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

FORM 10

GENERAL FORM FOR REGISTRATION OF SECURITIES
PURSUANT TO SECTION 12(b) OR 12(g) OF THE
SECURITIES EXCHANGE ACT OF 1934

BlackRock Kelso Capital Corporation

(Exact Name of Registrant as
Specified in Its Charter)

Delaware	20-2725151
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
40 East 52nd Street, Third Floor, New York, NY (Address of Principal Executive Offices)	10022 (Zip Code)

Registrant's telephone number,
including area code:
212-810-5800

Copies to:

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

Not Applicable

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

Common Stock, par value $0.001 per share
(Title of class)

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Item 1. Business.

(a) General Development of Business

BlackRock Kelso Capital Corporation (the "Company") was incorporated on April 13, 2005 under the laws of the State of Delaware. The Company will file an election to be treated as a business development company under the Investment Company Act of 1940 (the "1940 Act"). The Company intends to elect to be treated for U.S. federal income tax purposes as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). The Company has no operating history. The Company has no executive officers other than (i) James R. Maher, who serves as Chairman of the Board and Chief Executive Officer of the Company, (ii) Michael B. Lazar, who serves as Chief Operating Officer and Managing Director of the Company, (iii) Frank D. Gordon, who serves as the Chief Financial Officer and Treasurer of the Company and (iv) Vincent B. Tritto, who serves as the Chief Compliance Officer and Secretary of the Company. The Company seeks a combination of current income and capital appreciation by investing in debt and equity securities of private U.S. middle-market companies and other securities.

Ownership of the Company

BlackRock Funding, Inc. ("BlackRock Funding"), a Delaware corporation and an indirect wholly-owned subsidiary of BlackRock, Inc. (together with its subsidiaries, "BlackRock"), will purchase 150 common shares of the Company at a price of $15.00 per share as the Company's initial capital. Therefore, until immediately following the anticipated placement of the Company's common shares pursuant to one or more offerings (the "Offering") exempt from the registration requirements of the Securities Act of 1933 ("1933 Act") pursuant to Section 4(2) thereof and Regulation D ("Regulation D") thereunder, BlackRock will be deemed to "control" the Company through its control of BlackRock Funding.

Upon the closing of the Offering, the Company's common shares will be owned by numerous persons that are "accredited investors," as that term is defined in Regulation D, and a majority of such common shares will be owned by BlackRock Kelso Capital Holding LLC, a Delaware limited liability company (the "Holding Company"), whose shares will be owned by institutional and individual investors.

Use of Proceeds

Immediately after the closing of the Offering, the Company expects to have cash resources in excess of $500 million and no indebtedness other than accounts payable incurred in the ordinary course of the Company's business.

The Company intends to invest the proceeds of the Offering primarily in debt and equity securities of private U.S. middle-market companies. The Company anticipates that it will take up to two years to invest substantially all of the net proceeds received by the Company from the Offering due to the time necessary to identify, evaluate, structure, negotiate and close suitable investments in private U.S. middle-market companies. In the interim, the Company will invest the net proceeds as discussed below in Item 1(c).

(b) Financial Information About Segments

Not applicable; the Company has not commenced business and has no reserves.

(c) Narrative Description of Business

General

The Company intends to operate as a business development company. It will seek to invest primarily in debt and equity securities of private U.S. middle-market companies or such other investments as are described herein. The term "middle-market" refers to companies with annual revenues typically between $25 million and $500 million.

Although most of the Company's investments are likely to be in long-term subordinated loans and senior secured and unsecured loans to U.S. private middle-market companies, the Company may invest throughout the capital structure of these companies, including common and preferred equity, options and warrants, credit derivatives, high-yield bonds, distressed debt and other structured securities. While the Company's focus will be to generate current income through these investments, the Company will also seek capital appreciation.

In order to enhance returns to its common shareholders, the Company may also invest up to 30% of its assets as attractive opportunities arise in a variety of other types of investments, including securities and derivatives of public companies.

It is estimated that the Company's portfolio of fixed income instruments generally will have an expected maturity range of three to ten years, although there is no lower or or upper limit on maturity. It is

expected that the credit of many of the middle-market companies in which the Company will invest will not be rated by any nationally-recognized statistical rating agency or, if so rated, will be rated below investment grade.

The Company has no operating history.

The Investment Advisor

BlackRock Kelso Capital Advisors LLC (the "Advisor") is a newly organized Delaware limited liability company. The Advisor is primarily owned by its employees, BlackRock Advisors, Inc. ("BlackRock Advisors"), a subsidiary of BlackRock, and employees and principals (the "Kelso Principals") of Kelso & Company, L.P. ("Kelso"). In addition, certain other investors in the Holding Company may each have a less than 5% interest in the Advisor. While the Kelso Principals who serve on the investment committee of the Advisor (as described below) (the "Investment Committee") will bring the benefit of the expertise they have gained at Kelso and elsewhere, Kelso as an organization will not participate in the activities of the Advisor or advise the Company.

It is anticipated that the Advisor will manage the Company's portfolio through teams of investment professionals dedicated primarily to the Company's business. Some of the officers and employees of the Advisor, including some of its senior officers, may be dual employees of BlackRock and the Advisor.

In addition to the professionals dedicated to the Advisor, the Company expects to benefit from the business and specific industry knowledge, transaction expertise and deal-sourcing capabilities of the Investment Committee and its connection to BlackRock and Kelso. The Advisor will have access to investment opportunities through a broad network of contacts. Professionals in Kelso's and BlackRock's businesses may be among the sources of potential long-term subordinated loans, senior secured and unsecured loans, preferred and common equity and other investment opportunities for the Company.

BlackRock, one of the leading investment managers in the world, manages approximately $391 billion in assets as of March 31, 2005, including over $9 billion in non-investment grade and bank loan assets, and provides risk management services on over $2.5 trillion in assets. BlackRock was founded in 1988 on the belief that experienced investment professionals using a disciplined investment process and highly sophisticated analytical tools will consistently add value to client portfolios. BlackRock has assembled a team of investment professionals with expertise in fixed income, liquidity, equity and alternative asset classes, and continues to make extensive investments in internal technology and analytics. BlackRock, with Kelso as its advisor, has managed private investment funds since 1998 with over $3.4 billion in aggregate initial capital. These funds invest primarily in public and private debt obligations.

The Kelso Principals have an average tenure of at least fifteen years at Kelso. Kelso is one of the leading private equity firms and since 1980 has invested over $3.2 billion of private equity capital, primarily in middle-market companies across a broad range of industries. Kelso was organized in 1971 as a private advisory firm and initially focused its business activities on the development and implementation of employee stock ownership plans. In 1980, Kelso formed its first investment partnership and has made 80 private equity investments through seven investment partnerships since that time. The firm typically makes investments in companies where key managers make significant investments and works in partnership with management teams to create value for investors.

Investment Decision Process

The Company's board of directors ("Board of Directors") has ultimate authority as to the Company's investments but has delegated authority to the Advisor to select and monitor such investments, subject to the supervision of the Board of Directors. It is anticipated that the Advisor will manage the Company's portfolio through teams of investment professionals dedicated primarily to the Company's business and under the general oversight of the Investment Committee. The Investment Committee will be comprised of senior personnel of the Advisor, senior members of BlackRock and Kelso Principals, in their individual capacities as members of the Advisor. The investment professionals of the Advisor and the Investment Committee will be supported by and have access to the investment professionals, analytical capabilities and support personnel of BlackRock. Some of the officers and employees of the Advisor, including some of its senior officers, may be dual employees of BlackRock and the Advisor. At no time will Kelso Principals represent more than one-third of the members of the Investment Committee. Some Kelso Principals will be members of the Advisor, but will not participate in the Advisor's advisory activities through its Investment Committee or otherwise. BlackRock investment professionals may constitute a majority of the Investment Committee.

Generally, the Investment Committee will be responsible for setting investment policies and directing strategic initiatives and will be required to approve and authorize specifically any transaction in which the Company takes a controlling position in a portfolio company and such other transactions or classes of transactions as it may determine from time to time.

The Investment Committee will supervise all actions taken by the Advisor with respect to the Company and may, from time to time, designate an operating sub-committee (the "Operating Sub-Committee") of its members to fulfill its duties on a day-to-day basis, subject to the Investment Committee's supervision. The Investment Committee or the Operating Sub-Committee, as applicable, will review prospective investments identified by the Advisor's investment team as possibly suitable for the Company's portfolio. The Investment Committee will develop and maintain policies, procedures and protocols with respect to its membership, the frequency, manner and location of its meetings, the conduct of its business and such other matters as it may from time to time determine. It is expected that the Investment Committee typically will meet monthly, although it may meet more or less frequently in its discretion.

The Advisor will be responsible for managing the day-to-day business and affairs of the Company, including implementing investment policies and strategic initiatives set by the Investment Committee and marshalling the resources of BlackRock. The Advisor will direct and supervise teams of investment professionals (comprised of employees of the Advisor) in researching, selecting and monitoring investment opportunities. The Advisor generally will determine whether to conduct due diligence on a prospective portfolio company, review the due diligence reports in order to determine whether to seek to negotiate an investment in the prospective portfolio company and establish parameters for negotiation. Once an investment in a portfolio company has been made by the Company, the Advisor will conduct the Company's ongoing relationship with the portfolio company. All actions in respect of the supervision and management of the business and affairs of the Company, the investment and reinvestment of the assets of the Company, the purchasing and selling of securities and other assets for the Company and the voting or exercising of consents or other rights appertaining thereto will be taken by the Advisor. The Advisor will keep the Board of Directors well informed as to the identity and title of each member of its Investment Committee and provide to the Board of Directors such other information with respect to such persons and the functioning of the Investment Committee, any Operating Sub-Committee and its investment teams as the Board of Directors may from time to time request.

Portfolio Composition

Although the Company may invest in all segments of the capital structure, the Company's assets will likely consist primarily of various fixed-income securities of private U.S. middle-market companies. Such securities are expected to include senior and junior subordinated and unsubordinated secured and unsecured loans and preferred stock with fixed income-like characteristics. Structurally, junior, subordinated and/or unsecured loans usually rank subordinate in priority of payment to senior debt, such as senior bank debt, and are often unsecured. However, such loans rank senior to common and preferred equity in a borrower's capital structure. Typically, such loans have elements of both debt and equity instruments, offering the fixed returns in the form of interest payments associated with senior debt, while providing lenders an opportunity to participate in the capital appreciation of a borrower, if any, through an equity interest. This equity interest typically takes the form of warrants or option. Due to its higher risk profile and often less restrictive covenants as compared to senior loans, such loans generally earn a higher return than senior secured loans, athough they may have higher price volatility. The warrants associated with such loans are typically detachable, which allows lenders to receive repayment of their principal on an agreed amortization schedule while retaining their equity interest in the borrower. Such loans also may include a "put" feature, which permits the holder to sell its equity interest back to the borrower at a price determined through an agreed formula. The Company believes that such loans offer an attractive alternative investment opportunity based upon their historic returns and resilience during economic downturns.

Senior secured loans will be supported by liens in favor of the Company on all or a portion of the assets of the portfolio company or on assets of affiliates of the portfolio company. Although the Company may seek to dispose of such collateral in the event of default, it may be delayed in exercising such rights or its rights may be contested by others. In addition, the value of the collateral may deteriorate so that the collateral is insufficient for the Company to recover its investment in the event of default.

In addition to various fixed-income securities and senior secured loans, the Company may also invest in other types of securities issued by private U.S. companies, including common and preferred equity, options and warrants, credit derivatives, high yield bonds, distressed debt and other structured securities.

In an effort to increase returns and the number of loans made, the Company may in the future seek to securitize a portion of its loans. To securitize loans, the Company would contribute a pool of loans to a wholly owned subsidiary and sell investment grade fixed income securities issued by such subsidiary to investors willing to accept a lower interest rate to invest in investment-grade securities of loan pools. The Company's retained interest in the subsidiary would consequently be subject to first loss on the loans in the pool. The Company may use the proceeds of such sales to pay down bank debt, to fund additional investments or for other corporate purposes.

The Company may also invest up to 30% of its assets as attractive opportunities arise in a variety of other types of investments, including securities and derivatives of public companies.

The Company will generally seek to target companies that generate positive cash flows in a broad variety of industries.

To the extent provided by the 1940 Act, the Company will not invest in any private company in which BlackRock, Kelso or any of their affiliates or any of the unregistered investment funds managed by them already has an investment at that time.

The net asset value of, and dividends paid on, the Company's common shares will fluctuate with and be affected by, among other things, the risks more fully described below.

Managerial Assistance

As a business development company, the Company will offer, and must provide upon request, managerial assistance to its portfolio companies. This assistance could involve, among other things, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance or exercising strategic or managerial influence over such companies. The Company may receive fees for these services. The Advisor will provide managerial assistance on the Company's behalf to those portfolio companies that request this assistance. Employees of the Advisor have experience providing managerial assistance to private operating companies like the Company's anticipated portfolio companies, and such assistance has tended to be related to board representation and to strategic and financing transactions. BlackRock has limited experience in providing significant managerial assistance to operating companies, although the members of the Investment Committee include senior operating management of BlackRock who have extensive experience managing a global asset manager with over 1,000 employees worldwide. The Advisor will not receive any direct compensation from the portfolio companies for providing managerial assistance.

Ongoing Relationships with Portfolio Companies

The Advisor will monitor the Company's portfolio companies on an ongoing basis. The Advisor will monitor the financial trends of each portfolio company to determine if it is meeting its business plans and to assess the appropriate course of action for each company.

The Advisor has several methods of evaluating and monitoring the performance and fair value of the Company's investments, which may include, but are not limited to, the following:

- Assessment of success of the portfolio company in adhering to its business plan and compliance with covenants;
- Periodic and regular contact with portfolio company management and, if appropriate, the financial or strategic sponsor, to discuss financial position, requirements and accomplishments;
- Comparisons to other companies in the industry;
- Attendance at and participation in board meetings; and
- Review of monthly and quarterly financial statements and financial projections for portfolio companies.

Other Investments

High Yield Bonds. The Company may invest in high yield bonds, i.e., income securities that are typically lower grade securities. The Company's investments in high yield securities may have fixed or variable principal payments and all types of interest rate and dividend payment and reset terms, including fixed rate, adjustable rate, zero coupon, contingent, deferred, payment in kind and auction rate features as well as a broad range of maturities. The Company may invest in securities of any rating (or no rating) and securities that are in default. The Company expects its portfolio of high yield bonds to have a weighted average maturity of three to ten years. However, any particular investment may have a maturity longer or shorter than such weighted average and the Company's investments will not be subject to any limitation on length of maturity.

Lower grade securities are securities that are rated below investment grade, such as those rated Ba or lower by Moody's Investors Service, Inc. ("Moody's") or BB or lower by Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies ("S&P"), or securities comparably rated by other rating agencies, or unrated securities determined by the Advisor to be of comparable quality. Lower grade securities are commonly referred to as "junk bonds." Securities rated Ba by Moody's are judged to have speculative elements; their future cannot be considered as well assured and often the protection of interest and principal payments may be very moderate. Securities rated BB and B by S&P are regarded as having predominantly speculative characteristics and, while such obligations have less near-term vulnerability to default than other speculative grade debt, they face major ongoing

uncertainties or exposure to adverse business, financial or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments. Securities rated C by Moody's are regarded as having extremely poor prospects of ever attaining any real investment standing. Securities rated D by S&P are in default and the payment of interest and/or repayment of principal is in arrears.

Lower grade securities, though high yielding, are characterized by high risk. They may be subject to certain risks with respect to the issuing entity and to greater market fluctuations than certain lower yielding, higher rated securities. The retail secondary market for lower grade securities may be less liquid than that of higher rated securities. Adverse conditions could make it difficult at times for the Company to sell certain securities or could result in lower prices than those used in calculating the Company's net asset value.

The prices of debt securities generally are inversely related to interest rate changes; however, the price volatility caused by fluctuating interest rates of securities also is inversely related to the coupon of such securities. Accordingly, below investment grade securities may be relatively less sensitive to interest rate changes than higher quality securities of comparable maturity, because of their higher coupon. This higher coupon is what the investor receives in return for bearing greater credit risk. The higher credit risk associated with below investment grade securities potentially can have a greater effect on the value of such securities than may be the case with higher quality issues of comparable maturity, and will be a substantial factor in the Company's relative share price volatility.

Lower grade securities may be particularly susceptible to economic downturns. It is likely that an economic recession could severely disrupt the market for such securities and may have an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

The ratings of Moody's, S&P and any other rating agencies represent their opinions as to the quality of the obligations which they undertake to rate. Ratings are relative and subjective and, although ratings may be useful in evaluating the safety of interest and principal payments, they do not evaluate the market value risk of such obligations. Although these ratings may be an initial criterion for selection of the Company's portfolio investments, the Advisor also will independently evaluate these securities and the ability of the issuers of such securities to pay interest and principal. To the extent that the Company invests in lower grade securities that have not been rated by a rating agency, the Company's ability to achieve its investment objectives will be more dependent on the Advisor's credit analysis than would be the case when the Company invests in rated securities.

Distressed Debt. The Company may invest in debt securities and other obligations of distressed companies. Investment in distressed debt is speculative and involves significant risk, including possible loss of the principal invested. Distressed debt obligations may be performing or non-performing and generally trade at prices substantially lower than lower grade securities of companies in similar industries. Investing in distressed debt is not a principal investment strategy of the Company.

Equity Securities. The Company may also invest in equity securities, including common and preferred stocks of issuers selected through the Advisor's disciplined investment process.

Common Stock. Common stock generally represents an equity ownership interest in an issuer. Although common stocks have historically generated higher average total returns than fixed-income securities over the long term, common stocks also have experienced significantly more volatility in those returns and may under perform relative to fixed-income securities during certain periods. An adverse event, such as an unfavorable earnings report, may depress the value of a particular common stock held by the Company. Also, prices of common stocks are sensitive to general movements in the stock market and a drop in the stock market may depress the price of common stocks to which the Company has exposure. Common stock prices fluctuate for several reasons including changes in investors' perceptions of the financial condition of an issuer or the general condition of the relevant stock market, or when political or economic events affecting the issuers occur. In addition, common stock prices may be particularly sensitive to rising interest rates, as the cost of capital rises and borrowing costs increase.

Preferred Securities. Traditional preferred securities generally pay fixed or adjustable rate dividends to investors and generally have a "preference" over common stock in the payment of dividends and the liquidation of a company's assets. This means that a company must pay dividends on preferred stock before paying any dividends on its common stock. In order to be payable, distributions on such preferred securities must be declared by the issuer's board of directors. Income payments on most traditional preferred securities currently outstanding are cumulative, causing dividends and distributions to accumulate even if not declared by the board of directors or otherwise made payable. In such a case all accumulated dividends must be paid before any dividend on the common stock can be paid. However, some traditional preferred stocks are non-cumulative, in which case dividends do not accumulate

and need not ever be paid. A portion of the Company's portfolio may include investments in non-cumulative preferred securities, whereby the issuer does not have an obligation to make up any arrearages to its shareholders. Should an issuer of a non-cumulative preferred stock held by the Company determine not to pay dividends on such stock, the Company's income would be adversely affected. There is no assurance that dividends or distributions on the traditional preferred securities in which the Company may invest will be declared or paid.

The market value of preferred securities may be affected by favorable and unfavorable changes impacting companies in the utilities and financial services sectors, which are prominent issuers of preferred securities, and by actual and anticipated changes in tax laws, such as changes in corporate income tax rates or the dividends received deduction. Because the claim on an issuer's earnings represented by traditional preferred securities may become onerous when interest rates fall below the rate payable on such securities, the issuer may redeem the securities. Thus, in declining interest rate environments in particular, the Company's holdings of higher rate-paying fixed rate preferred securities may be reduced and the Company would be unable to acquire securities of comparable credit quality paying comparable rates with the redemption proceeds.

Foreign Securities. The Company may invest in foreign securities, which may include securities denominated in U.S. dollars or in foreign currencies or multinational currency units. The Company may invest in foreign securities of emerging market issuers, but investments in such securities are not expected to comprise more than 5% of the Company's total assets. The Company will consider a company to be a U.S. company and not a foreign company if it was organized in the U.S. and its primary business office is in the U.S. Foreign securities markets generally are not as developed or efficient as those in the United States. Similarly, volume and liquidity in most foreign securities markets are less than in the United States and, at times, volatility of price can be greater than in the United States.

The Company will also be subject to additional risks if it invests in foreign securities, including possible adverse political and economic developments, seizure or nationalization of foreign deposits and adoption of governmental restrictions which might adversely affect or restrict the payment of principal and interest on the foreign securities to investors located outside the country of the issuer, whether from currency blockage or otherwise.

Since foreign securities may be purchased with and payable in foreign currencies, the value of these assets as measured in U.S. dollars may be affected favorably or unfavorably by changes in currency rates and exchange control regulations.

