EOG RESOURCES INC
Form 10-Q
May 04, 2015

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

FORM 10-Q

(Mark One)

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2015
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number: 1-9743

EOG RESOURCES, INC.
(Exact name of registrant as specified in its charter)

Delaware	47-0684736
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1111 Bagby, Sky Lobby 2, Houston, Texas 77002
(Address of principal executive offices) (Zip Code)

713-651-7000
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 ý No o

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 ý Accelerated filer o Non-accelerated filer o Smaller reporting company o

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

Yes o No ý

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Title of each class	Number of shares
Common Stock, par value $0.01 per share	548,934,496 (as of April 24, 2015)

EOG RESOURCES, INC.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
EOG RESOURCES, INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(In Thousands, Except Per Share Data)
(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Net Operating Revenues		
Crude Oil and Condensate	$1,260,244	$2,397,102
Natural Gas Liquids	111,990	246,235
Natural Gas	287,782	556,693
Gains (Losses) on Mark-to-Market Commodity Derivative Contracts	76,208	(155,736)
Gathering, Processing and Marketing	570,270	1,015,411
Gains on Asset Dispositions, Net	1,607	11,498
Other, Net	10,437	12,468
Total	2,318,538	4,083,671
Operating Expenses		
Lease and Well	361,481	320,834
Transportation Costs	228,312	243,237
Gathering and Processing Costs	36,009	33,924
Exploration Costs	39,449	48,058
Dry Hole Costs	14,670	8,348
Impairments	69,436	113,361
Marketing Costs	638,662	1,006,304
Depreciation, Depletion and Amortization	912,788	946,491
General and Administrative	84,297	82,862
Taxes Other Than Income	106,429	195,973
Total	2,491,533	2,999,392
Operating Income (Loss)	(172,995)	1,084,279
Other Expense, Net	(9,991)	(3,338)
Income (Loss) Before Interest Expense and Income Taxes	(182,986)	1,080,941
Interest Expense, Net	53,345	50,152
Income (Loss) Before Income Taxes	(236,331)	1,030,789
Income Tax Provision (Benefit)	(66,583)	369,861
Net Income (Loss)	$(169,748)	$660,928
Net Income (Loss) Per Share		
Basic	$(0.31)	$1.22
Diluted	$(0.31)	$1.21
Dividends Declared per Common Share	$0.1675	$0.1250
Average Number of Common Shares		
Basic	544,998	542,278
Diluted	544,998	548,071
Comprehensive Income (Loss)		
Net Income (Loss)	$(169,748)	$660,928

Other Comprehensive Income (Loss)		
Foreign Currency Translation Adjustments	(13,167)	(12,930)
Foreign Currency Swap Transaction	—	50
Income Tax Related to Foreign Currency Swap Transaction	—	(670)
Interest Rate Swap Transaction	—	777
Income Tax Related to Interest Rate Swap Transaction	—	(281)
Other	(211)	23
Other Comprehensive Loss	(13,378)	(13,031)
Comprehensive Income (Loss)	$(183,126)	$647,897

The accompanying notes are an integral part of these consolidated financial statements.

EOG RESOURCES, INC.
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share Data)
(Unaudited)

	March 31, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and Cash Equivalents	$2,127,419	$2,087,213
Accounts Receivable, Net	1,266,582	1,779,311
Inventories	764,206	706,597
Assets from Price Risk Management Activities	329,825	465,128
Income Taxes Receivable	61,120	71,621
Deferred Income Taxes	18,703	19,618
Other	225,513	286,533
Total	4,793,368	5,416,021
Property, Plant and Equipment		
Oil and Gas Properties (Successful Efforts Method)	47,727,944	46,503,532
Other Property, Plant and Equipment	3,849,210	3,750,958
Total Property, Plant and Equipment	51,577,154	50,254,490
Less: Accumulated Depreciation, Depletion and Amortization	(21,855,433)	(21,081,846)
Total Property, Plant and Equipment, Net	29,721,721	29,172,644
Other Assets	177,365	174,022
Total Assets	$34,692,454	$34,762,687
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	$2,182,041	$2,860,548
Accrued Taxes Payable	121,729	140,098
Dividends Payable	91,280	91,594
Deferred Income Taxes	62,209	110,743
Current Portion of Long-Term Debt	506,579	6,579
Other	130,914	174,746
Total	3,094,752	3,384,308
Long-Term Debt	6,393,690	5,903,354
Other Liabilities	959,068	939,497
Deferred Income Taxes	6,774,446	6,822,946
Commitments and Contingencies (Note 8)		
Stockholders' Equity		
Common Stock, $0.01 Par, 640,000,000 Shares Authorized and 549,032,089 Shares Issued at March 31, 2015 and 549,028,374 Shares Issued at December 31, 2014	205,492	205,492
Additional Paid in Capital	2,819,015	2,837,150
Accumulated Other Comprehensive Loss	(36,434)	(23,056)
Retained Earnings	14,501,816	14,763,098
	(19,391)	(70,102)

Common Stock Held in Treasury, 208,004 Shares at March 31, 2015 and 733,517 Shares at December 31, 2014		
Total Stockholders' Equity	17,470,498	17,712,582
Total Liabilities and Stockholders' Equity	$34,692,454	$34,762,687

The accompanying notes are an integral part of these consolidated financial statements.

EOG RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Three Months Ended March 31, 2015	2014
Cash Flows from Operating Activities		
Reconciliation of Net Income (Loss) to Net Cash Provided by Operating Activities:		
Net Income (Loss)	$(169,748)	$660,928
Items Not Requiring (Providing) Cash		
Depreciation, Depletion and Amortization	912,788	946,491
Impairments	69,436	113,361
Stock-Based Compensation Expenses	33,052	35,565
Deferred Income Taxes	(97,241)	232,808
Gains on Asset Dispositions, Net	(1,607)	(11,498)
Other, Net	12,469	5,442
Dry Hole Costs	14,670	8,348
Mark-to-Market Commodity Derivative Contracts		
Total (Gains) Losses	(76,208)	155,736
Net Cash Received from (Payments for) Settlements of Commodity Derivative Contracts	367,707	(34,033)
Excess Tax Benefits from Stock-Based Compensation	(8,858)	(27,422)
Other, Net	1,616	3,589
Changes in Components of Working Capital and Other Assets and Liabilities		
Accounts Receivable	353,100	(144,317)
Inventories	(62,172)	(68,948)
Accounts Payable	(677,875)	361,810
Accrued Taxes Payable	2,105	139,801
Other Assets	59,176	(12,536)
Other Liabilities	(31,855)	(29,169)
Changes in Components of Working Capital Associated with Investing and Financing Activities	259,992	(68,283)
Net Cash Provided by Operating Activities	960,547	2,267,673
Investing Cash Flows		
Additions to Oil and Gas Properties	(1,428,733)	(1,736,630)
Additions to Other Property, Plant and Equipment	(116,866)	(165,966)
Proceeds from Sales of Assets	1,118	19,825
Changes in Restricted Cash	—	(9,047)
Changes in Components of Working Capital Associated with Investing Activities	(259,741)	68,258
Net Cash Used in Investing Activities	(1,804,222)	(1,823,560)
Financing Cash Flows		
Long-Term Debt Borrowings	990,225	496,220
Long-Term Debt Repayments	—	(500,000)
Settlement of Foreign Currency Swap	—	(31,573)
Dividends Paid	(91,661)	(51,780)
Excess Tax Benefits from Stock-Based Compensation	8,858	27,422
Treasury Stock Purchased	(15,459)	(28,897)

Proceeds from Stock Options Exercised	3,984	985
Debt Issuance Costs	(1,603)	(942)
Repayment of Capital Lease Obligation	(1,521)	(1,474)
Other, Net	(251)	25
Net Cash Provided by (Used in) Financing Activities	892,572	(90,014)
Effect of Exchange Rate Changes on Cash	(8,691)	(5,096)
Increase in Cash and Cash Equivalents	40,206	349,003
Cash and Cash Equivalents at Beginning of Period	2,087,213	1,318,209
Cash and Cash Equivalents at End of Period	$2,127,419	$1,667,212

The accompanying notes are an integral part of these consolidated financial statements.

EOG RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Summary of Significant Accounting Policies

General. The consolidated financial statements of EOG Resources, Inc., together with its subsidiaries (collectively, EOG), included herein have been prepared by management without audit pursuant to the rules and regulations of the United States Securities and Exchange Commission (SEC). Accordingly, they reflect all normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the financial results for the interim periods presented. Certain information and notes normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations. However, management believes that the disclosures included either on the face of the financial statements or in these notes are sufficient to make the interim information presented not misleading. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in EOG's Annual Report on Form 10-K for the year ended December 31, 2014, filed on February 18, 2015 (EOG's 2014 Annual Report).

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The operating results for the three months ended March 31, 2015, are not necessarily indicative of the results to be expected for the full year.

Recently Issued Accounting Standards. In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-03, "Interest - Computation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs" (ASU 2015-03), which changes the presentation of debt issuance costs in financial statements. Under ASU 2015-03, an entity will present debt issuance costs in the balance sheet as a direct reduction from the related debt liability rather than as an asset. Amortization of such costs will be presented as a component of interest expense. ASU 2015-03 is effective for interim and annual reporting periods beginning after December 15, 2015. Early adoption is permitted. EOG does not expect the adoption of ASU 2015-03 to have a material impact on EOG's financial statements.

In May 2014, the FASB issued ASU 2014-09 "Revenue From Contracts With Customers" (ASU 2014-09), which will require entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 will supersede most current guidance related to revenue recognition when it becomes effective. The new standard also will require expanded disclosures regarding the nature, amount, timing and certainty of revenue and cash flows from contracts with customers. ASU 2014-09 will be effective for interim and annual reporting periods beginning after December 15, 2016. Early adoption is not permitted. The FASB has proposed a one-year delay of the effective date and to allow early adoption. EOG is analyzing what impact the new standard will have on its consolidated financial statements and related disclosures.

