenced operations and does not anticipate doing so unless and until the relief sought by this application is obtained. NGPC and any Future Co-Investment Affiliate (as defined below) will operate pursuant to an investment objective and investment strategies that are identical to those of the Company. The Adviser will manage the investment activities of NGPC.

3. Applicants state that as of August 15, 2011, the Company’s capital available for investment was \$145 million. The Company does not have any specific plans to raise additional capital but may do so in the future to the extent there are opportunities. Applicants also state that NGPC anticipates raising \$250 to \$500 million in a private offering.

4. The Adviser is registered as an investment adviser under the Investment Advisers Act of 1940. The Affiliated Adviser owns 99.9% of the ownership interest in the Adviser, with the Administrator owning the remaining 0.1%. The Adviser may in the future advise other entities that are affiliated persons of the Company, as defined in section 2(a)(3)(C) of the Act (the “Future Co-Investment Affiliates,” and together with NGPC, the “Co-Investment Affiliates”).² Applicants request relief permitting the Company and the Co-Investment Affiliates to co-invest in portfolio companies (the “Co-Investment Program” and each investment, a “Co-Investment Transaction”).³ In selecting investments for the Company the Adviser will consider only the investment objective, investment strategies, investment position, capital available for investment, and other pertinent

² Section 2(a)(3)(C) defines an “affiliated person” of another person as any person directly or indirectly controlling, controlled by, or under common control with, such other person.

³ All existing entities that currently intend to rely on the order have been named as applicants and any future entities that may rely on the order in the future will comply with its terms and conditions.

factors applicable to the Company. Likewise, when selecting investments for the Co-Investment Affiliates, the Advisor will consider only the investment objective, investment strategies, investment position, capital available for investment, and other pertinent factors applicable to the Co-Investment Affiliates. However, as the Company and the Co-Investment Affiliates have the same investment objectives and investment strategies, the Adviser anticipates that any investment that is an appropriate investment for one entity will be an appropriate investment for the other. Applicants state that under the Co-Investment Program, co-investments between the Company and the Co-Investment Affiliates would be the norm, rather than the exception. The Company, NGPC and any Future Co-Investment Affiliate will disclose in offering documents and periodic financial reports that they will routinely co-invest with each other pursuant to the Co-Investment Program and will disclose how Co-Investment Transactions will be allocated.

5. Under the Co-Investment Program, each Co-Investment Transaction would be allocated among the Company and the Co-Investment Affiliates based upon on the relative capital of each entity available for investment (“Available Capital”).⁴ These relative allocation percentages (“Relative Allocation Percentages”) would be approved each quarter or, as necessary or appropriate, between quarters by both the full Board and the required majority (within the meaning of Section 57(o)) (the “Eligible Directors”).⁵ The Company will not deviate from its co-investment policies except as may be required by applicable law.⁶ The Co-Investment Program as a whole has been

⁴ “Available Capital” consists solely of liquid assets not held for permanent investment, including cash, amounts that can currently be drawn down from lines of credit, and marketable securities held for short-term purposes. In addition, for the Co-Investment Affiliates, Available Capital would include bona fide uncalled capital commitments that can be called by the settlement date of the Co-Investment Transaction.

⁵ The term “Eligible Directors,” when used with respect to the approval of a proposed transaction, plan, or arrangement, means both a majority of a BDC’s directors or general partners who have no financial interest in such transaction, plan, or arrangement and a majority of such directors or general partners who are not interested persons of such company.

⁶ Applicants are not aware of any such requirement at this time.

approved by both the full Board and the Eligible Directors. The Relative Allocation Percentages will be approved by both the full Board and the Eligible Directors prior to the implementation of the Co-Investment Program, and any deviations from the Relative Allocation Percentages for any investment, by the Company or the Co-Investment Affiliates, would require prior approval by both the full Board and the Eligible Directors.

Applicants' Legal Analysis:

1. Section 57(a)(4) of the Act prohibits certain affiliated persons of a BDC from participating in a joint transaction with the BDC in contravention of rules as prescribed by the Commission. In addition, under section 57(b)(2) of the Act, any person who is directly or indirectly controlling, controlled by or under common control with a BDC is subject to section 57(a)(4). Applicants state that the Co-Investment Affiliates could be deemed to be a person related to the Company in a manner described by section 57(b) by virtue of their being under common control with the Company. Section 57(i) of the Act provides that, until the Commission prescribes rules under section 57(a)(4), the Commission's rules under section 17(d) of the Act applicable to registered closed-end investment companies will be deemed to apply. Because the Commission has not adopted any rules under section 57(a)(4), rule 17d-1 applies.