Short-Term Debt Securities; Temporary Defensive Position. The Company anticipates that it will take up to two years to invest substantially all of the net proceeds received by the Company from the Offering due to the time necessary to identify, evaluate, structure, negotiate and close suitable investments in private middle-market companies. In the interim, the Company will invest in temporary investments, such as cash and cash equivalents, U.S. government securities and other high quality debt investments that mature in one year or less from the date of investment. In addition, during periods in which the Advisor determines that it is temporarily unable to follow the Company's investment strategy or that it is impractical to do so or pending re-investment of proceeds received in connection with the sale of a portfolio security or the issuance of additional securities or borrowing of money by the Company, all or any portion of the Company's assets may be invested in such temporary investments. The Advisor's determination that it is temporarily unable to follow the Company's investment strategy or that it is impractical to do so will generally occur only in situations in which a market disruption event has occurred and where trading in the securities selected through application of the Company's investment strategy is extremely limited or absent. In such a case, the market price of the Company's common shares may be adversely affected and the Company may not pursue or achieve its investment objective.

Derivatives. The Company may, but is not required to, use various derivatives described below to facilitate portfolio management, mitigate risks and generate total return. The use of derivatives is generally accepted under modern portfolio management theory and occurs regularly in the portfolios of many mutual funds, closed-end funds and other institutional investors. Although the Advisor will seek to use the practices to further the Company's investment objective, no assurance can be given that these practices will achieve this result.

The Company may purchase and sell derivative instruments such as exchange-listed and over-the-counter put and call options on securities, financial futures, equity indices, and other financial instruments, purchase and sell financial futures contracts and options thereon and engage in swaps. The Company also may purchase derivative instruments that combine features of these instruments. Collectively, all of the above are referred to as "Derivatives." The Company will generally seek to use Derivatives as a portfolio management or hedging technique in an effort to protect against possible adverse changes in the market value of securities held in or to be purchased for the Company's portfolio, protect the value of the Company's portfolio, facilitate the sale of certain securities for investment purposes,

or establish positions in the derivatives markets as a temporary substitute for purchasing or selling particular securities. The Company may use Derivatives to enhance potential gain although the Company will commit variation margin for Derivatives that involve futures contracts only in accordance with the rules of the Commodity Futures Trading Commission.

Derivatives have risks, including the imperfect correlation between the value of such instruments and the underlying assets, the possible default of the other party to the transaction or illiquidity of the derivative instruments. Furthermore, the ability to successfully use Derivatives depends on the Advisor's ability to predict pertinent market movements, which cannot be assured. Thus, the use of Derivatives may result in losses greater than if they had not been used, may require the Company to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation the Company can realize on an investment, or may cause the Company to hold a security that it might otherwise sell. Additionally, amounts paid by the Company as premiums and cash or other assets held in margin accounts with respect to Derivatives are not otherwise available to the Company for investment purposes.

Revenues

The Company plans to generate revenue in the form of interest payable on the debt it holds, dividends on its equity interests and capital gains on warrants and other debt or equity interests that it acquires in portfolio companies. The Company expects its portfolio of fixed income instruments to have an expected maturity of three to ten years and typically to bear interest at a fixed or floating rate, although there is no lower or upper limit on maturity. Interest on debt securities will be payable generally quarterly or semi-annually, with the amortization of principal generally being deferred for several years from the date of the initial investment. In some cases, the instrument may defer payments of cash interest for the first few years. The principal amount of the debt securities and any accrued but unpaid interest will generally become due at the maturity date. In addition, the Company may generate revenue in the form of commitment, origination, structuring or diligence fees, fees for providing significant managerial assistance and possibly consulting fees. Any such fees will be generated in connection with the Company's investments and recognized as earned, typically over the life of the related investment.

Fees and Expenses

The Company's primary operating expenses will include the payment of a management fee (the "Management Fee"), administration fees and the allocable portion of overhead under the administration agreement. The Management Fee will compensate the Advisor for work in identifying, evaluating, negotiating, closing and monitoring the Company's investments. The Company will bear all other costs and expenses of its operations and transactions, including those relating to: its organization; calculating net asset value (including the cost and expenses of any independent valuation firm); expenses incurred by the Advisor payable to third parties in monitoring its investments and performing due diligence on prospective portfolio companies; interest payable on debt, if any, incurred to finance its investments; the costs of future offerings of common shares and other securities, if any; the Management Fee; distributions on its common shares; administration fees payable under the administration agreement; fees payable to third parties relating to, or associated with, making investments; transfer agent and custodial fees; registration fees; listing fees; taxes; independent director fees and expenses; costs of preparing and filing reports or other documents with the Securities and Exchange Commission (the "SEC"); the costs of any reports, proxy statements or other notices to shareholders, including printing costs; the Company's fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums; indemnification payments; direct costs and expenses of administration, including audit and legal costs; and all other expenses reasonably incurred by the Company or its administrator (the "Administrator") in connection with administering the Company's business, such as its allocable portion of overhead under the administration agreement, including rent and other allocable portions of the cost of its chief compliance officer and related staff.

The Advisor has agreed to waive its rights to receive one-half of the amount of the Management Fee the Advisor would otherwise be entitled to receive from the Company until the Ramp-Up Date (as defined below). Thereafter, the Advisor has agreed to waive, until such time as the Company has completed the Public Market Event (as defined below), one-quarter of the amount of the Management Fee the Advisor would otherwise be entitled to receive from the Company.

In any event and assuming gross proceeds from the Offering of $500 million, the Advisor has agreed (i) to waive Management Fees for any calendar year in excess of $11.25 million until the earlier of (A) such time as the Company has completed the Public Market Event or (B) the fourth anniversary of the commencement of the Company and (ii) to waive its Management Fee in excess of $5.25 million during the fifth year of the Company's existence unless the Company has completed the Public Market Event. If there is no Public Market Event, the Company will begin the process of winding down its assets in the beginning of the sixth year of the Company's existence. The Company would need to have greater than $750 million in total assets during the initial waiver period for the $11.25 million cap to be operative and greater than $350

million in total assets during the fifth year for the $5.25 million cap to be operative. The foregoing amounts assume gross proceeds from the Offering of $500 million. To the extent that such gross proceeds differ from $500 million, the fee cap and total asset thresholds described above will change in direct proportion to the ratio of the actual gross proceeds to $500 million. For example, if the gross proceeds from the Offering were $520 million, the $11.25 million and $5.25 million fee caps described above would increase to $11.70 million and $5.46 million, respectively, and the total asset thresholds of $750 million and $350 million described above would increase to $780 million and $364 million, respectively. Although it is anticipated that the Carried Interest (as defined below) will be paid through distributions on the Series S Share (as defined below), the Carried Interest is also provided for in the Investment Advisory Agreement.

To the extent that any of the Company's loans are denominated in a currency other than U.S. dollars, it may enter into currency hedging contracts to reduce exposure to fluctuations in currency exchange rates. The Company may also enter into interest rate hedging agreements. Such hedging activities, which will be subject to compliance with applicable legal requirements, may include the use of futures, options and related forward contracts. Costs incurred in entering into such contracts or in settling them will be borne by the Company.

The following table shows the Company's anticipated costs and expenses as a percentage of net assets attributable to its common stock assuming gross proceeds from the Offering of approximately $520 million. Some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this Registration Statement contains a reference to fees or expenses paid by the Company, or that the Company will pay fees or expenses, stockholders will indirectly bear such fees or expenses as investors in the Company.

Stockholder transaction expenses:	
Sales load (as a percentage of offering price)	0.10% (1)
Offering expenses borne by the Company (as a percentage of offering price)	0.20% (2)
Dividend reinvestment plan expenses	None (3)
Total stockholder transaction expenses (as a percentage of offering price)	0.30%
Estimated annual expenses (as a percentage of net assets attributable to common stock):	
Management fees	2.00% (4)
Incentive fees (carried interest) payable under Investment Advisory Agreement	0.00% (5)
Interest payments on borrowed funds	None (6)
Other expenses	0.56% (7)
Total annual expenses (estimated)	2.56% (4)(5)(7)

(1) The underwriting discounts and commissions with respect to shares sold in the Offering, which is a one-time fee, is the only sales load paid in connection with the Offering.

(2) Amount reflects estimated Offering expenses of approximately $1,600,000.

(3) The expenses of the dividend reinvestment plan are included in "other expenses."

(4) The Management Fee under the Company's Investment Advisory Agreement with the Advisor is based on the Company's gross assets. The Advisor has agreed to waive its rights to receive all or some of the amount of the Management Fee the Advisor would otherwise be entitled to receive from the Company under certain conditions, as described herein. See Item 7(d) below.

(5) The Company anticipates that it will take up to two years to invest substantially all of the net proceeds of the Offering due to the time necessary to identify, evaluate, structure, negotiate and close suitable investments in private U.S. middle-market companies. In the interim, the Company does not expect to earn interest income and capital gains in amounts sufficient to exceed the hurdle rate discussed below. As a result, the Company does not anticipate paying any carried interest in the first year after the completion of the Offering. Once fully invested, the Company expects the carried interest it pays to the Advisor or its affiliates to increase to the extent the Company earns greater interest income through investments in portfolio companies and realizes capital gains upon the sale of warrants or other equity investments in portfolio companies. The determination of the carried interest, as described in more detail below, will result in the Advisor or its affiliates receiving no carried interest payments if returns to the Company's stockholders do not meet an 8.0% annualized rate of return and will result in the Advisor or its affiliates receiving less than the full amount of the carried interest percentage until returns to the Company's stockholders exceed an approximate 13.3% annualized rate of return. Commencing on the Ramp-Up Date, the Company will pay to the Advisor or its affiliates,

(i) 50% of the amount by which the cumulative distributions and amounts distributable to the holders of the Company's common shares exceed an 8% annualized rate of return on net asset value until the Advisor or its affiliates have received from the Company an amount equal to 20% of the sum of the amount distributed pursuant to this paragraph and the amount of aggregate cumulative distributions of net income and gain to the holders of the Company's common shares in excess of net unrealized capital depreciation, and (ii) thereafter an amount equal to 20% of the sum of the amount distributed pursuant to this paragraph plus the amount of incremental aggregate distributions of net income and gain to the holders of the Company's common shares in excess of net unrealized capital depreciation, as measured on a rolling basis. After the Public Market Event, if any, the amounts above will be measured and paid quarterly on a rolling four quarter basis and will take into account any decrease in net unrealized depreciation during the measurement period to the extent such decrease is reflected in realized losses and does not exceed the excess of cumulative realized capital gains over cumulative realized capital losses. See Item 7(d) below.

(6) The Company has not decided whether, and to what extent, it will finance investments using debt. However, assuming the Company borrowed for investment purposes an amount equal to 40% of the net proceeds from the Offering and that the annual interest rate on the amount borrowed is 3%, the Company's total estimated annual expenses (as a percentage of net assets attributable to common stock) would be as follows:

Estimated annual expenses (as a percentage of net assets attributable to common stock):	
Management fees	2.80%
Incentive fees (carried interest) payable under Investment Advisory Agreement	0.00%
Interest payments on borrowed funds	1.20%
Other expenses	0.56%
Total annual expenses (estimated)	4.56%

(7) Includes all other costs and expenses of the Company's operations.

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in the Company's common stock. In calculating the following expense amounts, the Company has assumed it would have no leverage and that annual operating expenses would remain at the levels set forth in the table above. The example should not be considered a representation of future expenses. Actual expenses may be greater or less than those assumed.

	1 year	3 years	5 years	10 years
Total expenses incurred on a $1,000 investment, assuming a 5% annual return	$29	$82	$139	$292

While the example assumes, as required by the SEC, a 5% annual return, the Company's performance will vary and may result in a return greater or less than 5%. The carried interest under the Investment Advisory Agreement, which, assuming a 5% annual return, would not be payable, is not included in the example. If the Company achieves sufficient returns on its investments, including through the realization of capital gains, to trigger carried interest of a material amount, its expenses, and returns to its stockholders, would be higher. The example assumes reinvestment of all dividends and distributions at net asset value.

Financial Condition, Liquidity and Capital Resources

The Company will generate cash primarily from the Offering and any future offerings of securities and cash flows from operations, including interest earned from the temporary investment of cash in cash equivalents, U.S. government securities and other high-quality debt investments that mature in one year or less. In the future, the Company may also determine to fund a portion of its investments through borrowings from banks and issuances of senior securities, including preferred shares. The Company has not determined the extent to which it will incur indebtedness or issue senior securities, if at all, and does not expect to make a determination in that regard until it has invested a substantial majority of the net proceeds of the Offering. Any decision to incur leverage will depend on the Company's assessment of the attractiveness of available investment opportunities in relation to the costs and perceived risks of such leverage. In the future, the Company may also securitize a portion of its investments in junior unsecured loans or senior secured loans or other assets. The Company's primary use of funds will be investments in portfolio companies and cash distributions to holders of its common shares.

Regulation of the Company

The Company is a business development company under the 1940 Act. The 1940 Act contains prohibitions and restrictions related to transactions between business development companies and their affiliates (including any investment advisers or sub-advisers), principal underwriters and affiliates of

those affiliates and requires that a majority of the directors be persons other than "interested persons," as that term is defined in the 1940 Act. In addition, the 1940 Act provides that the Company may not change the nature of its business so as to cease to be, or to withdraw its election as, a business development company unless approved by a majority of its outstanding voting securities.

The Company is required to provide and maintain a bond issued by a reputable fidelity insurance company to protect it against larceny and embezzlement. Furthermore, as a business development company, the Company is prohibited from protecting any director or officer against any liability to the Advisor or the Company's shareholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

The Company and the Advisor will each be required to adopt and implement written policies and procedures reasonably designed to prevent violation of the federal securities laws, review these policies and procedures annually for their adequacy and the effectiveness of their implementation, and designate its chief compliance officer to be responsible for administering the policies and procedures.

The Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") imposes a wide variety of new regulatory requirements on publicly held companies and their insiders. Many of these requirements will affect the Company and the Advisor. The Company and the Advisor will continue to monitor their respective compliance with all future regulations that are adopted under the Sarbanes-Oxley Act and will take actions necessary to ensure that they are in compliance therewith.

Under the 1940 Act, a business development company may not acquire any assets other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company's total assets. The principal categories of qualifying assets relevant to the Company's proposed business are the following:

(1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:

(a) is organized under the laws of, and has its principal place of business in, the United States;

(b) is not an investment company (other than a small business investment company wholly- owned by the business development company) or a company that would be an investment company but for certain exclusions under the 1940 Act; and

(c) satisfies any of the following:

A. does not have any class of securities with respect to which a broker or dealer may extend margin credit (the "no margin securities test");

B. is controlled by a business development company or a group of companies including a business development company and the business development company has an affiliated person who is a director of the eligible portfolio company; or

C. is a small and solvent company having total assets of not more than $4 million and capital and surplus of not less than $2 million.

(2) Securities of any eligible portfolio company which the Company controls.

(3) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the Company's purchase of the issuer's securities, was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.

(4) Securities of an eligible portfolio company purchased from

any person in a private transaction if there is no ready market for such securities and the Company already owns 60% of the outstanding equity of the eligible portfolio company.

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

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

With regard to (1) above, an "eligible portfolio company" is defined in the 1940 Act as any company that: (a) is organized under the laws of, and has its principal place of business in, the United States; (b) with certain exceptions, is not an investment company or a company that would be an investment company but for certain exclusions under the 1940 Act; and (c) satisfies one of three additional criteria. One of the criteria is that the company may not have any class of securities with respect to which a member of a national securities exchange, broker or dealer may extend or maintain credit to or for a customer pursuant to rules and regulations adopted by the Board of Governors of the Federal Reserve System, or "Federal Reserve Board," under Section 7 of the Securities Exchange Act of 1934 (the "1934 Act"), or "margin securities." This provision is referred to herein as the "no margin securities test."

The Company will invest in private companies that may have outstanding privately-placed debt securities (in addition to the securities that the Company acquires) and the Company intends to treat such investments as qualifying assets. The Advisor believes that these companies will satisfy the no margin securities test. The Advisor notes that Regulation T, the Federal Reserve Board regulation governing the extension of credit by brokers and dealers, identifies securities that are margin securities. When the provisions of the 1940 Act relating to business development companies were enacted in 1980, margin securities were limited to (i) securities that were listed on a national securities exchange; (ii) equity securities that were traded over the counter and listed on the Federal Reserve Board's "OTC margin stock" list; and (iii) limited categories of non-listed debt securities that were issued in public offerings by public companies. Under this standard, a private company (that is, a company that had not publicly offered any securities and did not file periodic reports under the 1934 Act) that had outstanding privately-placed debt securities would have been an eligible portfolio company under the no margin securities test.

In 1998, the Federal Reserve Board amended Regulation T to include within the definition of margin securities any "non-equity security." Non-equity securities include debt securities. If applied literally, this change would mean that any company that has issued any debt securities would not be an eligible portfolio company under the no margin securities test and the Company would be severely limited in its ability to pursue its strategy.

The Advisor does not believe that this result was intended by the Federal Reserve Board when it amended Regulation T in 1998 or contemplated by Congress when it enacted the provisions of the 1940 Act relating to business development companies, and the Advisor does not believe that the no margin securities test should be interpreted as causing a private company that had outstanding debt securities to fail the no margin securities test, notwithstanding the literal language of the 1940 Act and Regulation T. The SEC and the courts may have a different interpretation of this provision and, accordingly, there can be no assurance that the Company will be able to pursue its investment objective through privately placed securities.

Legislation currently pending in congress, H.R. 436 (the Increased Capital Access for Growing Business Act), would, if enacted, alter the criteria used to determine if securities can be treated as qualifying assets. The new criteria, if enacted, would allow securities to be treated as qualifying assets if (i) the issuer of the securities does not have any class of equity securities listed for trading on a national securities exchange or traded through the facilities of a national securities association or (ii) the aggregate value of the issuer's outstanding publicly traded equity securities is not more than $250,000,000. The enactment of this legislation would confirm that private companies with outstanding debt securities, as well as other types of companies, are eligible portfolio companies. There can be no assurance that H.R. 436 or similar legislation will be enacted or, if enacted, that it would not be materially different than the current form of legislation that is pending.

In addition, the SEC has proposed new Rule 2a-46 that is similar in many respects to H.R. 436. The proposed rule, however, does not contain a test based upon market capitalization. The Advisor does not expect that either the proposed rule or legislation, if adopted, will be adverse to the Company's investment program.

The Company will invest in private companies that may have outstanding privately-placed debt securities (in addition to the securities that the Company acquires) and the Company intends to treat such investments as qualifying assets. Unless H.R. 436 is enacted or the status of private companies with privately-issued debt securities as eligible portfolio

companies is clarified through SEC rulemaking or other means, there is a risk that the types of investments that the Company intends primarily to make would not be deemed to be qualifying assets.

A decision by the SEC or a court that conflicts with the Advisor's interpretation would have a material adverse effect on the Company's business. For example, such a decision would make it more difficult for the Advisor to identify investment opportunities and may require the Company to change its investment objective or policies, or conceivably seek shareholder approval to cease to be regulated as a business development company. The SEC may also take such other actions against the Company as it determines to be appropriate.

Such a decision also may require that the Company dispose of investments made based on the Advisor's interpretation. Disposing of such investments could have a material adverse effect on the Company and the Company's shareholders. The Company may need to dispose of such investments quickly, which would make it difficult to dispose of such investments on favorable terms. Because these types of investments will generally be illiquid, the Company may have difficulty in finding a buyer for these investments and, if it does, it may have to sell them at a substantial loss.

The 1940 Act also limits the Company's ability to borrow money or issue debt securities or preferred stock so that the resulting leverage does not exceed the Company's net assets attributable to common shares. Compliance with these requirements may unfavorably limit the Company's investment opportunities and reduce its ability in comparison to other companies to profit from favorable spreads between the rates at which the Company can borrow and the rates at which it can lend.

Although the Advisor and its affiliates have extensive experience with the types of investments it is anticipated the Company will make, neither the Advisor nor its affiliates have prior experience managing a business development company such as the Company. The Advisor is a newly formed entity. BlackRock has limited experience providing significant managerial assistance to operating companies, as may be required of a business development company. The Kelso Principals have no experience managing a registered investment company or a business development company, although they do have experience providing significant managerial assistance to operating companies in the form of board representation and advice concerning financings and other strategic matters.

Furthermore, extensions of commercial credit such as bank loans, leases and receivables factoring are not securities for purposes of the 1934 Act, which provides the authority for the Federal Reserve Board's margin regulations, and accordingly the many private middle-market companies that have only such obligations outstanding should not be treated as having outstanding any securities against which margin credit may be extended.

The Advisor has received no assurance from the SEC or its staff as to whether or not they agree with the Advisor's interpretation that privately-issued debt securities of private companies are qualifying assets.

Under Section 57 of the 1940 Act, the Company cannot, with minor exceptions, sell securities to, buy securities from, or lend money to, certain controlling or closely affiliated persons or companies; e.g., directors, officers, employees of the Company or the Advisor, or members of the Investment Committee, or any company that any of these people control. Any such transactions would be subject to prior SEC approval, and the Company has no plans to invest in these affiliates. If the Company chooses to invest in companies that the Advisor has other associations with, such as a company in which BlackRock or Kelso has a noncontrolling minority equity investment, or a company to which a BlackRock or Kelso affiliate has made a loan or loans, such decision would be subject to approval by the Board of Directors.