EOG RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

2. Stock-Based Compensation

As more fully discussed in Note 7 to the Consolidated Financial Statements included in EOG's 2014 Annual Report, EOG maintains various stock-based compensation plans. Stock-based compensation expense is included on the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) based upon the job function of the employees receiving the grants as follows (in millions):

	Three Months Ended March 31,	
	2015	2014
Lease and Well	$12.1	$11.6
Gathering and Processing Costs	0.3	0.3
Exploration Costs	7.4	7.9
General and Administrative	13.3	15.8
Total	$33.1	$35.6

The Amended and Restated EOG Resources, Inc. 2008 Omnibus Equity Compensation Plan (2008 Plan) provides for grants of stock options, stock-settled stock appreciation rights (SARs), restricted stock and restricted stock units, performance units and performance stock and other stock-based awards. At March 31, 2015, approximately 27.9 million common shares remained available for grant under the 2008 Plan. EOG's policy is to issue shares related to the 2008 Plan from either previously authorized unissued shares or treasury shares to the extent treasury shares are available.

Stock Options and Stock-Settled Stock Appreciation Rights and Employee Stock Purchase Plan. The fair value of stock option grants and SAR grants is estimated using the Hull-White II binomial option pricing model. The fair value of Employee Stock Purchase Plan (ESPP) grants is estimated using the Black-Scholes-Merton model. Stock-based compensation expense related to stock option, SAR and ESPP grants totaled $11.6 million and $12.0 million during the three months ended March 31, 2015 and 2014, respectively.

Weighted average fair values and valuation assumptions used to value stock option, SAR and ESPP grants during the three-month periods ended March 31, 2015 and 2014 are as follows:

	Stock Options/SARs Three Months Ended March 31,		ESPP Three Months Ended March 31,	
	2015	2014	2015	2014
Weighted Average Fair Value of Grants	$30.35	$26.11	$23.39	$18.30
Expected Volatility	40.01 %	35.89 %	37.47 %	25.83 %
Risk-Free Interest Rate	0.82 %	0.84 %	0.11 %	0.09 %
Dividend Yield	0.73 %	0.48 %	0.72 %	0.44 %
Expected Life	5.3 years	5.3 years	0.5 years	0.5 years

Expected volatility is based on an equal weighting of historical volatility and implied volatility from traded options in EOG's common stock. The risk-free interest rate is based upon United States Treasury yields in effect at the time of grant. The expected life is based upon historical experience and contractual terms of stock option, SAR and ESPP grants.

EOG RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

The following table sets forth stock option and SAR transactions for the three-month periods ended March 31, 2015 and 2014 (stock options and SARs in thousands):

	Three Months Ended March 31, 2015		Three Months Ended March 31, 2014	
	Number of Stock Options/SARs	Weighted Average Grant Price	Number of Stock Options/SARs	Weighted Average Grant Price
Outstanding at January 1	10,493	64.96	10,452	$54.43
Granted	30	91.85	40	84.74
Exercised (1)	(459)	47.25	(353)	44.40
Forfeited	(96)	77.96	(66)	61.56
Outstanding at March 31 (2)	9,968	65.73	10,073	$54.85
Vested or Expected to Vest (3)	9,586	65.09	9,619	$54.44
Exercisable at March 31 (4)	4,882	49.85	4,314	$44.00

(1) The total intrinsic value of stock options/SARs exercised for the three months ended March 31, 2015 and 2014 was $20.1 million and $16.2 million, respectively. The intrinsic value is based upon the difference between the market price of EOG's common stock on the date of exercise and the grant price of the stock options/SARs.

(2) The total intrinsic value of stock options/SARs outstanding at March 31, 2015 and 2014 was $279.5 million and $435.5 million, respectively. At March 31, 2015 and 2014, the weighted average remaining contractual life was 4.2 years and 4.4 years, respectively.

(3) The total intrinsic value of stock options/SARs vested or expected to vest at March 31, 2015 and 2014 was $274.1 million and $419.8 million, respectively. At March 31, 2015 and 2014, the weighted average remaining contractual life was 4.1 years and 4.3 years, respectively.

(4) The total intrinsic value of stock options/SARs exercisable at March 31, 2015 and 2014 was $204.5 million and $233.3 million, respectively. At March 31, 2015 and 2014, the weighted average remaining contractual life was 2.8 years and 3.0 years, respectively.

At March 31, 2015, unrecognized compensation expense related to non-vested stock option, SAR and ESPP grants totaled $98.4 million. Such unrecognized expense will be amortized on a straight-line basis over a weighted average period of 2.5 years.

Restricted Stock and Restricted Stock Units. Employees may be granted restricted (non-vested) stock and/or restricted stock units without cost to them. Stock-based compensation expense related to restricted stock and restricted stock units totaled $21.2 million and $22.7 million for the three months ended March 31, 2015 and 2014, respectively.

EOG RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

The following table sets forth restricted stock and restricted stock unit transactions for the three-month periods ended March 31, 2015 and 2014 (shares and units in thousands):

	Three Months Ended March 31, 2015		Three Months Ended March 31, 2014	
	Number of Shares and Units	Weighted Average Grant Date Fair Value	Number of Shares and Units	Weighted Average Grant Date Fair Value
Outstanding at January 1	5,394	$64.39	7,358	$49.54
Granted	438	87.93	384	94.01
Released [(1)]	(365)	51.22	(838)	24.47
Forfeited	(44)	76.19	(55)	57.73
Outstanding at March 31 [(2)]	5,423	$67.08	6,849	$55.04

(1) The total intrinsic value of restricted stock and restricted stock units released for the three months ended March 31, 2015 and 2014 was $32.8 million and $79.0 million, respectively. The intrinsic value is based upon the closing price of EOG's common stock on the date the restricted stock and restricted stock units are released.
(2) The total intrinsic value of restricted stock and restricted stock units outstanding at March 31, 2015 and 2014 was $497.3 million and $671.8 million, respectively.

At March 31, 2015, unrecognized compensation expense related to restricted stock and restricted stock units totaled $190.7 million. Such unrecognized expense will be amortized on a straight-line basis over a weighted average period of 2.6 years.

Performance Units and Performance Stock. EOG grants performance units and/or performance stock to its executive officers. The fair value of the performance units and performance stock is estimated using a Monte Carlo simulation. Stock-based compensation expense related to performance unit and performance stock grants totaled $0.3 million and $0.9 million for the three months ended March 31, 2015 and 2014, respectively.

The following table sets forth performance unit and performance stock transactions for the three-month periods ended March 31, 2015 and 2014 (shares and units in thousands):

	Three Months Ended March 31, 2015		Three Months Ended March 31, 2014	
	Number of Shares and Units	Weighted Average Grant Date Fair Value	Number of Shares and Units	Weighted Average Grant Date Fair Value
Outstanding at January 1	333	$90.17	261	$82.18
Granted	—	—	—	—
Released	—	—	—	—
Forfeited	—	—	—	—
Outstanding at March 31 [(1)]	333	$90.17	261	$82.18

(1) The total intrinsic value of performance units and performance stock outstanding at March 31, 2015 and 2014 was $30.6 million and $21.9 million, respectively.

At March 31, 2015, unrecognized compensation expense related to performance units and performance stock totaled $5.1 million. Such unrecognized expense will be amortized on a straight-line basis over a weighted average period of 3.6 years.

EOG RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

3. Net Income (Loss) Per Share

The following table sets forth the computation of Net Income (Loss) Per Share for the three-month periods ended March 31, 2015 and 2014 (in thousands, except per share data):

	Three Months Ended March 31,	
	2015	2014
Numerator for Basic and Diluted Earnings Per Share -		
Net Income (Loss)	$(169,748)	$660,928
Denominator for Basic Earnings Per Share -		
Weighted Average Shares	544,998	542,278
Potential Dilutive Common Shares -		
Stock Options/SARs	—	2,426
Restricted Stock/Units and Performance Units/Stock	—	3,367
Denominator for Diluted Earnings Per Share -		
Adjusted Diluted Weighted Average Shares	544,998	548,071
Net Income (Loss) Per Share		
Basic	$(0.31)	$1.22
Diluted	$(0.31)	$1.21

The diluted earnings per share calculation excludes stock options, SARs, restricted stock and units and performance units and stock that were anti-dilutive. Shares underlying the excluded stock options and SARs totaled 4.2 million and 0.2 million shares for the three months ended March 31, 2015 and 2014, respectively. For the three months ended March 31, 2015, 5.8 million shares of restricted stock and restricted stock units and performance units and performance stock were excluded.

4. Supplemental Cash Flow Information

Net cash paid for interest and income taxes was as follows for the three-month periods ended March 31, 2015 and 2014 (in thousands):

	Three Months Ended March 31,	
	2015	2014
Interest [(1)]	$56,124	$53,547
Income Taxes, Net of Refunds Received	$12,787	$21,359

(1) Net of capitalized interest of $12 million and $14 million for the three months ended March 31, 2015 and 2014, respectively.

EOG's accrued capital expenditures at March 31, 2015 and 2014 were $771 million and $867 million, respectively.

EOG RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

5. Segment Information

As more fully discussed in Note 13, during the fourth quarter of 2014, EOG completed the sale of substantially all of its Canadian operations. As a result, information related to EOG's remaining Canadian operations have been included in the Other International segment and prior year amounts have been reclassified to conform to current year presentation. Selected financial information by reportable segment is presented below for the three-month periods ended March 31, 2015 and 2014 (in thousands):

	Three Months Ended March 31, 2015	2014
Net Operating Revenues		
United States	$2,212,582	$3,852,065
Trinidad	96,562	136,733
Other International (1)	9,394	94,873
Total	$2,318,538	$4,083,671
Operating Income (Loss)		
United States	$(181,856)	$1,041,021
Trinidad	46,980	74,315
Other International (1)	(38,119)	(31,057)
Total	(172,995)	1,084,279
Reconciling Items		
Other Expense, Net	(9,991)	(3,338)
Interest Expense, Net	(53,345)	(50,152)
Income (Loss) Before Income Taxes	$(236,331)	$1,030,789

(1) Other International primarily includes EOG's Canada, United Kingdom, China and Argentina operations.