2. Section 17(d) of the Act and rule 17d-1 under the Act prohibit affiliated persons of a registered investment company from participating in joint transactions with the company unless the Commission has granted an order permitting such transactions. Rule 17d-1, as made applicable to BDCs by section 57(i), prohibits any person who is related to a BDC in a manner described in section 57(b), acting as principal, from participating in, or effecting any transaction in connection with, any joint enterprise or other joint arrangement or profit-sharing plan in which the BDC is a participant, absent an order from the Commission. In passing upon applications under rule 17d-1,

the Commission considers whether the company's participation in the joint transaction is consistent with the provisions, policies, and purposes of the Act and the extent to which such participation is on a basis different from or less advantageous than that of other participants.

3. Applicants state that allowing co-investment in portfolio companies by the Company and the Co-Investment Affiliates will increase favorable investment opportunities for the Company. The Co-Investment Program has been approved by the Board and the Eligible Directors on the basis that it would be mutually advantageous for the Company to have the additional capital from the Co-Investment Affiliates available to meet the funding requirements of attractive investments in portfolio companies.

4. Applicants state that the formulae for the allocation of co-investment opportunities among the Company and Co-Investment Affiliates, and the protective conditions set forth below will ensure that the Company will be treated fairly. Applicants state that the Company's participation in the Co-Investment Transactions will be consistent with the provisions, policies, and purposes of the 1940 Act and on a basis that is not different from or less advantageous than that of other participants.

Applicants' Conditions:

Applicants agree that any order granting the requested relief will be subject to the following conditions:

1. Each time the Adviser considers an investment for the Co-Investment Affiliates, the Adviser will make an independent determination of the appropriateness of the investment for the Company.

2. (a) If the Adviser deems that the Company's participation in the investment is appropriate, then such investment will be made pursuant to the Relative Allocation Percentages,

unless the Adviser determines that investment pursuant to the Relative Allocation Percentages is not appropriate for that investment. The Relative Allocation Percentages will be determined by both the full Board and the Eligible Directors in advance and will be based upon the Available Capital of the Company, on the one hand, and the Co-Investment Affiliates, on the other hand. The Relative Allocation Percentages will be approved each quarter, or as necessary or appropriate, between quarters, by both the full Board and the Eligible Directors, and may be adjusted, for subsequent transactions, in their sole discretion for any reason, including, among other things, changes in the Available Capital of the Company vis-à-vis the Available Capital of the Co-Investment Affiliates.

(b) If the Adviser deems that the Company's participation in the Co-Investment Transaction is appropriate, but that investment pursuant to the Relative Allocation Percentages is not appropriate, then the Adviser will recommend an appropriate level of investment for the Company and the Co-Investment Affiliates. If the aggregate amount recommended by the Adviser to be invested by the Company in such Co-Investment Transaction, together with the amount proposed to be invested by the Co-Investment Affiliates, exceeds the amount of the investment opportunity, the amount proposed to be invested by the Company will be based on a ratio of the Company's Available Capital to the aggregate Available Capital of the Company and the Co-Investment Affiliates, up to the maximum amount proposed to be invested by each. The Adviser will provide the Eligible Directors with information concerning the Company's and the Co-Investment Affiliates' Available Capital to assist the Eligible Directors with their review of the Company's investments for compliance with these allocation procedures. After making the determinations required in this paragraph (b), the Adviser will distribute written information concerning the Co-Investment Transaction, including the amount proposed to be invested by the Co-Investment Affiliates, to the Independent Directors for their consideration. Outside of the

Relative Allocation Percentages, the Company will co-invest with the Co-Investment Affiliates only if, prior to the Company's and the Co-Investment Affiliates' participation in the Co-Investment Transaction, the Eligible Directors conclude that:

(i) the terms of the transaction, including the consideration to be paid, are reasonable and fair and do not involve overreaching of the Company or its stockholders on the part of any person concerned;

(ii) the transaction is consistent with

(A) the interests of the stockholders of the Company; and

(B) the Company's investment objectives and policies (as described in the Company's registration statements on Form N-2 and other filings made with the Commission by the Company under the Securities Act of 1933, as amended ("Securities Act"), any reports filed by the Company with the Commission under the Securities Exchange Act of 1934, as amended, and the Company's reports to stockholders);

(iii) the investment by the Co-Investment Affiliates would not disadvantage the Company, and participation by the Company is not on a basis different from or less advantageous than that of the Co-Investment Affiliates; provided, that if the Co-Investment Affiliates, but not the Company, gains the right to nominate a director for election to a portfolio company's board of directors or the right to have a board observer or any similar right to participate in the governance or management of the portfolio company, such event shall not be interpreted to prohibit the Eligible Directors from reaching the conclusions required by this condition (2)(b)(iii), if

(A) the Eligible Directors shall have the right to ratify the selection of such director or board observer, if any, and

(B) the Adviser agrees to, and does, provide, periodic reports to the Company's Board with respect to the actions of such director or the information received by

such board observer or obtained through the exercise of any similar right to participate in the governance or management of the portfolio company; and;

(iv) the proposed investment by the Company will not benefit any affiliated person of the Company, other than the Co-Investment Affiliates, except (A) to the extent permitted by condition 12; (B) to the extent permitted by section 57(k); or (C) indirectly, as a result of an interest in securities issued by the Co-Investment Affiliates or the Company.⁷

3. The Company has the right to decline to participate in any Co-Investment Transaction or to invest less than the amount proposed.