The Board of Directors could approve the proposed transaction only if the directors found that the terms thereof, including the consideration to be paid or received, were reasonable and fair to the shareholders of the Company, and did not involve overreaching on the part of any person concerned; and that the proposed transaction was consistent with the interests of the Company's shareholders and consistent with the policies of the Company, as reflected in such policies, reports filed under the 1934 Act, and reports to shareholders. The directors are required to record in their minutes and preserve in their records, a description of the proposed transaction, their findings, the information or materials upon which their findings were based, and the basis therefor. Furthermore, the approval must be granted by both a majority of the Company's directors who have no financial interest in the transaction, and a majority of its independent directors, i.e., directors who are not interested persons of the Company (as defined in the 1940 Act) ("Independent Directors").

Certain U.S. Federal Income Tax Consequences

The following discussion summarizes certain U.S. federal income tax considerations relating to the Company and an investment in the Company. This discussion is based on the Code, Treasury Regulations promulgated thereunder, administrative rulings and pronouncements of the Internal Revenue Service (the "Service") and judicial decisions, all as in effect on the date hereof and which are subject to change, possibly with retroactive effect.

The discussion does not purport to describe all of the U.S. federal

income tax consequences applicable to the Company or that may be relevant to a particular investor in the Company (for purposes of this section, an "Investor") in view of such Investor's particular circumstances and, except to the extent provided below, is not directed to Investors subject to special treatment under the U.S. federal income tax laws, such as banks, dealers in securities, tax-exempt entities, non-U.S. persons and insurance companies. In addition, this summary does not discuss any aspect of state, local or foreign tax law and assumes that Investors will hold their interests in the Company as capital assets within the meaning of Section 1221 of the Code. The tax treatment of partners in a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) that is an Investor in the Company generally depends on the status of the partner, rather than the partnership, and is not specifically addressed herein.

Moreover, no advance rulings have been or will be sought from the Service regarding any matter discussed in this Registration Statement, and counsel to the Company has not rendered any opinion with respect to any of the U.S. federal income tax consequences relating to the Company or an investment therein. No assurance can be given that the Service would not assert, or that a court would not sustain, a position contrary to any of the tax aspects set forth below. Accordingly, prospective Investors are urged to consult their own tax advisors to determine the U.S. federal income tax consequences to them of acquiring, holding and disposing of interests in the Company, as well as the effects of the state, local and non-U.S. tax laws.

For purposes of the following discussion, a "U.S. Holder" is an Investor who is a U.S. person, defined in Section 7701(a)(30) of the Code to mean: (i) a citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any state thereof, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust (a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control. A "Non-U.S. Holder" is an Investor who is not a U.S. Holder.

Classification of the Company. The Company intends to elect to be and to qualify to be treated as, a regulated investment company (a "RIC") under Subchapter M of the Code. For each taxable year that the Company so qualifies, it will be relieved of U.S. federal income taxation on that part of its investment company taxable income (consisting generally of net investment income, net short-term capital gain, and net gains from certain foreign currency transactions) and net capital gain that it distributes to the Investors.

In order to qualify as a RIC, the Company must, among other things, (a) derive in each taxable year at least 90% of its gross income (including tax-exempt interest) from dividends, interest, payments with respect to certain securities loans, and gains from the sale or other disposition of stock, securities or foreign currencies, or other income (including but not limited to gain from options, futures and forward contracts) derived with respect to its business of investing in stock, securities or currencies; and (b) diversify its holdings so that, subject to certain exceptions and cure periods, at the end of each fiscal quarter (i) at least 50% of the market value of its total assets is represented by cash and cash items, U.S. government securities, the securities of other RICs and other securities, with other securities limited, in respect of any one issuer, to an amount not greater than 5% of the value of its total assets and not more than 10% of the outstanding voting securities of any issuer, and (ii) not more than 25% of the market value of its total assets is invested in the securities of any issuer (other than U.S. government securities and the securities of other RICs) or of any two or more issuers that it controls and that are determined to be engaged in the same business or similar or related trades or businesses.

As a RIC, in any fiscal year with respect to which the Company distributes at least 90% of the sum of its (i) investment company taxable income (which includes, among other items, dividends, interest and the excess of any net short-term capital gains over net long-term capital losses and other taxable income other than any net capital gain reduced by deductible expenses) determined without regard to the deduction for dividends paid and (ii) net tax-exempt interest (the excess of its gross tax-exempt interest over certain disallowed deductions), it (but not its shareholders) generally will not be subject to U.S. federal income tax on investment company taxable income and net capital gains that it distributes to shareholders. To the extent that it retains its net capital gains for investment, the Company will be subject to U.S. federal income tax. It may choose to retain its net capital gains for investment and pay the associated federal corporate income tax.

Amounts not distributed on a timely basis in accordance with a calendar year distribution requirement are subject to a nondeductible 4% excise tax payable by the Company. To avoid this tax, it must distribute (or be deemed to have distributed) during each calendar year an amount equal to the sum of:

(1) at least 98% of its ordinary income (not taking into account any capital gains or losses) for the calendar year;

(2) at least 98% of its capital gains in excess of its capital losses (adjusted for certain ordinary losses) for a one-year

period generally ending on October 31 of the calendar year (unless an election is made by a company with a November or December year-end to use the company's fiscal year); and

(3) any undistributed amounts from previous years on which it paid no U.S. federal income tax.

While the Company intends to distribute any income and capital gains in the manner necessary to minimize imposition of the 4% excise tax, sufficient amounts of its taxable income and capital gains may not be distributed to avoid the imposition of the tax entirely. In that event, it will be liable for the tax only on the amount by which it does not meet the foregoing distribution requirement.

If in any particular taxable year, the Company does not qualify as a RIC, all of its taxable income (including its net capital gains) will be subject to tax at regular corporate rates without any deduction for distributions to shareholders, and distributions will be taxable to the shareholders as ordinary dividends to the extent of the Company's current and accumulated earnings and profits.

The Company may make certain investments which would subject it to special provisions of the Code that, among other things, may defer the use of certain deductions or losses and affect the holding period of securities held by the Company and the character of the gains or losses realized by it. These provisions may also require that the Company recognize income or gain without receiving cash with which to make distributions. In particular, it may recognize original issue discount if it acquires zero coupon securities, deferred interest securities or certain other securities, or if it receives warrants in connection with the making of a loan or possibly in other circumstances. Such original issue discount, which could be, but is not expected to be, significant relative to the Company's overall investment activities, generally will be included in income in the taxable year of accrual and before the Company receives any corresponding cash payments. The Company may also be required to include in income certain other amounts that it will not receive in cash.

Since in certain circumstances the Company may recognize income before or without receiving cash representing such income, it may have difficulty making distributions in the amounts necessary to satisfy the requirements for maintaining RIC status and for avoiding income and excise taxes. Accordingly, it may have to sell some investments at times it would not otherwise consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If it is not able to obtain cash from other sources, the Company may fail to qualify as a RIC and thereby be subject to corporate-level income tax.

In the event the Company invests in foreign securities, it may be subject to withholding and other foreign taxes with respect to those securities. The Company does not expect to satisfy the requirement to pass through to the shareholders their share of the foreign taxes paid by the Company.

Taxation of U.S. Holders. Distributions from the Company's investment company taxable income (consisting generally of net investment income, net short-term capital gain, and net gains from certain foreign currency transactions) generally will be taxable to the Investors as ordinary income. Such distributions that exceed the Company's earnings and profits generally are treated as a return of capital, and to the extent such distributions exceed the Investor's basis in its shares of the Company, will be treated as capital gain. Distributions (or deemed distributions) of the Company's net capital gain, when designated as such, will be taxable to the Investors as long-term capital gain. If the Company retains any net capital gain, the Company will be subject to a tax of 35% on the amount retained. In that event, the Company expects to designate the retained amount as undistributed capital gain in a notice to the Investors. In that case, (i) the Investors (x) will be required to include in income for U.S. federal income tax purposes, as long-term capital gain, their proportionate shares of such undistributed amount and (y) will be entitled to credit their proportionate shares of the 35% tax paid by the Company on the undistributed amount against their U.S. federal income tax liabilities, if any, and to claim refunds to the extent the credit exceeds those liabilities, and (ii) the Investor will increase its tax basis in its shares of the Company by an amount equal to the difference between the amount of undistributed capital gain included in gross income and the tax deemed paid by the Investor. The Investors will be notified following the end of each calendar year of the amounts of dividends and capital gain distributions paid (or deemed paid) that year and undistributed capital gain designated for that year.

Dividends and other distributions declared by the Company in October, November, or December of any year and payable to shareholders of record on a specified date in such a month will be deemed to have been paid by the Company on December 31st if the distributions are paid by the Company during the following January. Accordingly, those distributions will be taxed to the Investors for the year in which that December 31st falls.

The recently enacted Working Families Tax Relief Act of 2004 clarifies that if the Company's qualified dividend income is less than 95 percent of its gross income, a shareholder of the Company may only include as

qualifying dividend income that portion of the dividends that may be and are so designated by the Company as qualifying dividend income.

If an Investor sells or exchanges its shares in the Company, the Investor will recognize gain or loss equal to the difference between his adjusted basis in the shares sold and the amount received. Any such gain or loss will be treated as a capital gain or loss and will be long-term capital gain or loss if the shares have been held by the Investor for more than one year. Any loss recognized on a sale or exchange of shares that were held for six months or less will be treated as long-term, rather than short-term, capital loss to the extent of any capital gain distributions previously received (or deemed to be received) thereon. A loss realized on a sale or exchange of shares will be disallowed to the extent those shares are replaced by other shares of the Company within a period of 61 days beginning 30 days before and ending 30 days after the date of disposition of the shares. In that event, the basis of the replacement shares will be adjusted to reflect the disallowed loss.

The recently enacted American Jobs Creation Act of 2004 (the "2004 Jobs Act"), which was signed by President Bush on October 22, 2004, amends certain rules relating to regulated investment companies. The 2004 Jobs Act modifies the 90 percent gross income test with respect to income of a regulated investment company to include net income derived from an interest in certain qualified "publicly traded partnerships" and modifies the asset diversification test of a regulated investment company to include a new limitation on the investment by a regulated investment company in certain qualified publicly traded partnership interests.

Limitation on Deduction for Certain Expenses. For individuals, estates and trusts, certain miscellaneous itemized deductions are deductible under Section 67 of the Code only to the extent that they exceed 2% of the taxpayer's adjusted gross income for U.S. federal income tax purposes (generally, gross income less trade or business expenses). Moreover, an individual whose adjusted gross income exceeds specified threshold amounts is required to further reduce the amount of allowable itemized deductions by the lesser of (i) 3% of the excess of adjusted gross income over the threshold amount or (ii) 80% of the total amount of otherwise allowable itemized deductions. Organizational and other expenses will constitute miscellaneous itemized deductions for these purposes. Investors are urged to consult their tax advisors regarding their ability to deduct itemized expenses incurred by the Company.

If a RIC that does not qualify as a "publicly offered regulated investment company" incurs expenses, other than certain limited expenses including directors' fees and registration fees, that would be miscellaneous itemized deductions if incurred directly by an individual, estate or trust, the limit on such itemized deductions generally will apply to a shareholder of the RIC as if the shareholder had received a dividend from the RIC in the amount of his allocable share of such expenses of the RIC and had paid such expenses directly. A publicly offered regulated investment company is a RIC whose shares are (1) continuously offered pursuant to a public offering, (2) regularly traded on an established securities market or (3) held by at least 500 persons at all times during the taxable year. Because the Company expects its shares to be held by at least 500 persons at all times during the taxable year, it believes that it will qualify as a publicly offered regulated investment company. As such, it does not intend to report such expenses on the Form 1099-DIV provided by it to affected shareholders and the Service. There can be no assurance, however, that shares of the Company will, in fact, be treated as held by at least 500 persons or that such will be the case indefinitely. If the Company does not qualify as a publicly offered regulated investment company, it would be required to report on Form 1099-DIV the "affected RIC expenses," the Investor will be treated as receiving a dividend in the amount of its share of such Company expenses, including the Management Fee, and as paying such expenses, and affected Investors will be required to take into account their allocable share of such income and expenses. While any such dividend would constitute additional gross income, the deduction for such expense would be subject to the aforementioned 2% limitation and the other applicable limitations of the Code, which could aggravate the situation of a taxpayer subject to these limitations on deductions.

Taxation of U.S. Holders Exempt from U.S. Income Tax. Distributions by the Company to a U.S. Holder that is an organization that is exempt from U.S. income tax will not be taxable to such person and the tax on unrelated business taxable income will not apply to such person's interest in the Company's investments, provided, in each case, that such person's investment in the Company is not debt-financed.

Taxation of Non-U.S. Holders. Special rules apply to an Investor that is a Non-U.S. Holder. Non-U.S. Holders are generally subject to U.S. withholding tax at a 30% rate on the gross amount of interest, dividends and other fixed or determinable annual or periodical income received from sources within the United States if such income is not treated as effectively connected with a trade or business within the United States. The 30% rate may be reduced or eliminated under the provisions of an applicable income tax treaty between the United States and the country in which the Non-U.S. Holder resides or is organized. The 30% withholding tax does not apply to interest on certain obligations of U.S. persons allocable to certain non-U.S. persons "portfolio interest". Moreover, Non-U.S. Holders generally are not subject to U.S. tax on capital gains if (i) such gains are not effectively connected with

the conduct of a U.S. trade or business of such non-U.S. person, (ii) a tax treaty is applicable and such gains are not attributable to a permanent establishment in the United States maintained by such non-U.S. person, (iii) such Non-U.S. Holder is an individual and is not present in the United States for 183 or more days during the taxable year (assuming certain other conditions are met) or (iv) such Non-U.S. Holder is not a former citizen or resident of the United States.

The 2004 Jobs Act also provides that certain dividends designated by the Company as "interest-related dividends" that are received by most foreign investors (generally those that would qualify for the portfolio interest exemptions of Section 871(h) or Section 881(c) of the Code) in the Company will be exempt from U.S. withholding tax. Interest-related dividends are those dividends derived from certain interest income (including bank deposit interest and short term original issue discount that is currently exempt from the withholding tax) earned by the Company that would not be subject to U.S. tax if earned by a foreign person directly. The 2004 Jobs Act further provides that certain dividends designated by the Company as "short-term capital gain dividends" that are received by certain foreign investors (generally those not present in the United States for 183 days or more) will be exempt from U.S. withholding tax. In general, short-term capital gain dividends are those that are derived from the Company's short-term capital gains over net long-term capital losses. These provisions generally apply, with certain exceptions, to taxable years beginning after December 31, 2004 and before January 1, 2008. Prospective investors are urged to consult their tax advisors regarding the specific tax consequences to them related to the 2004 Jobs Act.

Non-U.S. Holders treated as engaged in a U.S. trade or business are generally subject to U.S. federal income tax at the graduated rates applicable to U.S. persons on income which is considered to be effectively connected with such U.S. trade or business. Non-U.S. Holders that are corporations may also be subject to a 30% branch profits tax on such effectively connected income. The 30% rate applicable to branch profits may be reduced or eliminated under the provisions of an applicable income tax treaty between the United States and the country in which the Non-U.S. Holder resides or is organized.

The Company does not expect to be engaged in a trade or business within the United States, and therefore, any Non-U.S. Holder who is otherwise not engaged in a U.S. trade or business (or, if an applicable treaty provides, does not have a permanent establishment in the United States) should not be subject to U.S. tax on (i) any capital gains (x) derived by the Company that are allocable to such Non-U.S. Holder (including capital gain distributions received from the Company, as described below) or (y) realized by such Non-U.S. Holder upon the sale of such Non-U.S. Holder's common shares of the Company or (ii) any "portfolio interest" earned by the Company. Such Non-U.S. Holder, however, would be subject to the 30% withholding tax described above on any U.S.-source dividend income of the Company (including ordinary dividend distributions received from the Company, as described below). Generally such withholding tax will not be reduced by any tax treaty between the United States and the country in which the Non-U.S. Holder is resident.

Backup Withholding. The Company is required in certain circumstances to backup withhold on taxable dividends and certain other payments paid to non-corporate holders of the Company's common shares who do not furnish the Company with their correct taxpayer identification number (in the case of individuals, their social security number) and certain certifications, or who are otherwise subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld from payments made to an Investor may be refunded or credited against such Investor's U.S. federal income tax liability, if any, provided that the required information is furnished to the Service.

Tax Shelter Regulations. In certain circumstances, an Investor who disposes of an interest in a transaction resulting in the recognition by such Investor of significant losses in excess of certain threshold amounts may be obligated to disclose its participation in such transaction (a "reportable transaction") in accordance with recently issued regulations governing tax shelters and other potentially tax-motivated transactions (the "Tax Shelter Regulations"). In addition, an investment in the Company may be considered a "reportable transaction" if, for example, the Company recognizes certain significant losses in the future. Investors should consult their tax advisors concerning any possible disclosure obligation under the Tax Shelter Regulations with respect to the disposition of their interest in the Company.

Risk Factors

No Operating History. The Company has no operating history. It is subject to the business risks and uncertainties associated with any new business, including the risk that it will not achieve its investment objective and that its net asset value could decline substantially. The Company anticipates that it will take up to two years to invest substantially all of the net proceeds received by the Company from the Offering due to the time necessary to identify, evaluate, structure, negotiate and close suitable investments in private middle-market companies. In the interim, the Company will invest in temporary investments, such as cash and cash equivalents, U.S. government securities and other high quality debt investments that mature in one year or less from the date of investment, which will earn yields substantially lower than the interest income anticipated from investments in senior and junior secured and unsecured debt securities and loans. The Company

will pay a Management Fee to the Advisor throughout this interim period. If the Management Fee and other expenses of the Company exceed the return on the temporary investments, the equity capital of the Company will be eroded. Additionally, the Company may not be able to pay any dividends during this period or such dividends may be substantially lower than the dividends the Company expects to pay when its portfolio is fully invested.

Competition for Investment Opportunities. Many entities, including public and private funds, commercial and investment banks, commercial financing companies, business development companies and insurance companies will compete with the Company to make the types of investments that it plans to make in middle-market companies. Many of these competitors are substantially larger, have considerably greater financial, technical and marketing resources than the Company will have and offer a wider array of financial services. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to the Company. In addition, some competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships. Many competitors are not subject to the regulatory restrictions that the 1940 Act will impose on the Company as a business development company or the restrictions that the Code will impose on the Company as a regulated investment company. Some competitors may make loans with interest rates that are lower than the rates the Company wishes to offer. The competitive pressures the Company faces may have a material adverse effect on its business, financial condition and results of operations. Also, as a result of this competition, the Company may not be able to take advantage of attractive investment opportunities from time to time, and can offer no assurance that it will be able to identify and make investments that are consistent with its investment objective. The Advisor has not yet identified any potential investments for the Company's portfolio, although the Company's competitors are likely to have identified and begun to pursue potential investments in which the Company may be interested.

Ability to Manage the Company's Business. The Company's ability to achieve its investment objective will depend on its ability to manage its business, which will depend, in turn, on the ability of the Advisor to identify, invest in and monitor companies that meet the Company's investment criteria. Accomplishing this result largely will be a function of the Advisor's investment process and, in conjunction with the Administrator, its ability to provide competent, attentive and efficient services to the Company. It is anticipated that one or more affiliates of BlackRock will serve as the Administrator to the Company. The Administrator, on behalf of and at the expense of the Company, may retain one or more service providers that may be affiliates of BlackRock to serve as sub-administrator, custodian, accounting agent, investor services agent and transfer agent for the Company. Fees and indemnification in respect of the Administrator and such other service providers that are BlackRock affiliates will be set at arm's length and approved by the Independent Directors of the Company.

The members of the Investment Committee will have substantial responsibilities to other clients of the Advisor's affiliates in addition to their activities on behalf of the Company. The members of the Investment Committee and the investment professionals dedicated primarily to the Company may also be required to provide managerial assistance to the Company's portfolio companies. These demands on their time may distract them or slow the Company's rate of investment. Any failure to manage the Company's business effectively could have a material adverse effect on the Company's business, financial condition and results of operations.

Business Development Company Limitations. Please see "Regulation of the Company", above, for a discussion of business development company limitations.

The Company is a different vehicle from any other investment fund managed by either BlackRock or the Kelso Principals. The Company's investment strategies will differ from those of other private funds that are or have been managed by BlackRock, the Kelso Principals or their respective affiliates. The Company will not invest in any private company in which BlackRock, Kelso or any of their affiliates or any of the unregistered investment funds managed by them already has an investment at that time. This may adversely affect the pace at which the Company makes investments. The Company can provide no assurance that it will replicate the historical or future performance of BlackRock's or Kelso's private investment funds and cautions investors that the Company's investment returns may be substantially lower than the returns achieved by those private funds. As a business development company, the Company is subject to certain investment restrictions that do not apply to BlackRock's or Kelso's private investment funds.