Total assets by reportable segment are presented below at March 31, 2015 and December 31, 2014 (in thousands):

	At March 31, 2015	At December 31, 2014
Total Assets		
United States	$32,843,772	$32,871,398
Trinidad	910,740	865,674
Other International (1)	937,942	1,025,615
Total	$34,692,454	$34,762,687

(1) Other International primarily includes EOG's Canada, United Kingdom, China and Argentina operations.

EOG RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

6. Asset Retirement Obligations

The following table presents the reconciliation of the beginning and ending aggregate carrying amounts of short-term and long-term legal obligations associated with the retirement of property, plant and equipment for the three-month periods ended March 31, 2015 and 2014 (in thousands):

	Three Months Ended March 31,	
	2015	2014
Carrying Amount at Beginning of Period	$752,718	$761,898
Liabilities Incurred	11,281	37,453
Liabilities Settled [1]	(6,816)	(6,850)
Accretion	7,840	13,751
Revisions	2,880	—
Foreign Currency Translations	(4,949)	(6,636)
Carrying Amount at End of Period	$762,954	$799,616
Current Portion	$9,280	$37,308
Noncurrent Portion	$753,674	$762,308

(1) Includes settlements related to asset sales.

The current and noncurrent portions of EOG's asset retirement obligations are included in Current Liabilities - Other and Other Liabilities, respectively, on the Consolidated Balance Sheets.

7. Exploratory Well Costs

EOG's net changes in capitalized exploratory well costs for the three-month period ended March 31, 2015, are presented below (in thousands):

	Three Months Ended March 31, 2015
Balance at January 1	$17,253
Additions Pending the Determination of Proved Reserves	12,963
Reclassifications to Proved Properties	(10,407)
Costs Charged to Expense	—
Balance at March 31	$19,809

At March 31, 2015, all capitalized exploratory well costs had been capitalized for periods of less than one year.

8. Commitments and Contingencies

There are currently various suits and claims pending against EOG that have arisen in the ordinary course of EOG's business, including contract disputes, personal injury and property damage claims and title disputes. While the ultimate outcome and impact on EOG cannot be predicted, management believes that the resolution of these suits and claims will not, individually or in the aggregate, have a material adverse effect on EOG's consolidated financial position, results of operations or cash flow. EOG records reserves for contingencies when information available indicates that a loss is probable and the amount of the loss can be reasonably estimated.

EOG RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

9. Pension and Postretirement Benefits

EOG has defined contribution pension plans in place for most of its employees in the United States, Canada, Trinidad and the United Kingdom, and defined benefit pension plans covering certain of its employees in Canada and Trinidad. For the three months ended March 31, 2015 and 2014, EOG's total costs recognized for these pension plans were $9.4 million and $9.7 million, respectively. In connection with the divestiture of substantially all of its Canadian assets in the fourth quarter of 2014, EOG has elected to terminate the Canadian non-contributory defined benefit pension plan. EOG also has postretirement medical and dental plans in place for eligible employees in the United States and Trinidad, the costs of which are not material.

10. Long-Term Debt

EOG had no outstanding commercial paper borrowings or uncommitted credit facility borrowings at March 31, 2015 and did not utilize any such borrowings during the three months ended March 31, 2015. During the three months ended March 31, 2014, EOG utilized commercial paper and short-term borrowings under uncommitted credit facilities, bearing market interest rates, for various corporate financing purposes. The average borrowings outstanding under the commercial paper program and under uncommitted credit facilities were $31 million and $0.3 million, respectively, during the three months ended March 31, 2014. The weighted average interest rates for commercial paper borrowings and uncommitted credit facility borrowings were 0.25% and 0.70%, respectively, during the three months ended March 31, 2014.

At March 31, 2015, $400 million aggregate principal amount of 2.500% Senior Notes due 2016 were classified as long-term debt based upon EOG's intent and ability to ultimately replace such amount with other long-term debt.

On March 17, 2015, EOG closed its sale of $500 million aggregate principal amount of its 3.15% Senior Notes due 2025 and $500 million aggregate principal amount of its 3.90% Senior Notes due 2035 (together, the Notes). Interest on the Notes is payable semi-annually in arrears on April 1 and October 1 of each year, beginning on October 1, 2015. Net proceeds from the Notes offering of approximately $990 million were used for general corporate purposes.

EOG currently has a $2.0 billion senior unsecured Revolving Credit Agreement (Agreement) with domestic and foreign lenders. The Agreement matures on October 11, 2016, and includes an option for EOG to extend, on up to two occasions, the term for successive one-year periods, subject to, among certain other terms and conditions, the consent of the banks holding greater than 50% of the commitments then outstanding under the Agreement. At March 31, 2015, there were no borrowings or letters of credit outstanding under the Agreement. Advances under the Agreement accrue interest based, at EOG's option, on either the London InterBank Offered Rate plus an applicable margin (Eurodollar rate), or the base rate (as defined in the Agreement) plus an applicable margin. At March 31, 2015, the Eurodollar rate and applicable base rate, had there been any amounts borrowed under the Agreement, would have been 1.05% and 3.25%, respectively.

EOG RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

11. Fair Value Measurements

As more fully discussed in Note 13 to the Consolidated Financial Statements included in EOG's 2014 Annual Report, certain of EOG's financial and nonfinancial assets and liabilities are reported at fair value on the Consolidated Balance Sheets. The following table provides fair value measurement information within the fair value hierarchy for certain of EOG's financial assets and liabilities carried at fair value on a recurring basis at March 31, 2015 and December 31, 2014 (in millions):

	Fair Value Measurements Using:			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
At March 31, 2015				
Financial Assets				
Natural Gas Options/Swaptions	$—	$86	$—	$86
Crude Oil Swaps	—	103	—	103
Crude Oil Options/Swaptions	—	141	—	141
At December 31, 2014				
Financial Assets				
Natural Gas Options/Swaptions	$—	$100	$—	$100
Crude Oil Swaps	—	121	—	121
Crude Oil Options/Swaptions	—	244	—	244

The estimated fair value of crude oil and natural gas derivative contracts (including options/swaptions) was based upon forward commodity price curves based on quoted market prices. Commodity derivative contracts were valued by utilizing an independent third-party derivative valuation provider who uses various types of valuation models, as applicable.

The initial measurement of asset retirement obligations at fair value is calculated using discounted cash flow techniques and based on internal estimates of future retirement costs associated with property, plant and equipment. Significant Level 3 inputs used in the calculation of asset retirement obligations include plugging costs and reserve lives. A reconciliation of EOG's asset retirement obligations is presented in Note 6.

Proved oil and gas properties and other assets with a carrying amount of $7 million were written down to their fair value of $2 million, resulting in pretax impairment charges of $5 million for the three months ended March 31, 2015. Significant Level 3 inputs associated with the calculation of discounted cash flows used in the impairment analysis include EOG's estimate of future crude oil and natural gas prices, production costs, development expenditures, anticipated production of proved reserves, appropriate risk-adjusted discount rates and other relevant data.

Fair Value of Debt. At March 31, 2015 and December 31, 2014, EOG had outstanding $6,890 million and $5,890 million, respectively, aggregate principal amount of debt, which had estimated fair values of approximately $7,370 million and $6,242 million, respectively. The estimated fair value of debt was based upon quoted market prices and, where such prices were not available, other observable (Level 2) inputs regarding interest rates available to EOG at the end of each respective period.

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EOG RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Concluded)
(Unaudited)

12. Risk Management Activities

Commodity Price Risk. As more fully discussed in Note 12 to the Consolidated Financial Statements included in EOG's 2014 Annual Report, EOG engages in price risk management activities from time to time. These activities are intended to manage EOG's exposure to fluctuations in commodity prices for crude oil and natural gas. EOG utilizes financial commodity derivative instruments, primarily price swap, option, swaption, collar and basis swap contracts, as a means to manage this price risk. EOG has not designated any of its financial commodity derivative contracts as accounting hedges and, accordingly, accounts for financial commodity derivative contracts using the mark-to-market accounting method.

Commodity Derivative Contracts. Presented below is a comprehensive summary of EOG's crude oil derivative contracts at March 31, 2015, with notional volumes expressed in barrels per day (Bbld) and prices expressed in dollars per barrel ($/Bbl).
Crude Oil Derivative Contracts

	Volume (Bbld)	Weighted Average Price ($/Bbl)
2015 (1)		
January 1, 2015 through March 31, 2015 (closed)	47,000	$91.22
April 1, 2015 through June 30, 2015	47,000	91.22
July 1, 2015 through December 31, 2015	10,000	89.98

(1) EOG has entered into crude oil derivative contracts which give counterparties the option to extend certain current derivative contracts for additional six-month periods. Options covering a notional volume of 37,000 Bbld are exercisable on June 30, 2015. If the counterparties exercise all such options, the notional volume of EOG's existing crude oil derivative contracts will increase by 37,000 Bbld at an average price of $91.56 per barrel for each month during the period July 1, 2015 through December 31, 2015.

Presented below is a comprehensive summary of EOG's natural gas derivative contracts at March 31, 2015, with notional volumes expressed in million British thermal units (MMBtu) per day (MMBtud) and prices expressed in dollars per MMBtu ($/MMBtu).
Natural Gas Derivative Contracts

	Volume (MMBtud)	Weighted Average Price ($/MMBtu)
2015 (1)		
January 1, 2015 through February 28, 2015 (closed)	235,000	$4.47
March 2015 (closed)	225,000	4.48
April 2015 (closed)	195,000	4.49
May 2015	235,000	4.13
June 2015	275,000	3.97
July 2015	275,000	3.98
August 1, 2015 through December 31, 2015	175,000	4.51

(1) EOG has entered into natural gas derivative contracts which give counterparties the option of entering into derivative contracts at future dates. All such options are exercisable monthly up until the settlement date of each

monthly contract. If the counterparties exercise all such options, the notional volume of EOG's existing natural gas derivative contracts will increase by 175,000 MMBtud at an average price of $4.51 per MMBtu for each month during the period May 1, 2015 through December 31, 2015.