4. Except for follow-on investments made pursuant to condition 7, the Company will not invest in reliance on this order in any portfolio company in which the Adviser, or any Co-Investment Affiliates or any person controlling, controlled by, or under common control with the Investment Adviser or the Co-Investment Affiliates is an existing investor.

5. The Company will not participate in any Co-Investment Transaction unless the terms, conditions, price, class of securities to be purchased, settlement date, and registration rights will be the same for the Company as for the Co-Investment Affiliates. The grant to the Co-Investment Affiliates, but not the Company, of the right to nominate a director for election to a portfolio company's board of directors, the right to have an observer on the board of directors or similar rights to participate in the governance or management of the portfolio company will not be interpreted so as to violate this condition 5, if conditions 2(b)(iii)(A) and (B) are met.⁸

6. Any sale, exchange, or other disposition by the Company or the Co-Investment Affiliates of an interest in a security that was acquired in a Co-Investment Transaction will be

⁷ Co-Investment Affiliates or an affiliate of the Co-Investment Affiliates will not receive any fees or other compensation in connection with the Co-Investment Affiliates' right to nominate a director or board observer to otherwise participate in the governance or management of the portfolio company.

accomplished pro rata based on the original investment of each participant unless the Adviser formulates a recommendation for participation in a disposition on a non-pro rata basis and such recommendation is approved by the Eligible Directors on the basis that such non-pro rata disposition is in the best interest of the Company. The Company and the Co-Investment Affiliates will each bear its own expenses in connection with any disposition, and the terms and conditions of any disposition will apply equally to all participants.

7. Any “follow-on investment” (i.e., an additional investment in the same entity) by the Company or the Co-Investment Affiliates, or any exercising of warrants or other rights to purchase securities of the issuer in a portfolio company whose securities were acquired in a Co-Investment Transaction will be accomplished pro rata based on the original investment of each participant, unless the Adviser formulates a recommendation for participation in the proposed transaction on a non-pro rata basis and such recommendation is approved by the Eligible Directors on the basis that such non-pro rata participation is in the best interest of the Company. The acquisition of follow-on investments as permitted by this condition will be subject to the other conditions set forth in the application.

8. The Independent Directors will be provided quarterly for review all information concerning (a) all investments made by the Co-Investment Affiliate during the preceding quarter and (b) Co-Investment Transactions during the preceding quarter, including investments made by the Co-Investment Affiliates which the Company considered but declined to participate in, so that the Independent Directors may determine whether the conditions of the order have been met.

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Id.

9. The Company will maintain the records required by section 57(f)(3) of the Act as if each of the investments permitted under these conditions were approved by the Independent Directors under section 57(f).

10. No Independent Directors will also be a director, general partner or principal, or otherwise an “affiliated person” (as defined in the Act) of, the Co-Investment Affiliates.

11. The expenses, if any, associated with acquiring, holding or disposing of any securities acquired in a Co-Investment Transaction (including, without limitation, the expenses of the distribution of any such securities registered for sale under the Securities Act) shall, to the extent not payable by the Adviser under its investment advisory agreements with the Co-Investment Affiliates, be shared by the Company and the Co-Investment Affiliates in proportion to the relative amounts of their securities to be acquired or disposed of, as the case may be.

12. Any transaction fee (including break-up or commitment fees but excluding broker’s fees contemplated by section 57(k)(2) of the Act) received in connection with a Co-Investment Transaction will be distributed to the Company and the Co-Investment Affiliates on a pro rata basis based on the amount they invested or committed, as the case may be, in such Co-Investment Transaction. If any transaction fee is to be held by the Adviser pending consummation of the transaction, the fee will be deposited into an account maintained by the Adviser at a bank or banks having the qualifications prescribed in section 26(a)(1) of the Act, and the account will earn a competitive rate of interest that will also be divided pro rata between the Company and the Co-Investment Affiliates based on the amount they invest in such Co-Investment Transaction. The Co-Investment Affiliates or any affiliated person of the Company will not receive additional compensation or remuneration of any kind (other than (a) the pro rata transaction fees described

above and (b) investment advisory fees paid in accordance with investment advisory agreements with the Company and the Co-Investment Affiliates) as a result of or in connection with a Co-Investment Transaction.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Elizabeth M. Murphy
Secretary