Valuation Difficulties. A large percentage of the Company's portfolio investments will be in the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded may not be readily determinable. The Company will value these securities at least quarterly at fair value as determined in good faith by the Board of Directors with the assistance of the Advisor and an independent valuation firm. However, because fair valuations, and particularly fair valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and are often based to a large extent on estimates, comparisons and qualitative evaluations of private information, the Company's determinations of fair value may differ materially

from the values that would have been determined if a ready market for these securities existed. This could make it more difficult for investors to accurately value the Company's portfolio investments and could lead to under-valuation or over-valuation of its common shares.

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

Leverage Risk. The Company may borrow money or issue debt securities or preferred stock to leverage its capital structure. If the Company does so:

- The Company's common shares will be exposed to incremental risk of loss. In these circumstances, a decrease in the value of the Company's investments would have a greater negative impact on the value of its common shares than if it did not use leverage.
- Adverse changes in interest rates could reduce or eliminate the incremental income the Company expects to make with the proceeds of any leverage.
- The Company's ability to pay dividends on its common shares will be restricted if its asset coverage ratio is not at least 200% and any amounts used to service indebtedness or preferred stock would not be available for such dividends.
- It is likely that such securities will be governed by an indenture or other instrument containing covenants restricting the Company's operating flexibility.
- The Company, and indirectly its shareholders, will bear the cost of issuing and paying interest or dividends on such securities.
- Any convertible or exchangeable securities that the Company issues may have rights, preferences and privileges more favorable than those of the Company's common shares.

Private Company Risks. Investment in private middle-market companies involves a number of significant risks, including:

- These companies may have limited financial resources and may be unable to meet their obligations under their debt securities that the Company holds, which may be accompanied by a deterioration in the value of any collateral.
- They typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns.
- They are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on the portfolio company and, in turn, on the Company.
- They generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position.
- They may cease to be treated as private companies for purposes of the regulatory restrictions applicable to the Company, in which case the Company may not be able to invest additional amounts in them.

Little public information exists about these companies. The greater difficulty in making a fully informed investment decision raises the risk of misjudging the credit quality of the company, and the Company may lose money on its investments.

Economic Recessions or Downturns. Many of the Company's portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay loans during these periods. Therefore, the Company's non-performing assets are likely to increase and the value of its portfolio is likely to decrease during these periods. Adverse economic conditions also may decrease the value of collateral securing some of the Company's loans and the value of its equity investments. Economic slowdowns or recessions could lead

to financial losses in its portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase funding costs, limit access to the capital markets or result in a decision by lenders not to extend credit to the Company. These events could prevent the Company from increasing investments and harm its operating results.

A portfolio company's failure to satisfy financial or operating covenants could lead to defaults and, potentially, termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize the portfolio company's ability to meet its obligations under the debt securities that the Company holds. The Company may need to incur additional expenses to seek recovery upon default or to negotiate new terms with a defaulting portfolio company. In addition, if one of the Company's portfolio companies were to go bankrupt, even though the Company may have structured its interest as senior debt, depending on the facts and circumstances, including the extent to which the Company actually provided significant managerial assistance to that portfolio company, a bankruptcy court might recharacterize the Company's debt holding and subordinate all or a portion of its claim to that of other creditors.

Interest Rate Fluctuations. Because a substantial portion of the assets of the Company will consist of loans and debt securities, the net asset value of the common shares of the Company will fluctuate with changes in interest rates, as well as with changes in the prices of the securities owned by the Company caused by other factors. These fluctuations are likely to be greater when the Company is using financial leverage.

Lower Credit Quality Obligations. Most of the Company's debt investments are likely to be in lower grade obligations. The lower grade investments in which the Company invests may be rated below investment grade by one or more nationally-recognized statistical rating agencies at the time of investment or may be unrated but determined by the Advisor to be of comparable quality. Debt securities rated below investment grade are commonly referred to as "junk bonds" and are considered speculative with respect to the issuer's capacity to pay interest and repay principal.

Investment in lower grade investments involves substantial risk of loss. Lower grade securities or comparable unrated securities are considered predominantly speculative with respect to the issuer's ability to pay interest and principal and are susceptible to default or decline in market value due to adverse economic and business developments. The market values for lower grade debt tend to be very volatile, and are less liquid than investment grade securities. For these reasons, an investment in the Company is subject to the following specific risks:

- increased price sensitivity to a deteriorating economic environment;
- greater risk of loss due to default or declining credit quality;
- adverse company specific events are more likely to render the issuer unable to make interest and/or principal payments; and
- if a negative perception of the lower grade debt market develops, the price and liquidity of lower grade securities may be depressed. This negative perception could last for a significant period of time.

Adverse changes in economic conditions are more likely to lead to a weakened capacity of a lower grade issuer to make principal payments and interest payments than an investment grade issuer. The principal amount of lower grade securities outstanding has proliferated in the past decade as an increasing number of issuers have used lower grade securities for corporate financing. An economic downturn could severely affect the ability of highly leveraged issuers to service their debt obligations or to repay their obligations upon maturity. Similarly, downturns in profitability in specific industries could adversely affect the ability of lower grade issuers in that industry to meet their obligations. The market values of lower grade debt tend to reflect individual developments of the issuer to a greater extent than do higher quality investments, which react primarily to fluctuations in the general level of interest rates. Factors having an adverse impact on the market value of lower grade debt may have an adverse effect on the Company's net asset value and the market value of its common shares (whether before or after the Public Market Event). In addition, the Company may incur additional expenses to the extent it is required to seek recovery upon a default in payment of principal of or interest on its portfolio holdings. In certain circumstances, the Company may be required to foreclose on an issuer's assets and take possession of its property or operations. In such circumstances, the Company would incur additional costs in disposing of such assets and potential liabilities from operating any business acquired.

The secondary market for lower grade debt may not be as liquid as the secondary market for more highly rated debt, a factor which may have an adverse effect on the Company's ability to dispose of a particular instrument. There are fewer dealers in the market for lower grade securities than investment grade obligations. The prices quoted by different dealers may vary significantly and the spread between the bid and asked price is generally much larger than higher quality instruments. Under adverse market or economic conditions, the secondary market for lower grade debt could contract further,

independent of any specific adverse changes in the condition of a particular issuer, and these instruments may become highly illiquid. As a result, the Company could find it more difficult to sell these instruments or may be able to sell the securities only at prices lower than if such instruments were widely traded. Prices realized upon the sale of such lower rated or unrated securities, under these circumstances, may be less than the prices used in calculating the Company's net asset value.

Since investors generally perceive that there are greater risks associated with lower grade debt of the type in which the Company may invest a portion of its assets, the yields and prices of such debt may tend to fluctuate more than those for higher rated instruments. In the lower quality segments of the income securities markets, changes in perceptions of issuers' creditworthiness tend to occur more frequently and in a more pronounced manner than do changes in higher quality segments of the income securities market, resulting in greater yield and price volatility.

Subordination Risk. The Company's portfolio companies usually will have, or may be permitted to incur, other debt that ranks equally with, or senior to, debt securities in which the Company will often invest. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which the Company is entitled to receive payments. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to the Company's investment in that portfolio company would typically be entitled to receive payment in full before the Company receives any distribution in respect of its investment. After repaying such senior creditors, the portfolio company may not have any remaining assets to use for repaying its obligations to the Company. In the case of debt ranking equally with debt securities in which the Company invests, the Company would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company. In addition, the Company may not be in a position to control any portfolio company by investing in its debt securities. As a result, the Company is subject to the risk that a portfolio company in which it invests may make business decisions with which it disagrees and the management of such company, as representatives of the holders of their common equity, may take risks or otherwise act in ways that do not serve the Company's interests as debt investors.

Distressed Debt Securities Risk. At times, distressed debt obligations may not produce income and may require the Company to bear certain extraordinary expenses (including legal, accounting, valuation and transaction expenses) in order to protect and recover its investment. Therefore, to the extent the Company invests in distressed debt, the Company's ability to achieve current income for its shareholders may be diminished. The Company also will be subject to significant uncertainty as to when and in what manner and for what value the distressed debt the Company invests in will eventually be satisfied (e.g., through a liquidation of the obligor's assets, an exchange offer or plan of reorganization involving the distressed debt securities or a payment of some amount in satisfaction of the obligation). In addition, even if an exchange offer is made or plan of reorganization is adopted with respect to distressed debt held by the Company, there can be no assurance that the securities or other assets received by the Company in connection with such exchange offer or plan of reorganization will not have a lower value or income potential than may have been anticipated when the investment was made. Moreover, any securities received by the Company upon completion of an exchange offer or plan of reorganization may be restricted as to resale. As a result of the Company's participation in negotiations with respect to any exchange offer or plan of reorganization with respect to an issuer of distressed debt, the Company may be restricted from disposing of such securities.

Tax Risk. To maintain its qualification as a regulated investment company under the Code, which is required in order for the Company to distribute its income without tax at the Company level, the Company must meet certain income source, asset diversification and annual distribution requirements. Satisfying these requirements may require the Company to take actions it would not otherwise take, such as selling investments at unattractive prices to satisfy diversification, distribution or source of income requirements. In addition, while the Company is authorized to borrow funds in order to make distributions, under the 1940 Act it is not permitted to make distributions to shareholders while its debt obligations and other senior securities are outstanding unless certain "asset coverage" tests are met. If the Company fails to qualify as a regulated investment company for any reason and becomes or remains subject to corporate income tax, the resulting corporate taxes could substantially reduce its net assets, the amount of income available for distribution and the amount of its distributions. Such a failure would have a material adverse effect on the Company and its shareholders.

Difficulty Paying Distributions. For U.S. federal income tax purposes, the Company will include in income certain amounts that it has not yet received in cash, such as original issue discount, which may arise if the Company invests in zero coupon securities, deferred interest securities or certain other securities, or if the Company receives warrants in connection with the making of a loan or possibly in other circumstances. Such original issue discount, which could but is not expected to be significant relative to

the Company's overall investment activities, generally will be included in income before the Company receives any corresponding cash payments. The Company also may be required to include in income certain other amounts that the Company will not receive in cash.

Since in certain cases the Company may recognize income before or without receiving cash representing such income, it may have difficulty making distributions in the amounts necessary to satisfy the requirements for maintaining regulated investment company status and for avoiding income and excise taxes. Accordingly, the Company may have to sell some of its investments at times the Advisor would not consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If the Company is not able to obtain cash from other sources, the Company may fail to qualify as a regulated investment company and thus be subject to corporate-level income tax. Such a failure would have a material adverse effect on the Company and its shareholders.

Conflicts of Interest. The Advisor, its affiliates or their officers and employees serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business or of investment funds managed by affiliates of the Advisor. Accordingly, these individuals may have obligations to investors in those entities or funds, the fulfillment of which might not be in the best interests of the Company or its shareholders. As a result, the Advisor may face conflicts in the allocation of investment opportunities to the Company and other funds. In order to enable such affiliates to fulfill their fiduciary duties to each of the clients for which they have responsibility, the Advisor will endeavor to allocate investment opportunities in a fair and equitable manner which may, subject to applicable regulatory constraints, involve pro rata coinvestment by the Company and such other clients or may involve a rotation of opportunities among the Company and such other clients.

The Advisor and its affiliates have procedures and policies in place designed to manage the potential conflicts of interest that may arise from time to time between the Advisor's fiduciary obligations to the Company and their similar fiduciary obligations to other clients so that, for example, investment opportunities are allocated in a fair and equitable manner among the Company and such other clients. An investment opportunity that is suitable for multiple clients of the Advisor's affiliates may not be capable of being shared among some or all of such clients due to the limited scale of the opportunity or other factors, including regulatory restrictions imposed by the 1940 Act. There can be no assurance that the Advisor's or its affiliates' efforts to allocate any particular investment opportunity fairly among all clients for whom such opportunity is appropriate will result in an allocation of all or part of such opportunity to the Company. Not all conflicts of interest can be expected to be resolved in favor of the Company.

Some individuals may be employed both by the Advisor and by another entity that has other clients for whom a particular investment opportunity may be appropriate. When the Advisor can determine the capacity in which a dual employee obtained an investment opportunity, the opportunity will be offered first to the clients of the entity through which the opportunity arose. Where the capacity cannot readily be determined, the Advisor will seek to allocate the opportunity in accordance with the principles articulated above.

Limitations on Deal Flow from the Kelso Principals and BlackRock. The Company expects that the Kelso Principals, certain of whom are affiliated with the Advisor but have no individual contractual duty to the Advisor or to the Company, will be a source of investment opportunities. However, investors should be aware that the Kelso Principals are subject to the terms and conditions of the agreements governing the private investment partnerships managed by Kelso, which include restrictions on the non-Kelso fund activities of Kelso and the Kelso Principals. The primary obligation of the Kelso Principals is to manage Kelso's investment partnerships. For example, these agreements generally require that certain of the Kelso Principals, including Messrs. Frank T. Nickell, George E. Matelich and Michael B. Goldberg (who serve on the Investment Committee in their individual capacities as members of the Advisor), devote substantially all of their business time and efforts to the private investment partnerships managed by Kelso, and each of them intends to do so. The Advisor is not subject to these restrictions. In addition, these agreements require that any investment opportunities presented to Kelso or the Kelso Principals that are appropriate to such partnerships be offered to the partnerships. Therefore, although the investment opportunities appropriate for the Company will generally not be of the type that would be appropriate for the private investment partnerships managed by Kelso, if the Kelso Principals are presented with any opportunities that are appropriate for both the Company and such partnerships, the Kelso Principals would be obligated to offer the opportunities first to such partnerships and not to the Company, regardless of the capacity in which they received such opportunity. This may limit the extent to which the Kelso Principals (but not the Advisor, to the extent it is able to identify investment opportunities independently) will be a source of investment transactions for the Company. BlackRock is not subject to any similar arrangements in favor of its clients other than with respect to mezzanine real estate debt, as to which it is required to bring certain opportunities first to a private real estate debt fund managed by BlackRock.

Carried Interest Risks. The Carried Interest (as defined below), which may be owing to the Advisor or its affiliates may create an incentive

for the Advisor to make investments that are riskier or more speculative than would otherwise be the case. The way in which the amount of the Carried Interest is determined, which is calculated as a percentage of distributions on the Company's common shares, may encourage the Advisor to use leverage in an effort to increase the return on the Company's investments. If the Advisor acquires poorly performing assets with such leverage, the loss to holders of the Company's common shares could be substantial. Finally, because a portion of the Carried Interest is likely to reflect interest and dividend income and is calculated on an accrual basis regardless of whether the Company has received a cash payment of such interest or dividends, the Advisor might have an incentive to invest in zero coupon or deferred interest securities in circumstances where it would not have done so but for the opportunity to continue to earn Carried Interest even when the issuers thereof would not be able to make cash payments on such securities. The foregoing risks could be increased because the Advisor is not obligated to reimburse the Company for any Carried Interest received even if the Company subsequently incurs losses or never receives in cash income that was previously accrued.

The Board of Directors does not believe the Advisor is susceptible to engaging in these practices, both because excessive risk taking will reduce the likelihood of earning incentive fees over the long term and because of the high standards of fiduciary conduct exhibited by BlackRock and the Kelso Principals in the past. However, the Board of Directors will monitor the investment activities of the Advisor and will be prepared to terminate its services and seek restitution of any harm to the Company if it believes the Advisor has breached its fiduciary duties in this regard.

Limited Liquidity of the Common Shares. The Company's common shares are not freely transferrable and shareholders will not have the right to redeem their common shares. The Company's common shares should be regarded as a long-term investment.

Common Stock Risk. The Company may have exposure to common stocks. Although common stocks have historically generated higher average total returns than fixed-income securities over the long term, common stocks also have experienced significantly more volatility in those returns and in recent years have significantly under performed relative to fixed-income securities. The equity securities acquired by the Company may fail to appreciate and may decline in value or become worthless.

Preferred Stock Risk. To the extent the Company invests in preferred securities, there are special risks associated with investing in preferred securities, including:

Deferral. Preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If the Company owns a preferred security that is deferring its distributions, the Company may be required to report income for tax purposes although it has not yet received such income.

Subordination. Preferred securities are subordinated to bonds and other debt instruments in a company's capital structure in terms of priority to corporate income and liquidation payments, and therefore will be subject to greater credit risk than more senior debt instruments.

Liquidity. Preferred securities may be substantially less liquid than many other securities, such as common stocks or U.S. government securities.

Limited Voting Rights. Generally, preferred security holders (such as the Company) have no voting rights with respect to the issuing company unless preferred dividends have been in arrears for a specified number of periods, at which time the preferred security holders may elect a number of directors to the issuer's board. Generally, once all the arrearages have been paid, the preferred security holders no longer have voting rights.

Industry, Sector and Issuer Risk. The Company may, from time to time, invest a substantial portion of its assets in the securities of issuers in any single industry or sector of the economy or in only a few issuers. The Company cannot predict the industries or sectors in which its investment strategy may cause it to concentrate and cannot predict the level of its diversification among issuers, although over time the Company anticipates investing in a minimum of 15 to 20 issuers to ensure it satisfies diversification requirements for qualification as a regulated investment company for U.S. federal income tax purposes. Concentration of the Company's assets in an industry or sector may present more risks than if it were broadly diversified over numerous industries and sectors of the economy. A downturn in an industry or sector in which the Company is concentrated would have a larger impact on the Company than on a company that does not concentrate in industry or sector. As a result of investing a greater portion of the Company's assets in the securities of a smaller number of issuers, the Company is classified as a non-diversified company under the 1940 Act. The Company may be more vulnerable to events affecting a single issuer or industry and therefore subject to greater volatility than a company whose investments are more broadly diversified. Accordingly, an investment in the Company may present greater risk than an investment in a diversified company. Furthermore, the Advisor has

not made and does not intend to make any determination as to the allocation of assets among different classes of securities. Consequently, at any point in time the Company may be highly concentrated in a single type of asset, such as junior unsecured loans or distressed debt. Consequently, events which affect a particular asset class disproportionately could have an equally disproportionate effect on the Company.

Changes in Laws or Regulations Governing Portfolio Companies. The Company's portfolio companies will be subject to regulation by laws at the local, state and federal level. These laws and regulations, as well as their interpretation, may be changed from time to time. Any change in these laws or regulations, or any failure to comply with them by the Company's portfolio companies, could have a material adverse affect on the Company's business.

Foreign Securities Risk. Investing in foreign securities involves certain risks not involved in domestic investments, including, but not limited to: (i) future foreign economic, financial, political and social developments; (ii) different legal systems; (iii) the possible imposition of exchange controls or other foreign governmental laws or restrictions; (iv) lower trading volume; (v) much greater price volatility and illiquidity of certain foreign securities markets; (vi) different trading and settlement practices; (vii) less governmental supervision; (viii) changes in currency exchange rates; (ix) high and volatile rates of inflation; (x) fluctuating interest rates; (xi) less publicly available information; and (xii) different accounting, auditing and financial recordkeeping standards and requirements.

The Company may employ hedging techniques to minimize currency exchange rate risks or interest rate risks, but there can be no assurance that such strategies will be effective. If the Company engages in hedging transactions, it may be exposed to risks associated with such transactions. Hedging against a decline in the values of the Company's portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. Moreover, it may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that the Company is not able to enter into a hedging transaction at an acceptable price.

Market Disruption and Geopolitical Risk. The war with Iraq, its aftermath and the continuing occupation of Iraq are likely to have a substantial impact on the U.S. and world economies and securities markets. The nature, scope and duration of the war and occupation cannot be predicted with any certainty. Terrorist attacks on the World Trade Center and the Pentagon on September 11, 2001 closed some of the U.S. securities markets for a four-day period and similar events in the future cannot be ruled out. The war and occupation, terrorism and related geopolitical risks have led, and may in the future lead to, increased short-term market volatility and may have adverse long-term effects on U.S. and world economies and markets generally. Those events could also have an acute effect on individual issuers or related groups of issuers. These risks could also adversely affect individual issuers and securities markets, inflation and other factors relating to the Company's common shares and portfolio investments.

Anti-Takeover Provisions. The Certificate of Incorporation of the Company (the "Certificate of Incorporation") includes provisions that could limit the ability of other entities or persons to acquire control of the Company or convert the Company to an open-end investment company. These provisions could deprive the holders of common shares of the Company of opportunities to sell their common shares at a premium over the then current market price of the common shares or at net asset value.

Forward Looking Statements. Some of the statements in this Registration Statement constitute forward-looking statements, which relate to future events or the Company's future performance or financial condition. The forward looking statements contained in this Registration Statement involve risks and uncertainties, including statements as to: future operating results; business prospects and the prospects of portfolio companies; the impact of investments expected to be made; contractual arrangements and relationships with third parties; the dependence of the Company's future success on the general economy and its impact on the industries in which the Company invests; the ability of portfolio companies to achieve their objectives; expected financings and investments; the adequacy of the Company's cash resources and working capital; and the timing of cash flows, if any, from the operations of portfolio companies.