EOG RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Concluded)
(Unaudited)

The following table sets forth the amounts and classification of EOG's outstanding derivative financial instruments at March 31, 2015 and December 31, 2014. Certain amounts may be presented on a net basis on the consolidated financial statements when such amounts are with the same counterparty and subject to a master netting arrangement (in millions):

Description	Location on Balance Sheet	Fair Value at March 31, 2015	December 31, 2014
Asset Derivatives			
Crude oil and natural gas derivative contracts -			
Current portion	Assets from Price Risk Management Activities (1)	$330	$465
Liability Derivatives			
Crude oil and natural gas derivative contracts -			
Current portion	Liabilities from Price Risk Management Activities (2)	$—	$—

(1) The current portion of Assets from Price Risk Management Activities consists of gross assets of $339 million, partially offset by gross liabilities of $9 million at March 31, 2015, and gross assets of $477 million, partially offset by gross liabilities of $12 million at December 31, 2014.

(2) The current portion of Liabilities from Price Risk Management Activities consists of gross liabilities of $9 million, offset by gross assets of $9 million at March 31, 2015, and gross liabilities of $12 million, offset by gross assets of $12 million at December 31, 2014.

Credit Risk. Notional contract amounts are used to express the magnitude of commodity price swap agreements. The amounts potentially subject to credit risk, in the event of nonperformance by the counterparties, are equal to the fair value of such contracts (see Note 11). EOG evaluates its exposure to significant counterparties on an ongoing basis, including those arising from physical and financial transactions. In some instances, EOG renegotiates payment terms and/or requires collateral, parent guarantees or letters of credit to minimize credit risk.

All of EOG's outstanding derivative instruments are covered by International Swap Dealers Association Master Agreements (ISDAs) with counterparties. The ISDAs may contain provisions that require EOG, if it is the party in a net liability position, to post collateral when the amount of the net liability exceeds the threshold level specified for EOG's then-current credit ratings. In addition, the ISDAs may also provide that as a result of certain circumstances, including certain events that cause EOG's credit ratings to become materially weaker than its then-current ratings, the counterparty may require all outstanding derivatives under the ISDAs to be settled immediately. See Note 11 for the aggregate fair value of all derivative instruments that were in a net asset position at March 31, 2015 and December 31, 2014. EOG held collateral of $125 million and $278 million at March 31, 2015 and December 31, 2014, respectively, and had no collateral posted at March 31, 2015 or December 31, 2014.

13. Divestitures

During the first three months of 2015, EOG received proceeds of approximately $1 million from sales of assets. During the first three months of 2014, EOG received proceeds of approximately $20 million primarily from sales of producing properties and acreage in the Mid-Continent and Rocky Mountain areas.

During the fourth quarter of 2014, EOG received proceeds of approximately $400 million from the divestiture of all its assets in Manitoba and the majority of its assets in Alberta (collectively, the Canadian Sales). The Canadian Sales that closed on or about December 1, 2014, occurred in two separate transactions, an asset sale and the sale of the stock of certain of EOG's Canadian subsidiaries. As these two transactions represented a substantially complete liquidation of EOG's Canadian operations, EOG reclassified approximately $383 million of cumulative translation adjustments previously recorded in Accumulated Other Comprehensive Income (Loss) on the Consolidated Balance Sheets to Net Income (Gains on Asset Dispositions, Net) on the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). The Canadian Sales also resulted in the release of approximately $150 million of restricted cash related to future abandonment liabilities.

PART I. FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
EOG RESOURCES, INC.

Overview
EOG Resources, Inc., together with its subsidiaries (collectively, EOG), is one of the largest independent (non-integrated) crude oil and natural gas companies in the United States with proved reserves in the United States, Trinidad, Canada, the United Kingdom and China. EOG operates under a consistent business and operational strategy that focuses predominantly on maximizing the rate of return on investment of capital by emphasizing the drilling of internally generated prospects in order to find and develop low-cost reserves, controlling operating and capital costs and maximizing reserve recoveries. This strategy is intended to enhance the generation of cash flow and earnings from each unit of production on a cost-effective basis, allowing EOG to deliver long-term production growth while maintaining a strong balance sheet. Maintaining the lowest possible operating cost structure that is consistent with prudent and safe operations is also an important goal in the implementation of EOG's strategy.

United States. EOG's efforts to identify plays with large reserve potential have proven to be successful. EOG continues to drill numerous wells in large acreage plays, which in the aggregate have contributed substantially to, and are expected to continue to contribute substantially to, EOG's crude oil and liquids-rich natural gas production. EOG has placed an emphasis on applying its horizontal drilling and completion expertise to unconventional crude oil and liquids-rich reservoirs. On a volumetric basis, as calculated using the ratio of 1.0 barrel of crude oil and condensate or natural gas liquids (NGL) to 6.0 thousand cubic feet of natural gas, crude oil and condensate and NGL production accounted for approximately 71% of total United States production during the first three months of 2015 as compared to 69% for the same comparable period in 2014. This liquids growth primarily reflects increased production from the Eagle Ford, the Rocky Mountain area and the Permian Basin. In 2015, EOG is focused on increasing drilling and completion efficiencies, testing methods to improve the recovery factor of oil-in-place and reducing costs. Drilling will continue to occur primarily in the Eagle Ford, Delaware Basin and North Dakota Bakken plays, where EOG expects to build an inventory of uncompleted wells pending a commodity price recovery. In addition, EOG continues to evaluate certain potential crude oil and liquids-rich natural gas exploration and development prospects. Based on its 2015 drilling plan, which was influenced by the current low commodity price environment, EOG expects its 2015 crude oil and condensate and NGL production to be relatively flat as compared to 2014. EOG's major producing areas in the United States are in New Mexico, North Dakota, Texas, Utah and Wyoming.

EOG's crude-by-rail facilities provide EOG the flexibility to direct its crude oil shipments via rail car to the most favorable markets, including the Gulf Coast and Cushing, Oklahoma markets.

Canada. As previously reported, during the fourth quarter of 2014, EOG completed the divestiture of substantially all its assets in Canada (see Note 13 to the Consolidated Financial Statements). At the time of the sales, production from the divested assets totaled approximately 7,050 barrels of crude oil per day, 580 barrels of NGLs per day and 43.5 million cubic feet of natural gas per day. Net proved reserves divested were estimated to be 7.7 million barrels of oil, 0.8 million barrels of NGLs and 78.7 billion cubic feet of natural gas. Information related to EOG's remaining Canadian operations is presented in the "Other International" segment.

International. In Trinidad, EOG continues to deliver natural gas under existing supply contracts. Several fields in the South East Coast Consortium (SECC) Block, Modified U(a) Block, Block 4(a) and Modified U(b) Block and the EMZ Area have been developed and are producing natural gas which is sold to the National Gas Company of Trinidad and

Tobago and its subsidiary, and crude oil and condensate which is sold to the Petroleum Company of Trinidad and Tobago Limited. In the first quarter of 2015, EOG drilled two net wells with one classified as a dry hole. Remaining planned 2015 activity in Trinidad includes drilling two net wells and completing two net wells.

In the United Kingdom, EOG continues to make progress in the development of its 100% working interest East Irish Sea Conwy crude oil discovery. Modifications to the nearby third-party-owned Douglas platform, which will be used to process Conwy production, continued throughout the first three months of 2015. First production from the Conwy field is anticipated in the third quarter of 2015.

During the first three months of 2015, in the Sichuan Basin, Sichuan Province, China, EOG completed a well that was drilled in 2014 and drilled four additional wells. EOG completed one of the four wells during the first quarter of 2015 and anticipates completing an additional well in the second half of 2015.

EOG's activity in Argentina is focused on the Vaca Muerta oil shale formation in the Neuquén Province. Management is currently evaluating options for its investment.

EOG continues to evaluate other select crude oil and natural gas opportunities outside the United States and Canada primarily by pursuing exploitation opportunities in countries where indigenous crude oil and natural gas reserves have been identified.

Capital Structure. One of management's key strategies is to maintain a strong balance sheet with a consistently below average debt-to-total capitalization ratio as compared to those in EOG's peer group. EOG's debt-to-total capitalization ratio was 28% and 25% at March 31, 2015 and December 31, 2014, respectively. As used in this calculation, total capitalization represents the sum of total current and long-term debt and total stockholders' equity. At March 31, 2015, $400 million aggregate principal amount of 2.500% Senior Notes due 2016 were reclassified as long-term debt based upon EOG's intent and ability to ultimately replace such amount with other long-term debt.

On March 17, 2015, EOG closed its sale of $500 million aggregate principal amount of its 3.15% Senior Notes due 2025 and $500 million aggregate principal amount of its 3.90% Senior Notes due 2035 (together, the Notes). Interest on the Notes is payable semi-annually in arrears on April 1 and October 1 of each year, beginning on October 1, 2015. Net proceeds from the Notes offering of approximately $990 million were used for general corporate purposes.

Total anticipated 2015 capital expenditures are estimated to range from approximately $4.9 billion to $5.1 billion, excluding acquisitions. The majority of 2015 expenditures will be focused on United States crude oil drilling activities. The anticipated 2015 capital expenditure program is structured to maintain EOG's strategy of capital discipline by funding its exploration, development and exploitation activities from available internally generated cash flows and cash on hand. EOG has significant flexibility with respect to financing alternatives, including borrowings under its commercial paper program and other uncommitted credit facilities, bank borrowings, borrowings under its $2.0 billion senior unsecured revolving credit facility and equity and debt offerings.