Forward looking statements are typically identified by words or phrases such as "believe," "expect," "anticipate," "intend," "estimate," "position," "target," "mission," "assume," "achievable," "potential," "strategy," "goal," "objective," "plan," "aspiration," "outlook," "outcome," "continue," "remain," "maintain," "strive," "trend," and variations of such words and similar expressions, or future or conditional verbs such as "will," "would," "should," "could," "may" or similar expressions. Actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth in "Risks" and elsewhere in this Registration Statement.

The forward-looking statements included in this Registration Statement are based on information available to the Company on the date of this Registration Statement, and the Company assumes no obligation to update any such forward-looking statements.

(d) Financial Information About Geographic Areas

The Company has not commenced business and has no revenues or assets.

(e) Available Information

Not Applicable.

(f) Reports to Security Holders

Not Applicable.

(g) Enforceability of Civil Liabilities Against Foreign Persons

Not Applicable.

Item 2. Financial Information.

The Company has not commenced business and has no revenues or assets.

Item 3. Properties.

The Company has not commenced business and has no revenues or assets. It is anticipated that the Company's principal assets following commencement of operations will be investments.

Item 4. Security Ownership of Certain Beneficial Owners and Management.

BlackRock Funding will purchase 150 common shares of the Company at a price of $15.00 per share as the Company's initial capital. Therefore, until immediately following the anticipated placement of the Offering, BlackRock will be deemed to "control" the Company through its control of BlackRock Funding.

Upon the closing of the Offering, the common shares of the Company will be owned by numerous persons that are "accredited investors," as that term is defined in Regulation D, and a majority of the common shares will be owned by the Holding Company, whose shares will be owned by institutional and individual investors.

Item 5. Directors and Executive Officers.

The directors and executive officers of the Company are as follows:

Name	Age	Position
Frank D. Gordon*	44	Chief Financial Officer and Treasurer
Jerrold B. Harris	62	Director
Michael B. Lazar*	36	Chief Operating Officer and Managing Director
James R. Maher*	55	Chairman of the Board and Chief Executive Officer
William E. Mayer	64	Director
France de Saint Phalle	59	Director
Vincent B. Tritto*	43	Chief Compliance Officer and Secretary
Maureen K. Usifer	45	Director

*Interested person of the Company within the meaning of the 1940 Act.

James R. Maher, Chairman of the Board and Chief Executive Officer of the Company and Chairman of the Board and Chief Executive Officer of the Advisor. Since June 2004 Mr. Maher has been engaged in establishing the Company. Mr. Maher was, from 2001 until June 2004, a partner at Park Avenue Equity Partners, L.P. ("Park Avenue"). Park Avenue is a private equity fund specializing in middle-market management buyouts and growth capital investments. Prior to joining Park Avenue, Mr. Maher was President of MacAndrews & Forbes Holdings Inc., a diversified holding company with interests primarily in consumer products and financial services companies. Mr. Maher served as Chairman of Laboratory Corporation of America Holdings ("LabCorp"), a large clinical laboratory company, after serving as President and Chief Executive Officer of National Health Laboratories, LabCorp's predecessor, from 1992 to 1995. Prior to joining National Health Laboratories, Mr. Maher was Vice Chairman and a member of the Operating Committee of The First Boston Corporation, an international investment-banking firm. He served on the Group Executive Committee of Credit Suisse First Boston, Inc., where he was responsible for the global oversight and coordination of merger and acquisition activities, as well as being a member of its investment committee. He was also Head of the Investment Banking Group for more than four years. He joined The First Boston Corporation in 1976 and was named a Managing Director in 1982. Mr. Maher serves as a Director of Panavision, Inc., HCI Direct, Inc. and the Phoenix House Foundation, a non-profit drug abuse treatment foundation. He is also a Director of Prep for Prep, an organization based in New York City that assists intellectually gifted public school students from minority group backgrounds, and prepares them for placement in independent schools. He has served as a Director of the Brearley School in New York City and on the Boards of a number of public companies. Mr. Maher received a

Master's in Business Administration from Columbia University in 1976 and an undergraduate degree from Boston College in 1971.

William E. Mayer, Director of the Company. Since 1999, Mr. Mayer has been a partner at Park Avenue, which he co-founded. From 1996 until the formation of Park Avenue, Mr. Mayer was a founding Partner of Development Capital, which invested in private and public companies. From the fall of 1992 until December 1996, Mr. Mayer was a professor and Dean of the College of Business and Management at the University of Maryland. From 1991 to 1992, Mr. Mayer served as a professor and Dean of the Simon Graduate School of Business at the University of Rochester. Mr. Mayer worked for The First Boston Corporation (now Credit Suisse First Boston), a major investment bank, from 1967 to 1990. During his career at The First Boston Corporation, Mr. Mayer held numerous management positions including President and Chief Executive Officer. Mr. Mayer is currently a board member of the following public companies: Lee Enterprises (a newspaper company owning or having stakes in approximately 45 daily newspapers), Reader's Digest, and is a trustee of the Columbia Group of Mutual Funds. Over the past 25 years, he has been a board member of numerous other public and private companies. Mr. Mayer is also Chairman of the Aspen Institute and a trustee of The University of Maryland. Mr. Mayer was a First Lieutenant and Navigator in the U.S. Air Force. He holds a B.S. degree and an M.B.A. degree from the University of Maryland.

Maureen K. Usifer, Director of the Company. Maureen K. Usifer has been a senior finance director with Church & Dwight Co., Inc., a major producer of baking soda and consumer products, from May 2004 until present. From October 2001 until May 2004, Ms. Usifer was the Chief Financial Officer for Armkel, LLC a joint venture with Church & Dwight and Kelso which encompassed over $400 million in personal care sales. Ms. Usifer was Division Controller of Church & Dwight's Armus joint venture, which encompassed $500 million in laundry sales, from May 2000 through October 2001. From 1996 through 2000, Ms. Usifer was a Senior Finance Manager of Church & Dwight responsible for all of the Arm & Hammer's personal care businesses. Ms. Usifer received an undergraduate degree in business from St. Michael's College and an M.B.A. in Finance from Clarkson University.

France de Saint Phalle, Director of the Company. Mr. de Sainte Phalle has been retired since 2001. From 1990 to 2001, Mr. de Saint Phalle was Vice-Chairman and Chief Operating Officer of Dillon, Read & Co., Inc., an investment bank which was acquired by Swiss Bank Corporation in 1997. From 1968 to 1990, Mr. de Saint Phalle was a Managing Director at Lehman Brothers, Inc. and, from 1985 to 1990, Chairman of Lehman Brothers International (Europe). Mr. de Saint Phalle is currently a director of Cornerstone Management Solutions. Mr. de Saint Phalle earned a B.A. degree from Columbia College in 1968.

Jerrold B. Harris, Director of the Company. Mr. Harris has been retired since 1999. From 1990 to 1999, Mr. Harris was President and Chief Executive Officer of VWR Scientific Products Corporation (which was acquired by Merck KGaA in 1999). Mr. Harris is currently a director of BlackRock Liquidity Funds and Henry Troemner LLC. Mr. Harris is a trustee of Ursinus College. Mr. Harris earned a B.S. degree from the University of California at Berkeley in 1964.

Michael B. Lazar, Chief Operating Officer and Managing Director of the Company and Chief Operating Officer and Managing Director of the Advisor. Prior to joining the Company and the Advisor, Mr. Lazar was a Managing Director and Principal at Kelso & Company, one of the oldest and most established firms specializing in private equity investing. Having originally joined Kelso in 1993, Mr. Lazar has been involved in Kelso's private equity transactions since that time. Prior to joining Kelso, Mr. Lazar worked in the Acquisition Finance Group at Chemical Securities, Inc. (predecessor to J.P. Morgan Securities Inc.) where his responsibilities included working with financial sponsors on the analysis, evaluation and financing of leveraged buyouts. Mr. Lazar began his career in the Corporate Finance and Structured Finance Groups at Chemical Bank, where he focused on financings for leveraged companies. He received a B.A. degree, cum laude, from Dartmouth College. Mr. Lazar is a director of Endurance Business Media, Inc. and Waste Services, Inc.

Vincent B. Tritto, Chief Compliance Officer and Secretary of the Company. Mr. Tritto is a Managing Director and Senior Counsel at BlackRock, where he has worked since 2002. He also serves as the Secretary of the 54 active funds comprising the BlackRock Closed-end Funds. Prior to joining BlackRock, Mr. Tritto was Executive Director and Counsel at Morgan Stanley Investment Management Inc. for four years. Previously, he was Counsel (1998), and an associate (1988 through 1997), at the New York law firm of Rogers & Wells. During this time he also served as a foreign associate at the Tokyo law firm of Masuda & Ejiri, from 1992-1994. Mr. Tritto earned a B.A. degree, cum laude, from the University of Rochester in 1983 and a J.D. degree, cum laude, from St. John's University School of Law in 1988 where he was managing editor of the St. John's Law Review.

Frank D. Gordon, Chief Financial Officer and Treasurer of the Company. Mr. Gordon is a Director at BlackRock, where he has worked since 1998. His primary responsibility at BlackRock was until recently the administration of structured finance entities managed by the high yield and bank loan teams, including compliance monitoring, legal affairs and financial and shareholder reporting. Mr. Gordon has been involved in BlackRock's high yield and mezzanine efforts since their inception. Prior to joining

BlackRock's high yield effort, Mr. Gordon was the Controller of Anthracite Capital, Inc., a publicly-owned real estate investment trust managed by BlackRock. From 1994 to 1998, Mr. Gordon was an attorney in the Structured Finance department of Skadden, Arps, Slate, Meagher & Flom LLP. From 1987 to 1990, Mr. Gordon was a Vice President in the Fixed Income Research department of The First Boston Corporation. From 1983 to 1986, Mr. Gordon was a senior auditor at Deloitte Haskins & Sells. Mr. Gordon earned a B.S. degree in economics from the Wharton School of the University of Pennsylvania in 1983 and an M.B.A. degree with honors and a J.D. degree from The University of Chicago in 1992 and 1994, respectively. Mr. Gordon is a Certified Public Accountant and a Chartered Financial Analyst.

The Investment Advisor

Please see Item 1 of this Registration Statement for a description of the Advisor. Please see Item 7(d) for a description of the Investment Advisory Agreement. The Advisor will have primary responsibility for the Company's investment program.

Item 6. Executive Compensation.

The Company will pay no compensation to its officers who are "interested persons" (as defined in the 1940 Act) of the Advisor or to its directors other than its Independent Directors. The Company is authorized to pay each Independent Director the following amounts for serving as a director: (i) $50,000 ($75,000 after the Public Market Event) per year, (ii) $2,500 for each meeting of the Board of Directors of the Company attended (50% for telephonic attendance), (iii) $1,000 for each committee meeting of the Company attended (50% for telephonic attendance), (iv) an additional fee of $7,500 per year for the Audit Committee Chairman and (v) an additional fee of $2,500 per year for each Chairman of any other committee of the Board of Directors. Compensation will be payable in either cash or stock. Compensation paid in stock will be calculated at the higher of (i) the market value of the stock or (ii) the net asset value of the stock.

Executive Officers

The Company expects to have no executive officers other than (i) James R. Maher, who serves as Chairman of the Board and Chief Executive Officer of the Company, (ii) Michael B. Lazar, who serves as Chief Operating Officer and Managing Director of the Company, (iii) Frank D. Gordon, who serves as the Chief Financial Officer and Treasurer of the Company and (iv) Vincent B. Tritto, who serves as the Chief Compliance Officer and Secretary of the Company. The Company will generally rely on the Advisor and its officers (all of whom are employed by the Advisor) to administer its affairs, subject to the supervision of the Board of Directors. The Company may also, in its sole discretion, delegate certain duties to a third party administrator.

Item 7. Certain Relationships and Related Transactions.

(a) Transactions With Management and Others

It is anticipated that one or more affiliates of BlackRock will serve as the Administrator to the Company. The Administrator, on behalf of and at the expense of the Company, may retain one or more service providers that may be affiliates of BlackRock to serve as sub-administrator, custodian, accounting agent, investor services agent and transfer agent for the Company. Fees and indemnification in respect of the Administrator and such other service providers that are BlackRock affiliates will be set at arm's length and approved by the Independent Directors of the Company.

(b) Certain Business Relationships

Certain of the current directors and officers of the Company are directors or officers of the Advisor. See Item 7(d) below for a description of the Company's Investment Advisory Agreement with the Advisor ("Investment Advisory Agreement").

(c) Indebtedness of Management

None.

(d) Transactions With Promoters

The Advisor may be deemed a promoter of the Company. The Company will enter into the Investment Advisory Agreement with the Advisor. James R. Maher is Chairman of the Board of Directors and Chief Executive Officer of the Company and Chairman of the Board of Managers and Chief Executive Officer of the Advisor. Mr. Maher will have a 14.9% equity interest in the Advisor.

Pursuant to the Investment Advisory Agreement, the Advisor will, subject to the investment policies and guidelines established by the Board of Directors, (i) act as investment advisor for and supervise and manage the investment and reinvestment of the Company's assets and in connection therewith have complete discretion in purchasing and selling securities and other assets for the Company and in voting, exercising consents and exercising all other rights appertaining to such securities and other assets on behalf of the Company; (ii) supervise continuously the investment program of the Company and the composition of its investment portfolio; (iii) arrange for the

purchase and sale of securities and other assets held in the investment portfolio of the Company; and (iv) oversee the administration of all aspects of the Company's business and affairs and provide, or arrange for others whom it believes to be competent to provide, certain services

The Advisor will bear all costs and expenses of its employees and any overhead incurred in connection with its duties hereunder and will bear the costs of any salaries or directors' fees of any officers or directors of the Company who are affiliated persons of the Advisor, as defined in the 1940 Act. The Advisor will bear all costs and expenses incurred in connection with its investment advisory duties for the Company. The Company will reimburse the Advisor for all direct and indirect costs and expenses incurred by the Advisor (i) for office space rental, office equipment and utilities allocable to performance of investment advisory and non-investment advisory administrative or operating services hereunder by the Advisor and (ii) allocable to any non-investment advisory administrative or operating services provided by the Advisor hereunder, including salaries, bonuses, health insurance, retirement benefits and all similar employment costs, such as office equipment and other overhead items. The Company will also be responsible for the payment of all the Company's other expenses, including (i) payment of the fees payable to the Advisor; (ii) organizational expenses; (iii) brokerage fees and commissions; (iv) taxes; (v) interest charges on borrowings; (vi) the cost of liability insurance or fidelity bond coverage for the Company's officers and employees, and directors' and officers' errors and omissions insurance coverage; (vii) legal, auditing and accounting fees and expenses; (viii) charges of the Company's Administrator, custodian, transfer agent and dividend disbursing agent and any other service providers; (ix) the Company's dues, fees and charges of any trade association of which the Company is a member; (x) the expenses of printing, preparing and mailing proxies, stock certificates, reports, prospectuses, registration statements and other documents used by the Company; (xi) expenses of registering and offering securities of the Company under applicable law; (xii) the expenses of holding shareholder meetings; (xiii) the compensation, including fees, of any of the Company's directors, officers or employees who are not affiliated persons of the Advisor; (xiv) all expenses of computing the Company's net asset value per share; (xv) litigation and indemnification and other extraordinary or non-recurring expenses; and (xvi) all other non-investment advisory expenses of the Company.

The Advisor, for its services to the Company, will be entitled to receive the Management Fee from the Company. The Management Fee will be calculated at an annual rate of 2.00% of the Company's total assets. During the period commencing from the closing of the Offering through and including the first twelve months of operations, the Management Fee will be payable monthly in arrears based on the asset valuation for the prior month or, prior to the Company's first valuation, its assets upon the commencement of its business. After that time, the Management Fee will be paid quarterly in arrears based on the asset valuation for the prior quarter.

The Advisor has agreed to waive its rights to receive one-half of the amount of the Management Fee the Advisor would otherwise be entitled to receive from the Company until the Ramp-Up Date. Thereafter, the Advisor has agreed to waive, until such time as the Company has completed the Public Market Event, one-quarter of the amount of the Management Fee the Advisor would otherwise be entitled to receive from the Company.

In any event and assuming gross proceeds from the Offering of $500 million, the Advisor has agreed (i) to waive Management Fees for any calendar year in excess of $11.25 million until the earlier of (A) such time as the Company has completed the Public Market Event or (B) the fourth anniversary of the commencement of the Company and (ii) to waive its Management Fee in excess of $5.25 million during the fifth year of the Company's existence unless the Company has completed the Public Market Event. If there is no Public Market Event, the Company will begin the process of winding down its assets in the beginning of the sixth year of the Company's existence. The Company would need to have greater than $750 million in total assets during the initial waiver period for the $11.25 million cap to be operative and greater than $350 million in total assets during the fifth year for the $5.25 million cap to be operative. The foregoing amounts assume gross proceeds from the Offering of $500 million. To the extent that such gross proceeds differ from $500 million, the fee cap and total asset thresholds described above will change in direct proportion to the ratio of the actual gross proceeds to $500 million. For example, if the gross proceeds from the Offering were $520 million, the $11.25 million and $5.25 million fee caps described above would increase to $11.70 million and $5.46 million, respectively, and the total asset thresholds of $750 million and $350 million described above would increase to $780 million and $364 million, respectively. Although it is anticipated that the Carried Interest will be paid through distributions on the Series S Share, the Carried Interest is also provided for in the Investment Advisory Agreement.

The Advisor will also be entitled to receive a fee (the "Carried Interest") in an amount equal to, (i) commencing on the Ramp-Up Date and prior to the first day of the calendar quarter during which the Public Market Event occurs, (A) 50% (payable at the same time as, and not in advance of, any distributions in respect of the Company's common shares) of the amount by which the Cumulative Adjusted Common Distributions exceed the Hurdle until the cumulative payments that have been made in respect of the Carried Interest pursuant to this clause (i) since the Ramp-Up Date equal 20% of the sum of the amount paid pursuant to this clause (i) plus the amount of the Cumulative Adjusted Common Distributions since the Ramp-Up Date, and thereafter (B) an

amount (payable at the same time as, and not in advance of, any distributions in respect of the Company's common shares) such that, after payment thereof, the cumulative payments that have been made in respect of the Carried Interest pursuant to this clause (i) since the Ramp-Up Date equal 20% of the sum of the amount paid pursuant to this clause (i) plus the amount of the Cumulative Adjusted Common Distributions since the Ramp-Up Date and (ii) commencing on and after the first day of the calendar quarter during which the Public Market Event occurs, (A) 50% (payable at the same time as, and not in advance of, any distributions in respect of the Company's common shares) of the amount by which the cumulative distributions and amounts distributable out of net income (including realized capital gains in excess of realized capital losses) in respect of the Company's common shares (1) since the Public Market Event or (2) during the four calendar quarters most recently completed prior to or within 15 days after the date of declaration, whichever is most recent, exceed the Hurdle until the cumulative payments that have been made in respect of the Carried Interest pursuant to this clause (ii) equal 20% of the sum of the amount distributed pursuant to this clause (ii) plus the amount of the Cumulative Adjusted Common Distributions (1) since the Public Market Event or (2) during the four calendar quarters most recently completed prior to or within 15 days after the date of declaration, whichever is most recent, and thereafter (B) an amount (payable at the same time as, and not in advance of, any distributions in respect of the Company's common shares) equal to the excess of (1) 20% of the sum of the amount distributed pursuant to this clause (ii) plus the amount of the Measurement Period Adjusted Common Distributions over (2) the portion of the amount in item (1) above previously distributed during such four preceding quarters.

As used above and elsewhere herein (i) "Public Market Event" means the completion by the Company of an initial public offering of its common shares registered under the 1933 Act and the commencement of trading of such common shares on a national securities exchange; (ii) "Hurdle" means the product of 2% times the quarterly net asset value of the Company attributable to its common shares as of the beginning of such quarter (or such measurement period) calculated after giving effect to any distributions in respect of such quarter (or such measurement period) times the number of quarters in the measurement period (which, after the Public Market Event, will be four quarters); (iii) "Cumulative Adjusted Common Distributions" means the excess of the cumulative distributions and amounts distributable out of net income (including realized capital gain in excess of realized capital losses) in respect of the common shares over the net amount of capital depreciation, if any, at the time of determination; (iv) "Measurement Period Adjusted Common Distributions" means the aggregate distributions and amounts distributable out of net income (including realized capital gains in excess of realized capital losses) in respect of the common shares during the four calendar quarters most recently completed prior to or within 15 days after the date of declaration of any distribution according to the previous paragraph, less any increases in net capital depreciation attributable to the common shares during such four quarter period or plus any decrease in such net capital depreciation but only to the extent that both (A) such decrease did not exceed the net amount of capital depreciation at the beginning of such period and (B) such decrease did not exceed the excess of cumulative realized capital gains over cumulative realized capital losses since commencement of operations; and (v) "Ramp-up Date" means the first date on which 90% of the assets of the Company are invested in portfolio companies in accordance with the Company's investment objective, excluding investments in cash, cash equivalents, U.S. government securities and other high-quality debt investments that mature in one year or less from the date of investment, or the date on which the Company first draws funds under accepted subscriptions for its common shares, whichever is sooner.

The Advisor will only be entitled to the Carried Interest if such fees are not, have not, or will not be paid to the Advisor or an affiliate through another mechanism.

The Company may, in the discretion of the Board of Directors, indemnify the Advisor, and each of the Advisor's directors, officers, employees, agents, associates and controlling persons and the directors, partners, members, officers, employees and agents thereof (including any individual who serves at the Advisor's request as director, officer, partner, member or the like of another entity) (each such person being an "Indemnitee") against any liabilities and expenses, including amounts paid in satisfaction of judgments, in compromise or as fines and penalties, and counsel fees (all as provided in accordance with applicable state law) reasonably incurred by such Indemnitee in connection with the defense or disposition of any action, suit or other proceeding, whether civil or criminal, before any court or administrative or investigative body in which such Indemnitee may be or may have been involved as a party or otherwise or with which such Indemnitee may be or may have been threatened, while acting in any capacity set forth herein or thereafter by reason of such Indemnitee having acted in any such capacity, except with respect to any matter as to which such Indemnitee will have been adjudicated not to have acted in good faith in the reasonable belief that such Indemnitee's action was in the best interest of the Company and furthermore, in the case of any criminal proceeding, so long as such Indemnitee had no reasonable cause to believe that the conduct was unlawful; provided, however, that (1) no Indemnitee will be indemnified hereunder against any liability to the Company or its shareholders or any expense of such Indemnitee arising by reason of (i) willful misfeasance, (ii) bad faith, (iii) gross negligence or (iv) reckless disregard of the duties involved in the conduct of such Indemnitee's position (the conduct referred to in such clauses (i) through (iv) being sometimes referred to herein as "disabling conduct"), (2) as to any

matter disposed of by settlement or a compromise payment by such Indemnitee, pursuant to a consent decree or otherwise, no indemnification either for said payment or for any other expenses will be provided unless there has been a determination that such settlement or compromise is in the best interests of the Company and that such Indemnitee appears to have acted in good faith in the reasonable belief that such Indemnitee's action was in the best interest of the Company and did not involve disabling conduct by such Indemnitee and (3) with respect to any action, suit or other proceeding voluntarily prosecuted by any Indemnitee as plaintiff, indemnification will be mandatory only if the prosecution of such action, suit or other proceeding by such Indemnitee was authorized by a majority of the full Board of Directors.

The Company may make advance payments in connection with the expenses of defending any action with respect to which indemnification might be sought hereunder if the Company receives a written affirmation of the Indemnitee's good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking to reimburse the Company unless it is subsequently determined that such Indemnitee is entitled to such indemnification and if the Board of Directors determines that the facts then known to them would not preclude indemnification. In addition, at least one of the following conditions must be met: (A) the Indemnitee must provide security for such Indemnitee-undertaking, (B) the Company must be insured against losses arising by reason of any unlawful advance, or (C) a majority of a quorum consisting of directors of the Company who are neither "interested persons" of the Company (as defined in Section 2(a)(19) of the 1940 Act) nor parties to the proceeding ("Disinterested Non-Party Directors") or an independent legal counsel in a written opinion, must determine, based on a review of readily available facts (as opposed to a full trial-type inquiry), that there is reason to believe that the Indemnitee ultimately will be found entitled to indemnification.

All determinations with respect to the standards for indemnification above will be made (1) by a final decision on the merits by a court or other body before whom the proceeding was brought that such Indemnitee is not liable or is not liable by reason of disabling conduct, or (2) in the absence of such a decision, by (i) a majority vote of a quorum of the Disinterested Non-Party Directors of the Company, or (ii) if such a quorum is not obtainable or, even if obtainable, if a majority vote of such quorum so directs, independent legal counsel in a written opinion. All determinations that advance payments in connection with the expense of defending any proceeding will be authorized and will be made in accordance with the immediately preceding clause (2) above.

The Advisor will not be liable for any error of judgment or mistake of law or for any loss suffered by Advisor or by the Company in connection with the performance of the Investment Advisory Agreement, except a loss resulting from a breach of fiduciary duty with respect to the receipt of compensation for services or a loss resulting from willful misfeasance, bad faith or gross negligence on its part in the performance of its duties or from reckless disregard by it of its duties under the Investment Advisory Agreement.

The Investment Advisory Agreement will continue in effect for a period of two years. Thereafter, if not terminated, the Investment Advisory Agreement will continue in effect with respect to the Company for successive periods of 12 months, provided such continuance is specifically approved at least annually by both (a) the vote of a majority of the Board of Directors or the vote of a majority of the outstanding voting securities of the Company at the time outstanding and entitled to vote, and (b) by the vote of a majority of the directors who are not parties to the Investment Advisory Agreement or interested persons of any party to the Investment Advisory Agreement, cast in person at a meeting called for the purpose of voting on such approval. Notwithstanding the foregoing, the Investment Advisory Agreement may be terminated by the Company at any time, without the payment of any penalty, upon giving the Advisor 60 days' notice (which notice may be waived by the Advisor), provided that such termination by the Company will be directed or approved by the vote of a majority of the directors of the Company in office at the time or by the vote of the holders of a majority of the voting securities of the Company at the time outstanding and entitled to vote, or by the Advisor on 60 days' written notice (which notice may be waived by the Company). The Investment Advisory Agreement will also immediately terminate in the event of its assignment. (As used in the Investment Advisory Agreement, the terms "majority of the outstanding voting securities," "interested person" and "assignment" have the same meanings of such terms as in the 1940 Act.) If the Investment Advisory Agreement is terminated according to this paragraph, the Company will pay the Advisor a pro-rated portion of the Management Fee and the Carried Interest. The Management Fee and the Carried Interest due to the Advisor in the event of termination according to this paragraph will be determined according to the method set forth in the following paragraph.

The Company will engage at its own expense a firm acceptable to the Company and the Advisor to determine the maximum reasonable fair value as of the termination date of the Company's consolidated assets (assuming each asset is readily marketable among institutional investors without minority discount and with an appropriate control premium for any control positions and ascribing an appropriate net present value to unamortized organizational and offering costs and going concern value). After review of such firm's work papers by the Advisor and the Company and resolution of any comments therefrom, such firm will render its report as to valuation, and the Company will pay to the Advisor or its affiliates any Management Fees or Carried

Interest, as the case may be, payable pursuant to the paragraphs above as if all of the consolidated assets of the Company had been sold at the values indicated in such report and any net income and gain distributed.

A certificate of designations of the Company (the "Series S Certificate of Designations") will create and establish one Series S Preferred Share of the Company (the "Series S Share"). At such time that the Board of Directors determines on the advice of counsel that use of the Series S Share is permissible, the Carried Interest will be paid as dividends on the Series S Share. In the absence of such determination, the Series S Share will not be issued and the Carried Interest may be paid as a fee pursuant to the Investment Advisory Agreement. It is expected that the holder of the Series S Share, if issued, will be BKC Special Non-Manager Member Co. LLC, an affiliate of the Advisor.

Item 8. Legal Proceedings.

None.

Item 9. Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters.

(a) Market Information

The offer and sale of the common shares of the Company will not be registered under the 1933 Act. The offer and sale are exempt from such registration requirements as they do not constitute a public offering pursuant to Section 4(2) of and Regulation D under the 1933 Act.

Because the common shares of the Company will be acquired by investors in one or more transactions "not involving a public offering," they will be "restricted securities" and may be required to be held indefinitely. The Company's common shares may not be sold, transferred, assigned, pledged or otherwise disposed of unless (i) Company consent is granted, and (ii) the common shares are registered under applicable securities laws or specifically exempted from registration (in which case the shareholder may, at the option of the Company, be required to provide the Company with a legal opinion, in form and substance satisfactory to the Company, that registration is not required). Accordingly, an investor must be willing to bear the economic risk of investment in the common shares until the Company is liquidated. No sale, transfer, assignment, pledge or other disposition, whether voluntary or involuntary, of the common shares may be made except by registration of the transfer on the Company's books. Each transferee will be required to execute an instrument agreeing to be bound by these restrictions and the other restrictions imposed on the common shares and to execute such other instruments or certifications as are reasonably required by the Company.

(b) Holders

BlackRock Funding will purchase 150 common shares of the Company at a price of $15.00 per share as the Company's initial capital. Therefore, until immediately following the anticipated placement of the Offering, BlackRock will be deemed to "control" the Company through its control of BlackRock Funding.

Upon the closing of the Offering, the common shares of the Company will be owned by numerous persons that are "accredited investors," as that term is defined in Regulation D, and a majority of such common shares will be owned by the Holding Company, whose shares will be owned by institutional and individual investors.

(c) Dividends; Preferred Shares

The Certificate of Incorporation provides that the Board of Directors may authorize and issue preferred shares (the "Preferred Shares") with rights as determined by the Board of Directors, by action of the Board of Directors without the approval of the holders of the common shares. A certificate of designations of the Company will create and establish Series Z Preferred Shares (the "Series Z Shares") of the Company. Holders of common shares have no preemptive right to purchase any Preferred Shares that might be issued. Whenever Preferred Shares are outstanding, the holders of common shares will not be entitled to receive any distributions from the Company unless all accumulated dividends on Preferred Shares have been paid, unless asset coverage (as defined in the 1940 Act) with respect to the Preferred Shares would be at least 200% after giving effect to the distributions and unless certain other requirements imposed by any rating agencies rating the Preferred Shares have been met.

Under the 1940 Act, the Company is not permitted to issue Preferred Shares unless after such issuance the value of the Company's total assets, less certain ordinary course liabilities, is at least 200% of the amount of any debt outstanding and 200% of the sum of any debt outstanding and the liquidation preference of any preferred stock outstanding. In addition, the Company is not permitted to declare any cash distributions on its common shares unless, at the time of and after giving effect to such declaration or repurchase, the value of the Company's total assets satisfies the same tests. The Company intends, to the extent possible, to purchase or redeem Preferred Shares from time to time to the extent necessary in order to maintain coverage of any Preferred Shares of at least 200%.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of Preferred Shares will be entitled to receive a preferential liquidating distribution, which is expected to equal the original purchase price per Preferred Share plus accumulated and unpaid dividends, whether or not declared, before any distribution of assets is made to holders of common shares. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of Preferred Shares will not be entitled to any further participation in any distribution of assets by the Company.

If the Company has Preferred Shares outstanding, the holders of Preferred Shares voting separately as a class will be entitled to elect two of the Company's directors. The remaining directors of the Company will be elected by holders of common shares and Preferred Shares voting together as a single class. In the event the Company fails to pay dividends on Preferred Shares for two years, holders of Preferred Shares may be entitled to elect a majority of the directors of the Company until all arrearages are paid. The 1940 Act also requires that, in addition to any approval by shareholders that might otherwise be required, the approval of the holders of a majority of any outstanding Preferred Shares, voting separately as a class, would be required to (1) adopt any plan of reorganization that would adversely affect the Preferred Shares, and (2) take any action requiring a vote of security holders under Section 13(a) of the 1940 Act, including, among other things, changes in the Company's subclassification as a closed-end investment company or changes in its fundamental investment restrictions. As a result of these voting rights, the Company's ability to take any such actions may be impeded to the extent that there are any Preferred Shares outstanding. The Board of Directors presently intends that, except as otherwise indicated in the Company's offering memorandum and except as otherwise required by applicable law, holders of Preferred Shares will have equal voting rights with holders of common shares (one vote per share, unless otherwise required by the 1940 Act) and will vote together with holders of common shares as a single class on matters affecting the common shares and the preferred shares.

The affirmative vote of the holders of a majority of the outstanding Preferred Shares, voting as a separate class, will be required to amend, alter or repeal any of the preferences, rights or powers of holders of Preferred Shares so as to affect materially and adversely such preferences, rights or powers, or to increase or decrease the authorized number of Preferred Shares. The class vote of holders of Preferred Shares described above will in each case be in addition to any other vote required to authorize the action in question.

The Company may also borrow money as a temporary measure for liquidity, extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which otherwise might require untimely dispositions of Company securities.

The Company has no current intention to issue a significant amount of Preferred Shares other than the Series Z Shares, provided, however, that the Company may, if permitted by the SEC, pay the Advisor's Carried Interest via a Series S Share issued to the Advisor or its affiliate.

Item 10. Recent Sales of Unregistered Securities.

See Item 9(b).

Item 11. Description of Registrant's Securities to be Registered.

Common Shares

The Company is authorized to issue 40,000,000 common shares, par value $0.001 per share. Each common share has one vote and, when issued and paid for in accordance with the terms of the Offering, will be fully paid and non-assessable. All common shares are equal as to dividends, assets and voting privileges and have no conversion, preemptive or other subscription rights. The Company will send to all holders of its common shares such reports as are required by the 1934 Act.

Transferability of Shares

The Company's common shares will not be registered under the 1933 Act. The common shares are exempt from registration requirements pursuant to Section 4(2) of and Regulation D under the 1933 Act.

Because the Company's common shares will be acquired by investors in one or more transactions "not involving a public offering," they will be "restricted securities" and may be required to be held indefinitely. The Company's common shares may not be sold, transferred, assigned, pledged or otherwise disposed of unless (i) Company consent is granted and (ii) the common shares are registered under applicable securities laws or specifically exempted from registration (in which case the shareholder may, at the option of the Company, be required to provide the Company with a legal opinion, in form and substance satisfactory to the Company, that registration is not required). Accordingly, an investor must be willing to bear the economic risk of investment in the common shares until the Company is liquidated. No sale, transfer, assignment, pledge or other disposition, whether voluntary or involuntary, of the common shares may be made except by registration of the

transfer on the Company's books. Each transferee will be required to execute an instrument agreeing to be bound by these restrictions and the other restrictions imposed on the common shares, and to execute such other instruments or certifications as are reasonably required by the Company.

Change of Control

Certain types of transactions will require the affirmative vote or consent of a majority of the directors then in office followed by the affirmative vote of the holders of not less than seventy-five percent (75%) of the common shares of the Company of each affected class or series outstanding, voting as separate classes or series, when a Principal Shareholder (as defined below) is a party to the transaction. Such affirmative vote or consent will be in addition to the vote or consent of the holders of common shares otherwise required by law or by the terms of any class or series of Preferred Shares, whether now or hereafter authorized, or any agreement between the Company and any national securities exchange.

The term "Principal Shareholder" means any corporation, person (which shall mean and include individuals, partnerships, trusts, limited liability companies, associations, joint ventures and other entities, whether or not legal entities, and governments and agencies and political subdivisions thereof) or other entity which is the beneficial owner, directly or indirectly, of twenty percent (20%) (or ten percent (10%) if there has been a Public Market Event) or more of the Company's outstanding common shares of all outstanding classes or series and shall include any affiliate or associate, as such terms are defined below, of a Principal Shareholder. In addition to the Company's common shares which a corporation, person or other entity beneficially owns directly, (a) any corporation, person or other entity shall be deemed to be the beneficial owner of any common shares (i) which it has the right to acquire pursuant to any agreement or upon exercise of conversion rights or warrants, or otherwise (but excluding share options granted by the Company) or (ii) which are beneficially owned, directly or indirectly by any other corporation, Person or entity with which its "affiliate" or "associate" (as defined below) has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of common shares, or which is its "affiliate" or "associate" as those terms are defined in Rule 12b-2 of the General Rules and Regulations under the 1934 Act, and (b) the outstanding common shares shall include common shares deemed owned through application of clauses (i) and (ii) above but shall not include any other common shares which may be issuable pursuant to any agreement, or upon exercise of conversion rights or warrants, or otherwise.

The following transactions must conform to the rules set forth in the two immediately preceding paragraphs:

(a) The merger or consolidation of the Company or any subsidiary of the Company with or into any Principal Shareholder.

(b) The issuance of any securities of the Company to any Principal Shareholder for cash (other than pursuant to any automatic dividend reinvestment plan).

(c) The sale, lease or exchange of all or any substantial part of the assets of the Company to any Principal Shareholder (except assets having an aggregate fair market value of less than five percent (5%) of the total assets of the Company, aggregating for the purpose of such computation all assets sold, leased or exchanged in any series of similar transactions within a twelve-month period).

(d) The sale, lease or exchange to the Company or any subsidiary thereof, in exchange for securities of the Company, of any assets of any Principal Shareholder (except assets having an aggregate fair market value of less than five percent (5%) of the total assets of the Company, aggregating for the purposes of such computation all assets sold, leased or exchanged in any series of similar transactions within a twelve-month period).

The transactional guidelines will not be applicable to (i) any of the transactions set forth above if 80% of the Board of Directors will by resolution have approved a memorandum of understanding with such Principal Shareholder with respect to and substantially consistent with such transaction, in which case approval by a "majority of the outstanding voting securities," as such term is defined in the 1940 Act, of the Company with each class and series of common shares voting together as a single class, except to the extent otherwise required by law, the 1940 Act or the Certificate of Incorporation with respect to any one or more classes or series of common shares, in which case the applicable proportion of such classes or series of common shares voting as a separate class or series, as the case may be, also will be required, will be the only vote of shareholders required, or (ii) any such transaction with any entity of which a majority of the outstanding shares of all classes and series of a stock normally entitled to vote in elections of directors is owned of record or beneficially by the Company and its subsidiaries.

The Board of Directors will have the power and duty to determine on the basis of information known to the Company whether (i) a corporation, person or entity beneficially owns any particular percentage of the Company's

outstanding common shares of any class or series, (ii) a corporation, person or entity is an "affiliate" or "associate" (as defined above) of another, (iii) the assets being acquired or leased to or by the Company or any subsidiary thereof constitute a substantial part of the assets of the Company and have an aggregate fair market value of less than five percent (5%) of the total assets of the Company, and (iv) the memorandum of understanding referred to above is substantially consistent with the transaction covered thereby. Any such determination will be conclusive and binding for all purposes of the above.

Dissolution of the Company

In the event of a dissolution, liquidation or winding up of the affairs of the Company, holders of common shares will be entitled, unless otherwise provided by law or the Certificate of Incorporation, to receive all of the remaining assets of the Company of whatever kind available for distribution to stockholders ratably in proportion to the number of common shares held by them respectively.

In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, before any payment or distribution of the assets of the Company will be made to or set apart for the holders of shares of any class of stock of the Company ranking junior to the Preferred Shares, the holders of the shares of each series of the Preferred Shares will be entitled to receive payment of the amount per share fixed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of the shares of such series, plus an amount equal to all dividends accrued thereon to the date of final distribution to such holders. If, upon any liquidation, dissolution or winding up of the Company, the assets of the Company, or proceeds thereof, distributable among the holders of the shares of the Preferred Shares will be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, will be distributed among such holders ratably in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were paid in full. For the purposes of this paragraph, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property or assets of the Company or a consolidation or merger of the Company with one or more corporations will not be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary.

Item 12. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law allows for the indemnification of officers, directors, and any corporate agents in terms sufficiently broad to indemnify such person under certain circumstances for liabilities, including reimbursement for expenses, incurred arising under the 1933 Act. The Certificate of Incorporation and by-laws of the Company provide that the Company will indemnify its directors and officers to the fullest extent authorized or permitted by law and such right to indemnification will continue as to a person who has ceased to be a director or officer of the Company and will inure to the benefit of his or her heirs, executors and personal and legal representatives; provided, however, that, except for proceedings to enforce rights to indemnification, the Company will not be obligated to indemnify any director or officer (or his or her heirs, executors or personal or legal representatives) in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors. The right to indemnification conferred will include the right to be paid by the Company the expenses incurred in defending or otherwise participating in any proceeding in advance of its final disposition.

The Company may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Company similar to those conferred to directors and officers of the Company. The rights to indemnification and to the advance of expenses are subject to the requirements of the 1940 Act to the extent applicable. Any repeal or modification of the Certificate of Incorporation by the stockholders of the Company will not adversely affect any rights to indemnification and to the advancement of expenses of a director or officer of the Company existing at the time of such repeal or modification with respect to any acts or omissions occurring prior to such repeal or modification.

Under the Investment Advisory Agreement, the Company may, in the discretion of the Board of Directors, indemnify the Advisor, and each of the Advisor's directors, officers, employees, agents, associates and controlling persons and the directors, partners, members, officers, employees and agents thereof (including any individual who serves at the Advisor's request as director, officer, partner, member or the like of another entity), as described in Item 7(d).

Item 13. Financial Statements and Supplementary Data.

The Company has not commenced business and has prepared no financial statements.

Item 14. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

The Company has not commenced business and has prepared no financial statements.

Item 15. Financial Statements and Exhibits.

(a) List separately all financial statements filed

None.

(b) Exhibits

See Exhibit Index following signature page in this Registration Statement, which Exhibit Index is incorporated herein by reference. Pursuant to the requirements of Section 12 of the 1934 Act, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized.