When it fits EOG's strategy, EOG will make acquisitions that bolster existing drilling programs or offer incremental exploration and/or production opportunities. Management continues to believe EOG has one of the strongest prospect inventories in EOG's history.

Results of Operations

The following review of operations for the three months ended March 31, 2015 and 2014 should be read in conjunction with the consolidated financial statements of EOG and notes thereto included in this Quarterly Report on Form 10-Q.

Three Months Ended March 31, 2015 vs. Three Months Ended March 31, 2014

Net Operating Revenues. During the first quarter of 2015, net operating revenues decreased $1,765 million, or 43%, to $2,319 million from $4,084 million for the same period of 2014. Total wellhead revenues, which are revenues generated from sales of EOG's production of crude oil and condensate, NGLs and natural gas, for the first quarter of 2015 decreased $1,540 million, or 48%, to $1,660 million from $3,200 million for the same period of 2014. During the first quarter of 2015, EOG recognized net gains on the mark-to-market of financial commodity derivative contracts of $76 million compared to net losses of $156 million for the same period of 2014. Gathering, processing and marketing revenues, which are revenues generated from sales of third-party crude oil and condensate, NGLs and natural gas as well as fees associated with gathering third-party natural gas and revenues from sales of EOG-owned sand, for the first quarter of 2015 decreased $445 million, or 44%, to $570 million from $1,015 million for the same period of 2014.

Wellhead volume and price statistics for the three-month periods ended March 31, 2015 and 2014 were as follows:

	Three Months Ended March 31, 2015	2014
Crude Oil and Condensate Volumes (MBbld) (1)		
United States	298.6	258.1
Trinidad	1.0	1.1
Other International (2)	0.1	7.3
Total	299.7	266.5
Average Crude Oil and Condensate Prices ($/Bbl) (3)		
United States	$46.71	$100.58
Trinidad	39.78	89.93
Other International (2)	43.06	89.95
Composite	46.68	100.25
Natural Gas Liquids Volumes (MBbld) (1)		
United States	77.4	70.8
Other International (2)	0.1	0.8
Total	77.5	71.6
Average Natural Gas Liquids Prices ($/Bbl) (3)		
United States	$16.10	$38.10
Other International (2)	2.46	46.88
Composite	16.08	38.20
Natural Gas Volumes (MMcfd) (1)		
United States	905	894
Trinidad	337	387
Other International (2)	31	71
Total	1,273	1,352
Average Natural Gas Prices ($/Mcf) (3)		
United States	$2.27	$4.96
Trinidad	3.09	3.63
Other International (2)	3.28	4.83
Composite	2.51	4.58
Crude Oil Equivalent Volumes (MBoed) (4)		
United States	527.1	478.0
Trinidad	57.1	65.6
Other International (2)	5.3	19.9
Total	589.5	563.5
Total MMBoe (4)	53.1	50.7

(1) Thousand barrels per day or million cubic feet per day, as applicable.

(2) Other International includes EOG's Canada, United Kingdom, China and Argentina operations.

	0.1	%	—	—%								
Diversified Financial Services(1)	100,366	1.6	%	101,145	1.6	%	42,574	0.7	%	42,189	0.7	%
Durable Consumer Products	377,252	5.9	%	377,207	6.0	%	377,205	5.9	%	375,329	6.0	%
Energy	76,662	1.2	%	70,311	1.1	%	77,379	1.2	%	67,637	1.1	%
Food Products	372,332	5.9	%	372,332	6.0	%	173,375	2.7	%	174,603	2.8	%

Healthcare	293,786	4.6 %	289,198	4.6 %	329,408	5.2 %	326,142	5.2 %
Hotels, Restaurants & Leisure	170,484	2.7 %	170,685	2.7 %	132,193	2.1 %	132,401	2.1 %
Machinery	396	— %	616	— %	396	— %	621	— %
Manufacturing	203,223	3.2 %	171,629	2.7 %	204,394	3.2 %	171,577	2.7 %
Media	361,776	5.7 %	342,695	5.5 %	362,738	5.7 %	344,278	5.5 %
Metal Services & Minerals	48,405	0.8 %	52,518	0.8 %	48,402	0.8 %	51,977	0.8 %
Oil & Gas Production	281,951	4.4 %	246,362	4.0 %	283,490	4.4 %	248,494	4.0 %
Personal & Nondurable Consumer Products	211,841	3.3 %	212,168	3.4 %	10,604	0.2 %	11,034	0.2 %
Pharmaceuticals	77,388	1.2 %	75,174	1.2 %	78,069	1.2 %	73,690	1.2 %
Property Management	5,881	0.1 %	3,601	0.1 %	57,500	0.9 %	45,284	0.7 %
Real Estate	449,922	7.1 %	444,153	7.1 %	353,506	5.5 %	355,236	5.7 %
Retail	14,242	0.2 %	14,905	0.2 %	14,231	0.2 %	14,625	0.2 %
Software & Computer Services	237,505	3.7 %	238,270	3.8 %	240,469	3.8 %	241,260	3.9 %
Telecommunication Services	79,630	1.3 %	79,654	1.3 %	79,630	1.2 %	79,654	1.3 %
Textiles, Apparel & Luxury Goods	256,275	4.0 %	256,275	4.1 %	275,023	4.3 %	259,690	4.2 %
Transportation	115,676	1.8 %	71,826	1.1 %	112,676	1.8 %	69,116	1.1 %
Subtotal	$ 5,261,278	82.7 %	$ 5,096,992	81.5 %	$ 5,298,748	83.2 %	$ 5,126,555	82.0 %
CLO Investments(1)	1,097,442	17.3 %	1,156,501	18.5 %	1,072,774	16.8 %	1,127,184	18.0 %
Total Investments	$ 6,358,720	100.0 %	$ 6,253,493	100.0 %	$ 6,371,522	100.0 %	$ 6,253,739	100.0 %

(1) Although designated as Diversified Financial Services within our Schedules of Investments in Item 1 of this report, our CLO investments do not have industry concentrations and as such have been separated in the table above.

Portfolio Investment Activity

During the three months ended September 30, 2014, we acquired $457,383 of new investments, completed follow-on investments in existing portfolio companies totaling approximately $414,935, funded $9,000 of revolver advances, and recorded PIK interest of $5,887, resulting in gross investment originations of $887,205. The more significant of these transactions are briefly described below.

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On July 17, 2014, we restructured our investments in BXC Company, Inc. ("BXC") and Boxercraft Incorporated ("Boxercraft"), a wholly-owned subsidiary of BXC. The existing Senior Secured Term Loan A and a portion of the existing Senior Secured Term Loan B were replaced with a new Senior Secured Term Loan A to Boxercraft. The remainder of the existing Senior Secured Term Loan B and the existing Senior Secured Term Loan C, Senior Secured Term Loan D, and Senior Secured Term Loan E were replaced with a new Senior Secured Term Loan B to Boxercraft. The existing Senior Secured Term Loan to Boxercraft was converted into Series D Preferred Stock in BXC.

On August 5, 2014, we made an investment of $39,105 to purchase 70.94% of the subordinated notes in CIFC Funding 2014-IV, Ltd.

On August 13, 2014, we provided $210,000 of senior secured financing, of which $200,000 was funded at closing, to support the recapitalization of Trinity Services Group, Inc. ("Trinity"), a leading food services company in the H.I.G. Capital portfolio. The $100,000 Term Loan A note bears interest in cash at the greater of 6.5% or Libor plus 5.5% and has a final maturity of August 13, 2019. The $100,000 Term Loan B note bears interest in cash at the greater of 11.5% or Libor plus 10.5% and has a final maturity of August 13, 2019. The $10,000 senior secured revolver, which was unfunded at closing, bears interest in cash at the greater of 9.0% or Libor plus 8.0% and has a final maturity of February 13, 2015.

On August 19, 2014 and August 27, 2014, we made a combined $11,046 investment in UPRC (as defined below) to acquire Michigan Storage, LLC, a portfolio of seven self-storage facilities located in Michigan. We invested $1,657 of equity through UPH Property Holdings, LLC and $9,389 of debt directly to UPRC. The senior secured note bears interest at the greater of 6.0% or Libor plus 4.0% and interest payment in kind of 5.5% and has a final maturity of April 1, 2019.

On August 29, 2014, we made a $44,000 follow-on investment in BNN Holdings Corp. ("Biotronic") in connection with a corporate recapitalization. As part of the recapitalization, we received repayment of the $28,950 loan previously outstanding. The $22,000 Term Loan A note bears interest in cash at the greater of 6.5% or Libor plus 5.5% and has a final maturity of August 29, 2019. The $22,000 Term Loan B note bears interest in cash at the greater of 11.5% or Libor plus 10.5% and has a final maturity of August 29, 2019.

On September 10, 2014, we made a $55,869 follow-on investment in Onyx Payments, of which $50,869 was funded at closing, to fund an acquisition. The $25,028 Term Loan A note bears interest in cash at the greater of 6.5% or Libor plus 5.5% and has a final maturity of September 10, 2019. The $25,841 Term Loan B note bears interest in cash at the greater of 13.5% or Libor plus 12.5% and has a final maturity of September 10, 2019. The $5,000 senior secured revolver, which was unfunded at closing, bears interest in cash at the greater of 9.0% or Libor plus 7.75% and has a final maturity of September 10, 2015.

On September 26, 2014, we provided $215,000 of senior secured financing, of which $202,500 was funded at closing, to Pacific World Corporation ("Pacific World"), a supplier of nail and beauty care products to food, drug, mass, and value retail channels worldwide. The $200,000 Term Loan bears interest in cash at the greater of 8.0% or Libor plus 7.0% and has a final maturity of September 26, 2020. The $15,000 senior secured revolver, of which $2,500 was funded at closing, bears interest in cash at the greater of 8.0% or Libor plus 7.0% and has a final maturity of September 26, 2020.