BLACKROCK KELSO CAPITAL CORPORATION

By: /s/ Michael B. Lazar

Name: Michael B. Lazar
Title: Chief Operating Officer

Date: July 8, 2005

EXHIBIT INDEX

Exhibit Number	Item 601 Exhibit Number	Exhibit Description
1	3(i)	Certificate of Incorporation of the Company filed with the Delaware Secretary of State on April 13, 2005
2	3(i)	Certificate of Amendment to the Certificate of Incorporation filed with the Delaware Secretary of State on May 24, 2005
3	3(ii)	By-laws of the Company
4	4	Certificate of Designations of Series Z Preferred Shares of the Company
5	10	Form of Investment Advisory Agreement between the Company and the Advisor
6	10	Form of Stock Purchase Agreement between the Company and an affiliate of BlackRock
7	10	Form of Administration Agreement between the Company and the Administrator*
8	14	Code of Ethics of the Company*

*To be filed.

Exhibit 1

CERTIFICATE OF INCORPORATION

OF

BLACKROCK KELSO CAPITAL CORPORATION

ARTICLE I

Section 1.1 The name of the Corporation is BlackRock Kelso Capital Corporation (hereinafter the "Corporation").

ARTICLE II

Section 2.1 The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at that address is The Corporation Trust Company.

ARTICLE III

Section 3.1 The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware as set forth in Title 8 of the Delaware Code (the "GCL").

ARTICLE IV

Section 4.1 The total number of shares of stock which the Corporation shall have authority to issue is two thousand five hundred (2,500) shares of which the Corporation shall have authority to issue two thousand (2,000) shares of common stock (the "Common Shares"), each having a par value of one one-thousandth of a dollar ($0.001), and five hundred (500) shares of preferred stock (the "Preferred Shares"), each having a par value of one one-thousandth of a dollar ($0.001).

Section 4.2 Common Shares

(a) Voting Rights. Except as otherwise required by law or this Certificate of Incorporation, holders of record of Common Shares shall have one vote in respect of each share of stock held by such holder of record on the books of the Corporation for the election of directors and on all other matters submitted to a vote of stockholders of the Corporation.

(b) Dividends. Holders of Common Shares shall be entitled to receive, when, as and if declared by the Board of Directors, out of the assets of the Corporation legally available therefor, dividends payable either in cash, in property or in shares of capital stock.

(c) Liquidation, Dissolution, or Winding Up. In the event of a dissolution, liquidation or winding up of the affairs of the Corporation ("Liquidation"), holders of Common Shares shall be entitled, unless otherwise provided by law or this Certificate of Incorporation, to receive all of the remaining assets of the Corporation of whatever kind available for distribution to stockholders ratably in proportion to the number of Common Shares held by them respectively.

Section 4.3 Preferred Shares.

(a) The Preferred Shares may be issued in one or more series as shall from time to time be created and authorized to be issued by the Board of Directors as hereinafter provided.

(b) The Board of Directors is expressly authorized to provide for the issuance of all or any of the Preferred Shares in one or more classes or series, and to fix for each such class or series such voting powers, full or limited, or no voting powers, and such distinctive designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such class or series and as may be permitted by the GCL, including, without limitation, the authority to provide that any such class or series may be (i) subject to redemption at such time or times and at such price or prices; (ii) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series; (iii) entitled to such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation; or (iv) convertible into, or exchangeable for, shares of any other class or classes of stock, or of any other series of the same or any other class or classes of stock, of the Corporation at such price or prices or at such rates of exchange and with such adjustments; all as may be stated in such resolution or resolutions. Any of the foregoing provisions shall be consistent with the requirements of the Investment Company Act of

1940 (the "1940 Act") to the extent applicable.

(c) Each share of each series of the Preferred Shares shall have the same relative rights and be identical in all respects with all the other shares of the same series, except that shares of any one series issued at different times may differ as to the dates, if any, from which dividends thereon shall be cumulative. Except as otherwise provided by law or specified in this Article IV, any series of the Preferred Shares may differ from any other series with respect to any one or more of the voting powers, designations, powers, preferences and relative, participating, optional and other special rights, if any, and the qualifications, limitations and restrictions thereof.

(d) Before any dividends on any class of stock of the Corporation ranking junior to the Preferred Shares (other than dividends payable in shares of any class of stock of the Corporation ranking junior to the Preferred Shares) shall be declared or paid or set apart for payment, the holders of shares of each series of the Preferred Shares shall be entitled to such cash dividends, but only if, when and as declared by the Board of Directors out of funds legally available therefor, as they may be entitled to in accordance with the resolution or resolutions adopted by the Board of Directors providing for the issuance of such series, payable on such dates as may be fixed in such resolution or resolutions.

(e) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any payment or distribution of the assets of the Corporation shall be made to or set apart for the holders of shares of any class of stock of the Corporation ranking junior to the Preferred Shares, the holders of the shares of each series of the Preferred Shares shall be entitled to receive payment of the amount per share fixed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of the shares of such series, plus an amount equal to all dividends accrued thereon to the date of final distribution to such holders. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of the shares of the Preferred Shares shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be distributed among such holders ratably in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were paid in full. For the purposes of this paragraph (d), the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property or assets of the Corporation or a consolidation or merger of the Corporation with one or more corporations shall not be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary.

(f) The term "junior stock," as used in relation to the Preferred Shares, shall mean the Common Shares and any other class of stock of the Corporation hereafter authorized which by its terms shall rank junior to the Preferred Shares as to dividend rights and as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation.

(g) Before the Corporation shall issue any Preferred Shares of any series authorized as hereinbefore provided, a certificate setting forth a copy of the resolution or resolutions with respect to such series adopted by the Board of Directors of the Corporation pursuant to the foregoing authority vested in said Board of Directors shall be made, filed and recorded in accordance with the then applicable requirements, if any, of the laws of the State of Delaware, or, if no certificate is then so required, such certificate shall be signed and acknowledged on behalf of the Corporation by its president or a vice-president and its corporate seal shall be affixed thereto and attested by its secretary or an assistant secretary and such certificate shall be filed and kept on file at the registered office of the Corporation in the State of Delaware and in such other place or places as the Board of Directors shall designate.

(h) Shares of any series of the Preferred Shares which shall be issued and thereafter acquired by the Corporation through purchase, redemption, conversion or otherwise, shall return to the status of authorized but unissued shares of the Preferred Shares of the same series unless otherwise provided in the resolution or resolutions of the Board of Directors. Unless otherwise provided in the resolution or resolutions of the Board of Directors providing for the issuance thereof, the number of authorized shares of stock of any such series may be increased or decreased (but not below the number of shares thereof then outstanding) by resolution or resolutions of the Board of Directors and the filing of a certificate complying with the requirements referred to in subparagraph (g) above. In case the number of shares of any such series of the Preferred Shares shall be decreased, the shares representing such decrease shall, unless otherwise provided in the resolution or resolutions of the Board of Directors providing for the issuance thereof, resume the status of authorized but unissued shares of the Preferred Shares, undesignated as to series.

ARTICLE V

Section 5.1 In-Kind Distributions. Section 4.2(c) notwithstanding, the Corporation shall not make a distribution in kind of any securities to any holder of the shares of the Corporation in connection with a Liquidation, if such distribution would in the reasonable judgment of such holder cause such

holder to be in violation of any law applicable to such holder ("ERISA Shareholder"); provided that the ERISA Shareholder shall notify the Corporation to such effect not less than five days prior to such distribution. In the event an ERISA Shareholder notifies the Corporation as provided in the immediately preceding sentence, the Corporation shall use its reasonable best efforts to cause the securities or other assets otherwise distributable to the ERISA Shareholder (the "Subject Securities") to be sold to a third party, who may be another holder of shares in the Corporation, for the best consideration available under the circumstances, as determined by the Board of Directors in its reasonable discretion, and, upon consummation of any such sale, the cash proceeds from such sale shall be distributed to the ERISA Shareholder. In the event such a sale cannot be consummated for the best consideration available under the circumstances and within a reasonable period of time following the time of the proposed distribution (in no case to exceed two years), the obligation of the Corporation to the ERISA Shareholder shall be extinguished by establishing, with an escrow agent designated by the ERISA Shareholder, an escrow account for the benefit of the ERISA Shareholder into which the Subject Securities shall be deposited, which account shall be liquidated at such time as a sale can be accomplished on the terms set forth above; provided that from and after the time of such deposit such Subject Securities shall be deemed for all purposes of this Certificate of Incorporation to have been distributed to the ERISA Shareholder and any income arising from the Subject Securities shall be deposited in such account for the benefit of the ERISA Shareholder.

ARTICLE VI

Section 6.1 Classified Board. At such time that the Public Market Event occurs, the Board of Directors shall be divided into three classes, designated Class I, Class II and Class III, as nearly equal in number as possible, and the term of office of directors of one class shall expire at each annual meeting of stockholders, and in all cases as to each director when such director's successor shall be elected and shall qualify or upon such director's earlier resignation, removal from office, death or incapacity. Additional directorships resulting from an increase in number of directors shall be apportioned among the classes as equally as possible. If required by law, the initial term of office of directors of Class I shall expire at the annual meeting of stockholders in the first year after the Public Market Event; that of Class II shall expire at the annual meeting in the second year after the Public Market Event; and that of Class III shall expire at the annual meeting in the third year after the Public Market Event; and in all cases as to each director when such director's successor shall be elected and shall qualify or upon such director's earlier resignation, removal from office, death or incapacity. Beginning at the first annual meeting after the Public Market Event and thereafter at each annual meeting, the number of directors equal to the number of directors of the class whose term expires at the time of such meeting (or, if less, the number of directors properly nominated and qualified for election) shall be elected to hold office until the third succeeding annual meeting of stockholders after their election.

Section 6.2 Changes. The Board of Directors, by amendment to the Corporation's Bylaws, is expressly authorized to change the number of directors without the consent of the stockholders to any number between two or nine and to allocate such number of directors among the classes as evenly as practicable.

Section 6.3 Elections. Elections of directors need not be by written ballot unless otherwise provided in the Corporation's Bylaws.

Section 6.4 Removal of Directors. Any director may be removed for cause from office by the action of the holders of at least seventy-five percent (75%) of the then outstanding shares of the Corporation's capital stock entitled to vote for the election of the respective director.

Section 6.5 Vote Required to Amend or Repeal. The affirmative vote of the holders of at least seventy-five percent (75%) of the then outstanding shares of the Corporation's capital stock entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend in any respect or repeal this ARTICLE VI.

Section 6.6 Vacancies. Subject to the rights of the holders of any series of Preferred Shares, and unless the Board of Directors otherwise determines, all vacancies on the Board of Directors and newly created directorships resulting from any increase in the authorized number of directors shall be filled exclusively by a majority of the directors then in office, although less than a quorum, or by a sole remaining director, and shall not be filled by the stockholders.

ARTICLE VII

Section 7.1 The name and mailing address of the Sole Incorporator is as follows:

Name	Address
Deborah Reusch	P.O. Box 636 Wilmington, DE 19899

ARTICLE VIII

Section 8.1 The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

Section 8.2 No director shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the Delaware General Corporation Law or (iv) for any transaction from which the director derived an improper personal benefit. Any repeal or modification of this Section 8.2 by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

Section 8.3 In addition to the powers and authority hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the GCL, this Certificate of Incorporation, and any By-Laws adopted by the stockholders.

ARTICLE IX

Section 9.1 Special Meetings of Stockholders. Special meetings of the stockholders may be called for any purpose or purposes, unless otherwise prescribed by statute or this Certificate of Incorporation, only by the chairman, vice-chairman, chief executive officer or president or by a resolution duly adopted by a majority of the members of the Board of Directors.

Section 9.2 Vote Required to Amend or Repeal. The affirmative vote of the holders of at least seventy-five percent (75%) of the then outstanding shares of the Corporation's capital stock entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend in any respect or repeal this ARTICLE IX.

ARTICLE X

Section 10.1 Amend or Repeal By-Laws. The Board of Directors is expressly empowered to adopt, amend or repeal the By-laws of the Corporation; provided, however, that any adoption, amendment or repeal of the By-laws by the Board of Directors shall require the approval of at least sixty-six and two-thirds percent (66 2/3%) of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any resolution providing for adoption, amendment or repeal is presented to the Board of Directors).

Section 10.2 Vote Required to Amend or Repeal. The affirmative vote of the holders of at least seventy-five percent (75%) of the then outstanding shares of the Corporation's capital stock entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend in any respect or repeal this ARTICLE X.

ARTICLE XI

Section 11.1 The conversion of the Corporation from a business development company to an open-end investment company, the liquidation and dissolution of the Corporation (if there has been a Public Market Event, as defined below), the merger or consolidation of the Corporation with any entity in a transaction as a result of which the governing documents of the surviving entity do not contain substantially the same anti-takeover provisions as described in this Certificate of Incorporation or the amendment of any of the provisions discussed herein shall require the approval of (i) the holders of at least eighty percent (80%) of the then outstanding Shares of the Corporation's capital stock, voting together as a single class, or (ii) at least (A) a majority of the "continuing directors" and (B) the holders of at least seventy-five percent (75%) of the then outstanding Shares of the Corporation's capital stock entitled to vote generally in the election of directors, voting together as a single class. For purposes of this ARTICLE XI, a "continuing director" is a director who (i) (A) has been a director of the corporation for at least twelve months and (B) is not a person or an affiliate of a person who enters into, or proposes to enter into, a business combination with the Corporation or (ii) (A) is a successor to a continuing director, (B) who was appointed to the Board of Directors by at least a majority of the continuing directors and (C) is not a person or an affiliate of a person who enters into, or proposes to enter into, a business combination with the Corporation.

ARTICLE XII

Section 12.1 Meetings of stockholders may be held within or without the State of Delaware, as the By-Laws may provide. The books of the Corporation may be kept (subject to any provision contained in the GCL) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the By-Laws of the

Corporation.

ARTICLE XIII

Section 13.1 Certain Transactions.

(a) Notwithstanding any other provision of this Certificate of Incorporation and subject to the exceptions provided in paragraph (d) of this Section, the types of transactions described in paragraph (c) of this Section shall require the affirmative vote or consent of a majority of the Directors then in office followed by the affirmative vote of the holders of not less than seventy-five percent (75%) of the Shares of each affected class or series outstanding, voting as separate classes or series, when a Principal Shareholder (as defined in paragraph (b) of this Section) is a party to the transaction. Such affirmative vote or consent shall be in addition to the vote or consent of the holders of Shares otherwise required by law or by the terms of any class or series of Preferred Shares, whether now or hereafter authorized, or any agreement between the Corporation and any national securities exchange.

(b) The term "Principal Shareholder" shall mean any corporation, Person (which shall mean and include individuals, partnerships, trusts, limited liability companies, associations, joint ventures and other entities, whether or not legal entities, and governments and agencies and political subdivisions thereof) or other entity which is the beneficial owner, directly or indirectly, of twenty percent (20%) (or ten percent (10%) if there has been a Public Market Event, as defined below) or more of the outstanding Shares of all outstanding classes or series and shall include any affiliate or associate, as such terms are defined in clause (ii) below, of a Principal Shareholder. For the purposes of this Section, in addition to the Shares which a corporation, Person or other entity beneficially owns directly, (a) any corporation, Person or other entity shall be deemed to be the beneficial owner of any Shares (i) which it has the right to acquire pursuant to any agreement or upon exercise of conversion rights or warrants, or otherwise (but excluding share options granted by the Corporation) or (ii) which are beneficially owned, directly or indirectly (including Shares deemed owned through application of clause (i) above), by any other corporation, Person or entity with which its "affiliate" or "associate" (as defined below) has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of Shares, or which is its "affiliate" or "associate" as those terms are defined in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, and (b) the outstanding Shares shall include Shares deemed owned through application of clauses (i) and (ii) above but shall not include any other Shares which may be issuable pursuant to any agreement, or upon exercise of conversion rights or warrants, or otherwise.

(c) This Section shall apply to the following transactions:

(i) The merger or consolidation of the Corporation or any subsidiary of the Corporation with or into any Principal Shareholder.

(ii) The issuance of any securities of the Corporation to any Principal Shareholder for cash (other than pursuant to any automatic dividend reinvestment plan).

(iii) The sale, lease or exchange of all or any substantial part of the assets of the Corporation to any Principal Shareholder (except assets having an aggregate fair market value of less than five percent (5%) of the total assets of the Corporation, aggregating for the purpose of such computation all assets sold, leased or exchanged in any series of similar transactions within a twelve-month period).

(iv) The sale, lease or exchange to the Corporation or any subsidiary thereof, in exchange for securities of the Corporation, of any assets of any Principal Shareholder (except assets having an aggregate fair market value of less than five percent (5%) of the total assets of the Corporation, aggregating for the purposes of such computation all assets sold, leased or exchanged in any series of similar transactions within a twelve-month period).

(d) The provisions of this Section shall not be applicable to (i) any of the transactions described in paragraph (c) of this Section if 80% of the Directors shall by resolution have approved a memorandum of understanding with such Principal Shareholder with respect to and substantially consistent with such transaction, in which case approval by a "majority of the outstanding voting securities," as such term is defined in the 1940 Act, of the Corporation with each class and series of Shares voting together as a single class, except to the extent otherwise required by law, the 1940 Act or this Certificate of Incorporation with respect to any one or more classes or series of Shares, in which case the applicable proportion of such classes or series of Shares voting as a separate class or series, as case may be, also will be required, shall be the only vote of Shareholders required by this Section, or (ii) any such transaction with any entity of which a majority of the outstanding shares of all classes and series of a stock normally entitled to vote in elections of directors is owned of record or beneficially by the Corporation and its subsidiaries.

(e) The Board of Directors shall have the power and duty to determine for the purposes of this Section on the basis of information known to the Corporation whether (i) a corporation, person or entity beneficially owns any particular percentage of the outstanding Shares of any class or series, (ii) a corporation, person or entity is an "affiliate" or "associate" (as defined above) of another, (iii) the assets being acquired or leased to or by the Corporation or any subsidiary thereof constitute a substantial part of the assets of the Corporation and have an aggregate fair market value of less than five percent (5%) of the total assets of the Corporation, and (iv) the memorandum of understanding referred to in paragraph (d) hereof is substantially consistent with the transaction covered thereby. Any such determination shall be conclusive and binding for all purposes of this Section.

(f) "Public Market Event" shall mean an initial public offering of the Corporation's Common Shares registered under the Securities Act and the listing of such Common Shares on a national securities exchange.

ARTICLE XIV

Section 14.1 The Corporation is to have perpetual existence; PROVIDED, HOWEVER, that the Board of Directors shall liquidate and dissolve the Corporation as promptly as practicable after the tenth anniversary of the Corporation's existence, provided that (i) there has not been a Public Market Event and (ii) at least a majority of the directors, including at least a majority of the "disinterested directors," as defined in the 1940 Act, determine such act to be in the best interests of the Corporation's stockholders.

ARTICLE XV

Section 15.1 The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute or by this Certificate of Incorporation, and all rights conferred upon stockholders herein are granted subject to this reservation.

ARTICLE XVI

Section 16.1 The Corporation shall indemnify its directors and officers to the fullest extent authorized or permitted by law, as now or hereafter in effect, and such right to indemnification shall continue as to a person who has ceased to be a director or officer of the Corporation and shall inure to the benefit of his or her heirs, executors and personal and legal representatives; provided, however, that, except for proceedings to enforce rights to indemnification, the Corporation shall not be obligated to indemnify any director or officer (or his or her heirs, executors or personal or legal representatives) in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors. The right to indemnification conferred by this Article XVI shall include the right to be paid by the Corporation the expenses incurred in defending or otherwise participating in any proceeding in advance of its final disposition.

Section 16.2 The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article XVI to directors and officers of the Corporation.

Section 16.3 The rights to indemnification and to the advance of expenses conferred in this Article XVI shall not be exclusive of any other right which any person may have or hereafter acquire under this Certificate of Incorporation, the By-Laws of the Corporation, any statute, agreement, vote of stockholders or disinterested directors or otherwise.

Section 16.4 The rights to indemnification and to the advance of expenses conferred in this Article XVI shall be subject to the requirements of the 1940 Act to the extent applicable.

Section 16.5 Any repeal or modification of this Article XVI by the stockholders of the Corporation shall not adversely affect any rights to indemnification and to the advancement of expenses of a director or officer of the Corporation existing at the time of such repeal or modification with respect to any acts or omissions occurring prior to such repeal or modification.

I, THE UNDERSIGNED, being the Sole Incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the GCL, do make this Certificate, hereby declaring and certifying that this is my act and deed and the facts herein stated are true, and accordingly have hereunto set my hand this 13th day of April, 2005.