On September 29, 2014, we made a secured second lien investment of $144,000 to support the recapitalization of Progrexion Holdings, Inc. ("Progrexion"). As part of the recapitalization, we received repayment of the $436,647 loan previously outstanding. The second lien term loan bears interest in cash at the greater of 10.0% or Libor plus 9.0% and has a final maturity of September 29, 2021.

On September 29, 2014, we made a $22,618 follow-on investment in UPRC to acquire Canterbury Green Apartment Holdings, LLC, a multi-family property located in Fort Wayne, Indiana. We invested $3,393 of equity through UPH and $19,225 of debt directly to UPRC. The senior secured note bears interest at the greater of 6.0% or Libor plus 4.0% and interest payment in kind of 5.5% and has a final maturity of April 1, 2019.

On September 30, 2014, we made a $26,431 follow-on investment in Harbortouch Payments, LLC ("Harbortouch") to support an acquisition. The senior secured Term Loan C bears interest in cash at the greater of 13.0% or Libor plus 9.0% and has a final maturity of September 29, 2018.

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On September 30, 2014, we made a $42,200 follow-on investment in PrimeSport, Inc. ("PrimeSport") to fund a dividend recapitalization. The $21,100 Term Loan A note bears interest in cash at the greater of 7.5% or Libor plus 6.5% and has a final maturity of December 23, 2019. The $21,100 Term Loan B note bears interest in cash at the greater of 11.5% or Libor plus 10.5% and has a final maturity of December 23, 2019.

On September 30, 2014, we made a $22,216 follow-on investment in UPRC to acquire Columbus OH Apartment Holdco, LLC, a portfolio of seven multi-family residential properties located in Ohio. We invested $3,316 of equity through UPH and $18,900 of debt directly to UPRC. The senior secured note bears interest at the greater of 6.0% or Libor plus 4.0% and interest payment in kind of 5.5% and has a final maturity of April 1, 2019.

In addition to the purchases noted above, during the three months ended September 30, 2014, we made nine follow-on investments in NPRC (as defined below) totaling $37,500 to support the online lending initiative. We invested $5,625 of equity through NPH Property Holdings, LLC and $31,875 of debt directly to NPRC. Additionally, during the three months ended September 30, 2014, our wholly-owned subsidiary PSBL purchased a series of small business whole loans originated by OnDeck Capital, Inc. and Direct Capital Corporation, online small business lenders, totaling $12,651.

During the three months ended September 30, 2014, we received full repayments on eight investments, sold four investments investments, and received several partial prepayments and amortization payments totaling totaling $863,144. The more significant of these transactions are briefly described below.

On July 22, 2014, Injured Workers Pharmacy, LLC repaid the $22,678 loan receivable to us.

On July 23, 2014, Correctional Healthcare Holding Company, Inc. repaid the $27,100 loan receivable to us.

On July 28, 2014, Tectum Holdings, Inc. repaid the $10,000 loan receivable to us.

On August 1, 2014, we sold our investments in Airmall Inc. ("Airmall") for net proceeds of $51,379 and realized a loss of $3,473 on the sale. In addition, there is $6,000 being held in escrow, of which 98% is due to Prospect, which will be recognized as an additional realized loss if it is not received.

On August 20, 2014, we sold the assets of Borga, Inc. ("Borga"), a wholly-owned subsidiary of STI Holding, Inc., for net proceeds of $382 and realized a loss of $2,589 on the sale.

On August 22, 2014, Byrider Systems Acquisition Corp. repaid the $11,177 loan receivable to us.

On August 22, 2014, Capstone Logistics, LLC repaid the $189,941 loans receivable to us.

On August 22, 2014, TriMark USA, LLC repaid the $10,000 loan receivable to us.

On August 25, 2014, we sold Boxercraft, a wholly-owned subsidiary of BXC, for net proceeds of $750 and realized a net loss of $16,949 on the sale.

On September 15, 2014, Echelon Aviation LLC ("Echelon") repaid $37,313 of the $78,121 loan receivable to us.

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The following table provides a summary of our investment activity for each quarter within the three years ending June 30, 2015:

Quarter Ended	Acquisitions(1)	Dispositions(2)
September 30, 2012	747,937	158,123
December 31, 2012	772,125	349,269
March 31, 2013	784,395	102,527
June 30, 2013	798,760	321,615
September 30, 2013	556,843	164,167
December 31, 2013	608,153	255,238
March 31, 2014	1,343,356	198,047
June 30, 2014	444,104	169,617
September 30, 2014	887,205	863,144

(1) Includes investments in new portfolio companies, follow-on investments in existing portfolio companies, refinancings and PIK interest.

(2) Includes sales, scheduled principal payments, prepayments and refinancings.

Investment Valuation

In determining the fair value of our portfolio investments at September 30, 2014, the Audit Committee considered valuations from the independent valuation firms and from management having an aggregate range of $6,041,476 to $6,418,563, excluding money market investments.

In determining the range of value for debt instruments except CLOs, management and the independent valuation firm generally estimate corporate and security credit ratings and identify corresponding yields to maturity for each loan from relevant market data. A discounted cash flow analysis was then prepared using the appropriate yield to maturity as the discount rate, to determine range of value. For non-traded equity investments, the enterprise value was determined by applying EBITDA multiples for similar guideline public companies and/or similar recent investment transactions. For stressed equity investments, a liquidation analysis was prepared.

In determining the range of value for our investments in CLOs, management and the independent valuation firm used a discounted cash flow model. The valuations were accomplished through the analysis of the CLO deal structures to identify the risk exposures from the modeling point of view. For each CLO security, the most appropriate valuation approach was chosen from alternative approaches to ensure the most accurate valuation for such security. A waterfall engine is used to store the collateral data, generate collateral cash flows from the assets based on various assumptions for the risk factors, and distribute the cash flows to the liability structure based on the payment priorities, and discount them back using proper discount rates.

The Board of Directors looked at several factors in determining where within the range to value the asset including: recent operating and financial trends for the asset, independent ratings obtained from third parties, comparable multiples for recent sales of companies within the industry and discounted cash flow models for our investments in CLOs. The composite of all these analyses, applied to each investment, was a total valuation of $6,253,493.

Our portfolio companies are generally lower middle market companies, outside of the financial sector, with less than $150,000 of annual EBITDA. We believe our market has experienced less volatility than others because we believe there are more buy and hold investors who own these less liquid investments.

Control investments offer increased risk and reward over straight debt investments. Operating results and changes in market multiples can result in dramatic changes in values from quarter to quarter. Significant downturns in operations can further result in our looking to recoveries on sales of assets rather than the enterprise value of the investment. Transactions between our controlled investments and us have been detailed in Note 14 to the accompanying consolidated financial statements. Several control investments in our portfolio are under enhanced scrutiny by our senior management and our Board of Directors and are discussed below.

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American Property REIT Corp.

American Property REIT Corp. (“APRC”) is a Maryland corporation and a qualified REIT for federal income tax purposes. APRC was formed to acquire, operate, finance, lease, manage and sell a portfolio of real estate assets. As of September 30, 2014, we own 100% of the fully-diluted common equity of APRC.

During the three months ended September 30, 2014, we did not provide any additional financing to APRC for the acquisition of real estate properties. As of September 30, 2014, our investment in APRC had an amortized cost of $204,517 and a fair value of $197,689.

As of September 30, 2014, APRC’s real estate portfolio was comprised of fourteen multi-family properties and one commercial property. The following table shows the location, acquisition date, purchase price, and mortgage outstanding due to other parties for each of the properties held by APRC as of September 30, 2014.

No.	Property Name	City	Acquisition Date	Purchase Price	Mortgage Outstanding
1	1557 Terrell Mill Road, LLC	Marietta, GA	12/28/2012	$23,500	$15,275
2	5100 Live Oaks Blvd, LLC	Tampa, FL	1/17/2013	63,400	39,600
3	Lofton Place, LLC	Tampa, FL	4/30/2013	26,000	16,965
4	Vista Palma Sola, LLC	Bradenton, FL	4/30/2013	27,000	17,550
5	Arlington Park Marietta, LLC	Marietta, GA	5/8/2013	14,850	9,650
6	APH Carroll Resort, LLC	Pembroke Pines, FL	6/24/2013	225,000	157,500
7	Cordova Regency, LLC	Pensacola, FL	11/15/2013	13,750	9,026
8	Crestview at Oakleigh, LLC	Pensacola, FL	11/15/2013	17,500	11,488
9	Inverness Lakes, LLC	Mobile, AL	11/15/2013	29,600	19,400
10	Kings Mill Pensacola, LLC	Pensacola, FL	11/15/2013	20,750	13,622
11	Plantations at Pine Lake, LLC	Tallahassee, FL	11/15/2013	18,000	11,817
12	Verandas at Rocky Ridge, LLC	Birmingham, AL	11/15/2013	15,600	10,205
13	Plantations at Hillcrest, LLC	Mobile, AL	1/17/2014	6,930	5,038
14	Crestview at Cordova, LLC	Pensacola, FL	1/17/2014	8,500	5,016
15	Taco Bell, OK	Yukon, OK	6/4/2014	1,719	—
				$512,099	$342,152

The Board of Directors set the fair value of our investment in APRC at $197,689 as of September 30, 2014, a discount of $6,828 from its amortized cost, compared to the $3,392 unrealized appreciation recorded at June 30, 2014

Ajax Rolled Ring & Machine, LLC

Ajax Rolled Ring & Machine, LLC ("Ajax") forges large seamless steel rings on two forging mills in Ajax’s York, South Carolina facility. The rings are used in a range of industrial applications, including in construction equipment and power turbines. Ajax also provides machining and other ancillary services.

On April 4, 2008, we acquired a controlling equity interest in ARRM Services, Inc. ("ARRM"), which owns 100% of Ajax, the operating company. We funded $22,000 of senior secured term debt, $11,500 of subordinated term debt and $6,300 of equity as of that closing. During the fiscal year ended June 30, 2010, we funded an additional $3,530 of secured subordinated debt to refinance a third-party revolver provider and provide working capital. Ajax repaid $3,461 of this secured subordinated debt during the quarter ended September 30, 2010. During the quarter ended December 31, 2012, we funded an additional $3,600 of unsecured debt to refinance first lien debt held by Wells Fargo.

On April 1, 2013, we refinanced our existing $38,472 senior loans to Ajax, increasing the size of our debt investment to $38,537. Concurrent with the refinancing, we received repayment of the $18,635 loans that were previously outstanding. On October 11, 2013, we provided $25,000 in preferred equity for the recapitalization of Ajax. After the financing, we received repayment of the $20,008 subordinated unsecured loan previously outstanding. As of September 30, 2014, we control 79.53% of the fully-diluted common and preferred equity.

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Due to the anticipated sale of Ajax, the Board of Directors increased the fair value of our investment in Ajax to $28,736 as of September 30, 2014, a discount of $17,814 from its amortized cost, compared to the $21,014 unrealized depreciation recorded at June 30, 2014.

First Tower Finance Company LLC

We own 80.1% of First Tower Finance Company LLC (“First Tower Finance”), which owns 100% of First Tower, LLC (“First Tower”), the operating company. First Tower is a multiline specialty finance company based in Flowood, Mississippi with over 170 branch offices.

On June 15, 2012, we acquired 80.1% of First Tower businesses for $110,200 in cash and 14,518,207 unregistered shares of our common stock. Based on our share price of $11.06 at the time of issuance, we acquired our 80.1% interest in First Tower for approximately $270,771. The assets of First Tower acquired include, among other things, the subsidiaries owned by First Tower, which hold finance receivables, leaseholds, and tangible property associated with First Tower’s businesses. As part of the transaction, we received $4,038 in structuring fee income from First Tower. On October 18, 2012, we funded an additional $20,000 of senior secured debt to support seasonally high demand during the holiday season. On December 30, 2013, we funded an additional $10,000 to again support seasonal demand and received $8,000 of structuring fees related to the renegotiation and expansion of First Tower’s revolver with a third party which was recognized as other income. As of September 30, 2014, First Tower had total assets of approximately $623,056 including $411,901 of finance receivables net of unearned charges. As of September 30, 2014, First Tower’s total debt outstanding to parties senior to us was $269,774.

The Board of Directors decreased the fair value of our investment in First Tower to $324,975 as of September 30, 2014, a premium of $9,185 from its amortized cost, compared to the $7,134 unrealized appreciation recorded at June 30, 2014.

Harbortouch Payments, LLC

Harbortouch Payments, LLC ("Harbortouch") is a merchant processor headquartered in Allentown, Pennsylvania. The company offers a range of payment processing equipment and services that facilitate the exchange of goods and services provided by small to medium-sized merchants located in the United States for payments made by credit, debit, prepaid, electronic gift, and loyalty cards. Harbortouch provides point-of-sale equipment free of cost to merchants and then manages the process whereby transaction information is sent to a consumer’s bank from the point-of-sale (front-end processing), and then funds are transferred from the consumer’s account to the merchant’s account (back-end processing).

On March 31, 2014, we acquired a controlling interest in Harbortouch for $147,898 in cash and 2,306,294 unregistered shares of our common stock. We funded $130,796 of senior secured term debt, $123,000 of subordinated term debt and $24,898 of equity at closing. As part of the transaction, we received $7,536 of structuring fee income from Harbortouch. On April 1, 2014, we restructured our investment in Harbortouch and $14,226 of equity was converted into additional debt investment. On September 30, 2014, we made a $26,431 follow-on investment in Harbortouch to support an acquisition. As part of the transaction, we received $530 of structuring fee income and $50 of amendment fee income from Harbortouch. As of September 30, 2014, we own 100% of the Class C voting units of Harbortouch, which provide for a 53.5% residual profits allocation.

Due to improved operating results, the Board of Directors increased the fair value of our investment in Harbortouch to $318,251 as of September 30, 2014, a premium of $16,516 from its amortized cost, compared to the $12,620 unrealized appreciation recorded at June 30, 2014.

National Property REIT Corp.

National Property REIT Corp. (“NPRC”) is a Maryland corporation and a qualified REIT for federal income tax purposes. NPRC was formed to acquire, operate, finance, lease, manage and sell a portfolio of real estate assets. Additionally, through its wholly-owned subsidiaries, NPRC invests in peer-to-peer consumer loans. As of September 30, 2014, we own 100% of the fully-diluted common equity of NPRC.

During the three months ended September 30, 2014, we provided $31,875 and $5,625 of debt and equity financing, respectively, to NPRC to invest in peer-to-peer consumer loans. As of September 30, 2014, our investment in NPRC had an amortized cost of $165,280 and a fair value of $166,830.

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NPRC's peer-to-peer consumer loan investments are unsecured obligations of individual borrowers that are issued in amounts ranging from $1,000 to $35,000, with fixed interest rates and original maturities of three or five years. As of September 30, 2014, NPRC's investment in peer-to-peer lending had a fair value of $91,252. The average individual loan balance is $12 and the loans mature on dates ranging from October 31, 2016 to October 2, 2019 with fixed terms of either 36 or 60 months. Fixed interest rates range from 6.1% to 28.5% with a weighted-average current interest rate of 16.4%.

As of September 30, 2014, NPRC's real estate portfolio was comprised of nine multi-family properties and one commercial property. The following table shows the location, acquisition date, purchase price, and mortgage outstanding due to other parties for each of the properties held by NPRC as of September 30, 2014.

No.	Property Name	City	Acquisition Date	Purchase Price	Mortgage Outstanding
1	146 Forest Parkway, LLC	Forest Park, GA	10/24/2012	$7,400	$—
2	APH Carroll 41, LLC	Marietta, GA	11/1/2013	30,600	22,330
3	Matthews Reserve II, LLC	Matthews, NC	11/19/2013	22,063	17,571
4	City West Apartments II, LLC	Orlando, FL	11/19/2013	23,562	18,533
5	Vinings Corner II, LLC	Smyrna, GA	11/19/2013	35,691	26,640
6	Uptown Park Apartments II, LLC	Altamonte Springs, FL	11/19/2013	36,590	27,471
7	Mission Gate II, LLC	Plano, TX	11/19/2013	47,621	36,148
8	St. Marin Apartments II, LLC	Coppell, TX	11/19/2013	73,078	53,863
9	APH Carroll Bartram Park, LLC	Jacksonville, FL	12/31/2013	38,000	28,500
10	APH Carroll Atlantic Beach, LLC	Atlantic Beach, FL	1/31/2014	13,025	9,013
				$327,630	$240,069

The Board of Directors set the fair value of our investment in NPRC at $166,830 as of September 30, 2014, a premium of $1,550 from its amortized cost, compared to the $2,088 unrealized depreciation recorded at June 30, 2014.

United Property REIT Corp.

United Property REIT Corp. ("UPRC") is a Delaware limited liability company and a qualified REIT for federal income tax purposes. UPRC was formed to acquire, operate, finance, lease, manage and sell a portfolio of real estate assets.

As of September 30, 2014, we own 100% of the fully-diluted common equity of UPRC.

During the three months ended September 30, 2014, we provided $47,515 and $8,365 of debt and equity financing, respectively, to UPRC for the acquisition of certain properties. As of September 30, 2014, our investment in UPRC had an amortized cost of $80,125 and a fair value of $79,634.

As of September 30, 2014, UPRC's real estate portfolio was comprised of fourteen multi-families properties and eight commercial properties. The following table shows the location, acquisition date, purchase price, and mortgage outstanding due to other parties for each of the properties held by UPRC as of September 30, 2014.

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No.	Property Name	City	Acquisition Date	Purchase Price	Mortgage Outstanding
1	Atlanta Eastwood Village LLC	Stockbridge, GA	12/12/2013	$25,957	$19,785
2	Atlanta Monterey Village LLC	Jonesboro, GA	12/12/2013	11,501	9,193
3	Atlanta Hidden Creek LLC	Morrow, GA	12/12/2013	5,098	3,619
4	Atlanta Meadow Springs LLC	College Park, GA	12/12/2013	13,116	10,180
5	Atlanta Meadow View LLC	College Park, GA	12/12/2013	14,354	11,141
6	Atlanta Peachtree Landing LLC	Fairburn, GA	12/12/2013	17,224	13,575
7	Taco Bell, MO	Marshall, MO	6/4/2014	1,405	—
8	23 Mile Road Self Storage, LLC	Chesterfield, MI	8/19/2014	5,804	4,350
9	36th Street Self Storage, LLC	Wyoming, MI	8/19/2014	4,800	3,600
10	Ball Avenue Self Storage, LLC	Grand Rapids, MI	8/19/2014	7,281	5,460
11	Ford Road Self Storage, LLC	Westland, MI	8/29/2014	4,642	3,480
12	Ann Arbor Kalamazoo Self Storage, LLC	Ann Arbor, MI	8/29/2014	4,458	3,345
13	Ann Arbor Kalamazoo Self Storage, LLC	Scio, MI	8/29/2014	8,927	6,695
14	Ann Arbor Kalamazoo Self Storage, LLC	Kalamazoo, MI	8/29/2014	2,363	1,775
15	Canterbury Green Apartments Holdings LLC	Fort Wayne, IN	9/29/2014	85,500	65,825
16	Abbie Lakes OH Partners, LLC	Canal Winchester, OH	9/30/2014	12,600	10,440
17	Kengary Way OH Partners, LLC	Reynoldsburg, OH	9/30/2014	11,500	11,000
18	Lakeview Trail OH Partners, LLC	Canal Winchester, OH	9/30/2014	26,500	20,142
19	Lakepoint OH Partners, LLC	Pickerington, OH	9/30/2014	11,000	10,080
20	Sunbury OH Partners, LLC	Columbus, OH	9/30/2014	13,000	10,480
21	Heatherbridge OH Partners, LLC	Blacklick, OH	9/30/2014	18,416	15,480
22	Jefferson Chase OH Partners, LLC	Blacklick, OH	9/30/2014	13,551	12,240
				$318,997	$251,885

The Board of Directors set the fair value of our investment in UPRC at $79,634 as of September 30, 2014, a discount of $491 from its amortized cost, compared to the $426 unrealized appreciation recorded at June 30, 2014.

Valley Electric Company, Inc.

We own 94.99% of Valley Electric Company, Inc. (“Valley Electric”) as of September 30, 2014. Valley Electric owns 100% of the equity of VE Company, Inc., which owns 100% of the equity of Valley Electric Co. of Mt. Vernon, Inc. (“Valley”). Valley Electric is a leading provider of specialty electrical services in the state of Washington and is among the top 50 electrical contractors in the U.S. The company, with its headquarters in Everett, Washington, offers a comprehensive array of contracting services, primarily for commercial, industrial, and transportation infrastructure applications, including new installation, engineering and design, design-build, traffic lighting and signalization, low to medium voltage power distribution, construction management, energy management and control systems, 24-hour electrical maintenance and testing, as well as special projects and tenant improvement services. Valley Electric was founded in 1982 by the Ward family, who held the company until the end of 2012.

On December 31, 2012, we acquired 100% of the outstanding shares of Valley. We funded the recapitalization of Valley with $42,572 of debt and $9,526 of equity financing. Through the recapitalization, we acquired a controlling interest in Valley for $7,449 in cash and 4,141,547 unregistered shares of our common stock. As of September 30, 2014, we control 96.3% of the common equity.

Due to soft operating results, the Board of Directors decreased the fair value of our investment in Valley Electric to $29,431 as of September 30, 2014, a discount of $27,855 from its amortized cost, compared to the $23,304 unrealized depreciation recorded at June 30, 2014.

Equity positions in the portfolio are susceptible to potentially significant changes in value, both increases as well as decreases, due to changes in operating results. Seven of our controlled companies, APRC, Credit Central Loan Company, LLC ("Credit Central"), Echelon, Gulf Coast Machine & Supply Company ("Gulf Coast"), Valley Electric, R-V Industries, Inc. ("R-V") and Wolf Energy, LLC ("Wolf Energy"), experienced such volatility and experienced fluctuations in valuations during the three months ended September 30, 2014. See above for discussion regarding the fluctuations in APRC and Valley Electric.

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During the three months ended September 30, 2014, the value of Credit Central decreased by $1,513 due to a decline in future expectations; Echelon decreased by $9,011 due to declines in future expectations; Gulf Coast decreased by $2,785 due to a decline in operating results; R-V decreased by $1,521 due to a decline in operating results; and Wolf Energy decreased by $1,972 due to a decrease in the value of the company's assets. Four of the other controlled investments have been valued at discounts to the original investment. Thirteen of the control investments are valued at the original investment amounts or higher. Overall, at September 30, 2014, control investments are valued at $61,496 below their amortized cost.

We hold one affiliate investment at September 30, 2014. Our affiliate portfolio company did not experience a significant change in valuation during the three months ended September 30, 2014.

With the non-control/non-affiliate investments, generally, there is less volatility related to our total investments because our equity positions tend to be smaller than with our control/affiliate investments, and debt investments are generally not as susceptible to large swings in value as equity investments. For debt investments, the fair value is generally limited on the high side to each loan’s par value, plus any prepayment premia that could be imposed. Many of the debt investments in this category have not experienced a significant change in value, as they were previously valued at or near par value. Non-control/non-affiliate investments did not experience significant changes in valuation and are generally performing as expected or better than expected. Two of our Non-control/non-affiliate investments, Stryker Energy, LLC (“Stryker”) and Wind River Resources Corporation (“Wind River”), are valued at a discount to amortized cost due to a decline in the operating results of the operating companies from those originally underwritten. In June 2014, New Century Transportation, Inc. ("NCT") filed for bankruptcy. As we hold a second lien position and do not expect liquidation proceeds to exceed the first lien liability, we decreased the fair value of our debt investment to zero. Overall, at September 30, 2014, other non-control/non-affiliate investments are valued at $47,832 above their amortized cost, excluding our investments in NCT, Stryker and Wind River, as the remaining companies are generally performing as or better than expected.

Capitalization

Our investment activities are capital intensive and the availability and cost of capital is a critical component of our business. We capitalize our business with a combination of debt and equity. Our debt as of September 30, 2014 consists of: a Revolving Credit Facility availing us of the ability to borrow debt subject to borrowing base determinations; Convertible Notes which we issued in December 2010, February 2011, April 2012, August 2012, December 2012 and April 2014; Public Notes which we issued in May 2012, March 2013 and April 2014; and Prospect Capital InterNotes® which we may issue from time to time. Our equity capital is comprised entirely of common equity.

The following table shows the maximum draw amounts and outstanding borrowings of our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® as of September 30, 2014 and June 30, 2014.

	September 30, 2014		June 30, 2014	
	Maximum Draw Amount	Amount Outstanding	Maximum Draw Amount	Amount Outstanding
Revolving Credit Facility	$810,000	$411,000	$857,500	$92,000
Convertible Notes	1,247,500	1,247,500	1,247,500	1,247,500
Public Notes	647,950	647,950	647,881	647,881
Prospect Capital InterNotes®	784,305	784,305	785,670	785,670
Total	$3,489,755	$3,090,755	$3,538,551	$2,773,051

The following table shows the contractual maturities of our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® as of September 30, 2014.

	Payments Due by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	After 5 Years
Revolving Credit Facility	$411,000	$—	$—	$—	$411,000
Convertible Notes	1,247,500	—	317,500	530,000	400,000
Public Notes	647,950	—	—	300,000	347,950

Prospect Capital InterNotes®	784,305	—	8,859	334,078	441,368
Total Contractual Obligations	$3,090,755	$—	$326,359	$1,164,078	$1,600,318

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The following table shows the contractual maturities of our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® as of June 30, 2014.

	Payments Due by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	After 5 Years
Revolving Credit Facility	$92,000	$—	$92,000	$—	$—
Convertible Notes	1,247,500	—	317,500	530,000	400,000
Public Notes	647,881	—	—	—	647,881
Prospect Capital InterNotes®	785,670	—	8,859	261,456	515,355
Total Contractual Obligations	$2,773,051	$—	$418,359	$791,456	$1,563,236

We have and expect to continue to fund a portion of our cash needs through borrowings from banks, issuances of senior securities, including secured, unsecured and convertible debt securities, or issuances of common equity. For flexibility, we maintain a universal shelf registration statement that allows for the public offering and sale of our debt securities, common stock, preferred stock, subscription rights, and warrants and units to purchase such securities in an amount up to $5,000,000 less issuances to date. As of September 30, 2014, we can issue up to $3,635,217 of additional debt and equity securities in the public market under this shelf registration. On November 4, 2014, our updated shelf registration was declared effective and we can issue up to $5,000,000 of additional debt and equity securities in the public market. We may from time to time issue securities pursuant to the shelf registration statement or otherwise pursuant to private offerings. The issuance of debt or equity securities will depend on future market conditions, funding needs and other factors and there can be no assurance that any such issuance will occur or be successful.

Each of our Unsecured Notes (as defined below) are our general, unsecured obligations and rank equal in right of payment with all of our existing and future unsecured indebtedness and will be senior in right of payment to any of our subordinated indebtedness that may be issued in the future. The Unsecured Notes are effectively subordinated to our existing secured indebtedness, such as our credit facility, and future secured indebtedness to the extent of the value of the assets securing such indebtedness and structurally subordinated to any existing and future liabilities and other indebtedness of any of our subsidiaries.

Revolving Credit Facility

On March 27, 2012, we closed on an extended and expanded credit facility with a syndicate of lenders through PCF (the "2012 Facility"). The lenders had extended commitments of $857,500 under the 2012 Facility as of June 30, 2014, which was increased to $877,500 in July 2014. The 2012 Facility included an accordion feature which allowed commitments to be increased up to $1,000,000 in the aggregate. Interest on borrowings under the 2012 Facility was one-month Libor plus 275 basis points with no minimum Libor floor. Additionally, the lenders charged a fee on the unused portion of the 2012 Facility equal to either 50 basis points, if at least half of the credit facility is drawn, or 100 basis points otherwise.

On August 29, 2014, we renegotiated the 2012 Facility and closed an expanded five and a half year $800,000 revolving credit facility (the "2014 Facility" and collectively with the 2012 Facility, the "Revolving Credit Facility"). The lenders have extended commitments of $810,000 under the 2014 Facility as of September 30, 2014. The 2014 Facility includes an accordion feature which allows commitments to be increased up to $1,500,000 in the aggregate. The revolving period of the 2014 Facility extends through March 2019, with an additional one year amortization period (with distributions allowed) after the completion of the revolving period. During such one year amortization period, all principal payments on the pledged assets will be applied to reduce the balance. At the end of the one year amortization period, the remaining balance will become due, if required by the lenders.

The 2014 Facility contains restrictions pertaining to the geographic and industry concentrations of funded loans, maximum size of funded loans, interest rate payment frequency of funded loans, maturity dates of funded loans and minimum equity requirements. The 2014 Facility also contains certain requirements relating to portfolio performance, including required minimum portfolio yield and limitations on delinquencies and charge-offs, violation of which could result in the early termination of the 2014 Facility. The 2014 Facility also requires the maintenance of a minimum liquidity requirement. As of September 30, 2014, we were in compliance with the applicable covenants.

Interest on borrowings under the 2014 Facility is one-month Libor plus 225 basis points with no minimum Libor floor. Additionally, the lenders charge a fee on the unused portion of the 2014 Facility equal to either 50 basis points, if at least 35% of the credit facility is drawn, or 100 basis points otherwise. The 2014 Facility requires us to pledge assets as collateral in order to borrow under the credit facility.