/s/ Deborah Reusch

Deborah Reusch
Sole Incorporator

Exhibit 2

CERTIFICATE OF AMENDMENT
TO THE
CERTIFICATE OF INCORPORATION
OF
BLACKROCK KELSO CAPITAL CORPORATION

Pursuant to Section 228 and Section 242 of the General Corporation Law of the State of Delaware

BlackRock Kelso Capital Corporation, a Delaware corporation (hereinafter called the "Corporation"), does hereby certify as follows:

FIRST: Section 4.1 of Article IV of the Corporation's Certificate of Incorporation is hereby amended to read in its entirety as set forth below:

Section 4.1 The total number of shares of stock which the Corporation shall have authority to issue is forty million and five hundred (40,000,500) shares of which the Corporation shall have authority to issue forty million (40,000,000) shares of common stock (the "Common Shares"), each having a par value of one one-thousandth of a dollar ($0.001), and five hundred (500) shares of preferred stock (the "Preferred Shares"), each having a par value of one one-thousandth of a dollar ($0.001).

SECOND: The foregoing amendment was duly adopted in accordance with Section 228 and Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, BlackRock Kelso Capital Corporation has caused this Certificate to be duly executed in its corporate name this 24th day of May, 2005.

BlackRock Kelso Capital Corporation

By: /s/ Michael B. Lazar
Name: Michael B. Lazar
Title: Chief Operating Officer

Exhibit 3

BY-LAWS

OF

BLACKROCK KELSO CAPITAL CORPORATION

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BLACKROCK KELSO CAPITAL CORPORATION

BY-LAWS

These By-Laws are made and adopted pursuant to the Certificate of Incorporation establishing BlackRock Kelso Capital Corporation (hereinafter the "BDC"), dated as of April 13, 2005, as from time to time amended (hereinafter the "Certificate"). All words and terms capitalized in these By-Laws shall have the meaning or meanings set forth for such words or terms in the Certificate.

ARTICLE I

Shareholder Meetings

1.1 Place. All meetings of stockholders shall be held at the principal executive office of the BDC or at such other place as shall be set by the Board of Directors and stated in the notice of the meeting.

1.2 Annual Meeting. An annual meeting of the stockholders for the election of directors and the transaction of any business within the powers of the BDC shall be held on a date and at the time set by the Board of Directors.

1.3 Notice. Not less than ten nor more than 60 days before each meeting of stockholders, the secretary shall give to each stockholder entitled to vote at such meeting and to each stockholder not entitled to vote who is entitled to notice of the meeting written or printed notice stating the time and place of the meeting and, in the case of a special meeting or as otherwise may be required by any statute, the purpose for which the meeting is called, either by mail, by presenting it to such stockholder personally, by leaving it at the stockholder's residence or usual place of business or by any other means permitted by Delaware law. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the stockholder at the stockholder's address as it appears on the records of the BDC, with postage thereon prepaid.

Any business of the BDC may be transacted at an annual meeting of stockholders without being specifically designated in the notice, except such business as is required by any statute to be stated in such notice. No business shall be transacted at a special meeting of stockholders except as specifically designated in the notice.

1.4 Chairman. The Chairman, if any, shall act as chairman at all meetings of the Shareholders; in the Chairman's absence, the Director or Directors present at each meeting may elect a temporary chairman for the meeting, who may be one of themselves.

1.5 Proxies; Voting. Shareholders may vote either in person or by duly executed proxy and each full share represented at the meeting shall have one vote, all as provided in Article IV of the Certificate.

1.6 Inspectors of Election. In advance of any meeting of Shareholders, the Directors may appoint Inspectors of Election to act at the meeting or any adjournment thereof. If Inspectors of Election are not so appointed, the Chairman, if any, of any meeting of Shareholders may, and on the request of any Shareholder or Shareholder proxy shall, appoint Inspectors of Election of the meeting. The number of Inspectors of Election shall be either one or three. If appointed at the meeting on the request of one or more Shareholders or proxies, a majority of Shares present shall determine whether one or three Inspectors of Election are to be appointed, but failure to allow such determination by the Shareholders shall not affect the validity of the appointment of Inspectors of Election. In case any person appointed as Inspector of Election fails to appear or fails or refuses to act, the vacancy may be filled by appointment made by the Directors in advance of the convening of the meeting or at the meeting by the person acting as chairman. The Inspectors of Election shall determine the number of Shares outstanding, the Shares represented at the meeting, the existence of a quorum, the authenticity, validity and effect of proxies, shall receive votes, ballots or consents, shall hear and determine all challenges and questions in any way arising in connection with the right to vote, shall count and tabulate all votes or consents, determine the results, and do such other acts as may be proper to conduct the election or vote with fairness to all Shareholders. If there are three Inspectors of Election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all. On request of the Chairman, if any, of the meeting, or of any Shareholder or Shareholder proxy, the Inspectors of Election shall make a report in writing of any challenge or question or matter determined by them and shall execute a certificate of any facts found by them.

1.7 Records at Shareholder Meetings. At each meeting of the Shareholders, there shall be made available for inspection at a convenient time and place during normal business hours, if requested by Shareholders, the

minutes of the last previous Annual or Special Meeting of Shareholders of the BDC and a list of the Shareholders of the BDC, as of the record date of the meeting or the date of closing of transfer books, as the case may be. Such list of Shareholders shall contain the name and the address of each Shareholder in alphabetical order and the number of Shares owned by such Shareholder. Shareholders shall have such other rights and procedures of inspection of the books and records of the BDC as are granted to shareholders of a Delaware business corporation.

ARTICLE II

Directors

2,1 General Powers. The business and affairs of the BDC shall be managed under the direction of its Board of Directors.

2.2 Number, Tenure and Qualifications. At any regular meeting or at any special meeting called for that purpose, a majority of the entire Board of Directors may establish, increase or decrease the number of directors, provided that the number thereof shall never be less than two, nor more than nine, and further provided that the tenure of office of a director shall not be affected by any decrease in the number of directors.

2.3 Annual and Regular Meetings. Meetings of the Directors shall be held from time to time upon the call of the Chairman, if any, the President, the Secretary or a majority of the Directors. Regular meetings of the Directors may be held without call or notice and shall generally be held quarterly. Neither the business to be transacted at, nor the purpose of, any meeting of the Board of Directors need be stated in the notice or waiver of notice of such meeting, and no notice need be given of action proposed to be taken by unanimous written consent.

2.4 Chairman; Records. The Chairman, if any, shall act as chairman at all meetings of the Directors; in absence of a chairman, the Directors present shall elect one of their number to act as temporary chairman. The results of all actions taken at a meeting of the Directors, or by unanimous written consent of the Directors, shall be recorded by the person appointed by the Board of Directors as the meeting secretary.

ARTICLE III

Officers

3.1 Officers of the BDC. The officers of the BDC shall consist of a Chairman, if any, a President, a Secretary, a Treasurer and such other officers or assistant officers as may be elected or authorized by the Directors. Any two or more of the offices may be held by the same Person, except that the same person may not be both President and Secretary. The Chairman, if any, shall be a Director, but no other officer of the BDC need be a Director.

3.2 Election and Tenure. At the initial organization meeting, the Directors shall elect the Chairman, if any, President, Secretary, Treasurer and such other officers as the Directors shall deem necessary or appropriate in order to carry out the business of the BDC. Such officers shall serve at the pleasure of the Directors or until their successors have been duly elected and qualified. The Directors may fill any vacancy in office or add any additional officers at any time.

3.3 Removal of Officers. Any officer may be removed at any time, with or without cause, by action of a majority of the Directors. This provision shall not prevent the making of a contract of employment for a definite term with any officer and shall have no effect upon any cause of action which any officer may have as a result of removal in breach of a contract of employment. Any officer may resign at any time by notice in writing signed by such officer and delivered or mailed to the Chairman, if any, President, or Secretary, and such resignation shall take effect immediately upon receipt by the Chairman, if any, President, or Secretary, or at a later date according to the terms of such notice in writing.

3.4 Vacancies. A vacancy in any office may be filled by the Board of Directors for the balance of the term.

3.5 Bonds and Surety. Any officer may be required by the Directors to be bonded for the faithful performance of such officer's duties in such amount and with such sureties as the Directors may determine.

3.6 Chairman, President, and Vice Presidents. The Chairman, if any, shall, if present, preside at all meetings of the Shareholders and of the Directors and shall exercise and perform such other powers and duties as may be from time to time assigned to such person by the Directors. Subject to such supervisory powers, if any, as may be given by the Directors to the Chairman, if any, the President shall be the chief executive officer of the BDC and, subject to the control of the Directors, shall have general supervision, direction and control of the business of the BDC and of its employees and shall exercise such general powers of management as are usually vested in the office of President of a corporation. Subject to direction of the Directors, the

Chairman, if any, and the President shall each have power in the name and on behalf of the BDC to execute any and all loans, documents, contracts, agreements, deeds, mortgages, registration statements, applications, requests, filings and other instruments in writing, and to employ and discharge employees and agents of the BDC. Unless otherwise directed by the Directors, the Chairman, if any, and the President shall each have full authority and power, on behalf of all of the Directors, to attend and to act and to vote, on behalf of the BDC at any meetings of business organizations in which the BDC holds an interest, or to confer such powers upon any other persons, by executing any proxies duly authorizing such persons. The Chairman, if any, and the President shall have such further authorities and duties as the Directors shall from time to time determine. In the absence or disability of the President, the Vice-Presidents in order of their rank as fixed by the Directors or, if more than one and not ranked, the Vice-President designated by the Directors, shall perform all of the duties of the President, and when so acting shall have all the powers of and be subject to all of the restrictions upon the President. Subject to the direction of the Directors, and of the President, each Vice-President shall have the power in the name and on behalf of the BDC to execute any and all instruments in writing, and, in addition, shall have such other duties and powers as shall be designated from time to time by the Directors or by the President.

3.7 Secretary. The Secretary shall maintain the minutes of all meetings of, and record all votes of, Shareholders, Directors and the Executive Committee, if any. The Secretary shall be custodian of the seal of the BDC, if any, and the Secretary (and any other person so authorized by the Directors) shall affix the seal, or if permitted, facsimile thereof, to any instrument executed by the BDC which would be sealed by a Delaware business corporation and shall attest the seal and the signature or signatures of the officer or officers executing such instrument on behalf of the BDC. The Secretary shall also perform any other duties commonly incident to such office in a Delaware business corporation, and shall have such other authorities and duties as the Directors shall from time to time determine.

3.8 Treasurer. Except as otherwise directed by the Directors, the Treasurer shall have the general supervision of the monies, funds, securities, notes receivable and other valuable papers and documents of the BDC, and shall have and exercise under the supervision of the Directors and of the President all powers and duties normally incident to the office. The Treasurer may endorse for deposit or collection all notes, checks and other instruments payable to the BDC or to its order. The Treasurer shall deposit all funds of the BDC in such depositories as the Directors shall designate. The Treasurer shall be responsible for such disbursement of the funds of the BDC as may be ordered by the Directors or the President. The Treasurer shall keep accurate account of the books of the BDC's transactions which shall be the property of the BDC, and which together with all other property of the BDC in the Treasurer's possession, shall be subject at all times to the inspection and control of the Directors. Unless the Directors shall otherwise determine, the Treasurer shall be the principal accounting officer of the BDC and shall also be the principal financial officer of the BDC. The Treasurer shall have such other duties and authorities as the Directors shall from time to time determine. Notwithstanding anything to the contrary herein contained, the Directors may authorize any adviser, administrator, manager or transfer agent to maintain bank accounts and deposit and disburse funds.

3.9 Other Officers and Duties. The Directors may elect such other officers and assistant officers as they shall from time to time determine to be necessary or desirable in order to conduct the business of the BDC. Assistant officers shall act generally in the absence of the officer whom they assist and shall assist that officer in the duties of the office. Each officer, employee and agent of the BDC shall have such other duties and authority as may be conferred upon such person by the Directors or delegated to such person by the President.

3.10 Salaries. The salaries and other compensation of the officers shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary or other compensation by reason of the fact that he is also a director.

ARTICLE IV

Committees

4.1 Number, Tenure and Qualifications. The Board of Directors may appoint from among its members an Executive Committee, an Audit Committee, a Compensation Committee and other committees, composed of one or more directors, to serve at the pleasure of the Board of Directors.

4.2 Powers. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. The By-laws may provide that in the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent

or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, or in the By-laws of the Corporation, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by law to be submitted to stockholders for approval or (ii) adopting, amending or repealing any By-law of the Corporation.

4.3 Meetings. Notice of committee meetings shall be given in the same manner as notice for special meetings of the Board of Directors. A majority of the members of the committee shall constitute a quorum for the transaction of business at any meeting of the committee. The act of a majority of the committee members present at a meeting shall be the act of such committee. The Board of Directors may designate a chairman of any committee, and such chairman or, in the absence of a chairman, any two members of any committee (if there are at least two members of the Committee) may fix the time and place of its meeting unless the Board shall otherwise provide. In the absence of any member of any such committee, the members thereof present at any meeting, whether or not they constitute a quorum, may appoint another director to act in the place of such absent member. Each committee shall keep minutes of its proceedings.

4.4 Telephone Meetings. Members of a committee of the Board of Directors may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

4.5 Written Consent By Committees. Any action required or permitted to be taken at any meeting of a committee of the Board of Directors may be taken without a meeting, if a consent in writing to such action is signed by each member of the committee and such written consent is filed with the minutes of proceedings of such committee.

4.6 Vacancies. Subject to the provisions hereof, the Board of Directors shall have the power at any time to change the membership of any committee, to fill all vacancies, to designate alternate members to replace any absent or disqualified member or to dissolve any such committee.

ARTICLE V

Miscellaneous

5.1 Contracts. The Board of Directors may authorize any officer or agent to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the BDC and such authority may be general or confined to specific instances. Any agreement, deed, mortgage, lease or other document shall be valid and binding upon the BDC when authorized or ratified by action of the Board of Directors and executed by an authorized person.

5.2 Checks and Drafts. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the BDC shall be signed by such officer or agent of the BDC in such manner as shall from time to time be determined by the Board of Directors.

5.3 Deposits. All funds of the BDC not otherwise employed shall be deposited from time to time to the credit of the BDC in such banks, trust companies or other depositories as the Board of Directors may designate.

5.4 Signatures. All contracts and other instruments shall be executed on behalf of the BDC by its properly authorized officers, agent or agents, as provided in the Certificate or By-laws or as the Directors may from time to time by resolution provide.

5.5 Seal. The Board of Directors may authorize the adoption of a seal by the BDC. The seal shall contain the name of the BDC and the year of its incorporation and the words "Incorporated Delaware." The Board of Directors may authorize one or more duplicate seals and provide for the custody thereof.

5.6 Affixing Seal. Whenever the BDC is permitted or required to affix its seal to a document, it shall be sufficient to meet the requirements of any law, rule or regulation relating to a seal to place the word "(SEAL)" adjacent to the signature of the person authorized to execute the document on behalf of the BDC.

5.7 Accounting Year. The Board of Directors shall have the power, from time to time, to fix the fiscal year of the BDC by a duly adopted resolution.

5.8 Authorization of Distributions. Dividends and other distributions upon the stock of the BDC may be authorized by the Board of Directors, subject to the provisions of law and the Certificate of Incorporation. Dividends and other distributions may be paid in cash, property or stock of the BDC, subject to the provisions of law and the Certificate of Incorporation.

5.9 Contingencies. Before payment of any dividends or other distributions, there may be set aside out of any assets of the BDC available for dividends or other distributions such sum or sums as the Board of Directors may from time to time, in its absolute discretion, think proper as a reserve fund for contingencies, for equalizing dividends or other distributions, for repairing or maintaining any property of the BDC or for such other purpose as the Board of Directors shall determine to be in the best interest of the BDC, and the Board of Directors may modify or abolish any such reserve.

5.10 Investment Policy. Subject to applicable law and the provisions of the Certificate of Incorporation, the Board of Directors may from time to time adopt, amend, revise or terminate any policy or policies with respect to investments by the BDC as it shall deem appropriate in its sole discretion.

ARTICLE VI

Stock Transfers

6.1 Certificates. In the event that the BDC issues shares of stock represented by certificates, each stockholder shall be entitled to a certificate or certificates which shall represent and certify the number of shares of each class of stock held by him, her or it in the BDC. Each certificate shall be signed by the chief executive officer, the president or a vice president and countersigned by the secretary or an assistant secretary or the treasurer or an assistant treasurer and may be sealed with the seal, if any, of the BDC. The signatures may be either manual or facsimile. Certificates shall be consecutively numbered; and if the BDC shall, from time to time, issue several classes of shares, each class may have its own number series. A certificate is valid and may be issued whether or not an officer who signed it is still an officer when it is issued. Each certificate representing shares which are restricted as to their transferability or voting powers, which are preferred or limited as to their dividends or as to their allocable portion of the assets upon liquidation or which are redeemable at the option of the BDC, shall have a statement of such restriction, limitation, preference or redemption provision, or a summary thereof, plainly stated on the certificate. In lieu of such statement or summary, the BDC may set forth upon the face or back of the certificate a statement that the BDC will furnish to any stockholder, upon request and without charge, a full statement of such information.

6.2 Transfer Agents, Registrars and the Like. The Directors shall have authority to employ and compensate such transfer agents and registrars with respect to the Shares of the BDC as the Directors shall deem necessary or desirable. In addition, the Directors shall have power to employ and compensate such dividend disbursing agents, warrant agents and agents for the reinvestment of dividends as they shall deem necessary or desirable. Any of such agents shall have such power and authority as is delegated to any of them by the Directors.

6.3 Transfer of Shares. The Shares of the BDC shall be transferable on the books of the BDC only upon delivery to the Directors or a transfer agent of the BDC of proper documentation. The BDC, or its transfer agents, shall be authorized to refuse any transfer unless and until presentation of such evidence as may be reasonably required to show that the requested transfer is proper.

6.4 Replacement Certificate. Any officer designated by the Board of Directors may direct a new certificate to be issued in place of any certificate previously issued by the BDC alleged to have been lost, stolen or destroyed upon the making of an affidavit of that fact by the person claiming the certificate to be lost, stolen or destroyed. When authorizing the issuance of a new certificate, an officer designated by the Board of Directors may, in his or her discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or the owner's legal representative to advertise the same in such manner as he shall require and/or to give bond, with sufficient surety, to the BDC to indemnify it against any loss or claim which may arise as a result of the issuance of a new certificate.

6.5 Closing of Transfer Books or Fixing of Record Date. The Board of Directors may set, in advance, a record date for the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders or determining stockholders entitled to receive payment of any dividend or the allotment of any other rights, or in order to make a determination of stockholders for any other proper purpose. Such date, in any case, shall not be prior to the close of business on the day the record date is fixed and shall be not more than 90 days and, in the case of a meeting of stockholders, not less than ten days, before the date on which the meeting or particular action requiring such determination of stockholders of record is to be held or taken.

In lieu of fixing a record date, the Board of Directors may provide that the stock transfer books shall be closed for a stated period but not longer than 20 days. If the stock transfer books are closed for the purpose of determining stockholders entitled to notice of or to vote at a meeting of stockholders, such books shall be closed for at least ten days before the date of such meeting.

If no record date is fixed and the stock transfer books are not closed for the determination of stockholders, (a) the record date for the determination of stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day on which the notice of meeting is mailed or the 30th day before the meeting, whichever is the closer date to the meeting; and (b) the record date for the determination of stockholders entitled to receive payment of a dividend or an allotment of any other rights shall be the close of business on the day on which the resolution of the directors, declaring the dividend or allotment of rights, is adopted.

When a determination of stockholders entitled to vote at any meeting of stockholders has been made as provided in this section, such determination shall apply to any adjournment thereof, except when (i) the determination has been made through the closing of the transfer books and the stated period of closing has expired or (ii) the meeting is adjourned to a date more than 120 days after the record date fixed for the original meeting, in either of which case a new record date shall be determined as set forth herein.

6.6 Stock Ledger. The BDC shall maintain at its principal office or at the office of its counsel, accountants or transfer agent, an original or duplicate share ledger containing the name and address of each stockholder and the number of shares of each class held by such stockholder.

6.7 Fractional Stock; Issuance of Units. The Board of Directors may issue fractional stock or provide for the issuance of scrip, all on such terms and under such conditions as they may determine. Notwithstanding any other provision of the Certificate of Incorporation or these By-laws, the Board of Directors may issue units consisting of different securities of the BDC. Any security issued in a unit shall have the same characteristics as any identical securities issued by the BDC, except that the Board of Directors may provide that for a specified period securities of the BDC issued in such unit may be transferred on the books of the BDC only in such unit.

6.8 Registered Shareholders. The BDC may deem and treat the holder of record of any Shares as the absolute owner thereof for all purposes and shall not be required to take any notice of any right or claim of right of any other person.

ARTICLE VII

Amendment of By-Laws

7.1 Amendment and Repeal of By-Laws. In accordance with Section 10.1 of the Certificate of Incorporation, the Directors shall have the power to amend or repeal the By-Laws or adopt new By-Laws at any time. Action by the Directors with respect to the By-Laws shall be taken by an affirmative vote of a majority of the Directors. The Directors shall in no event adopt By-Laws which are in conflict with the Certificate, and any apparent inconsistency shall be construed in favor of the related provisions in the Certificate.

ARTICLE VIII

Notice

8.1 Notices. Whenever written notice is required by law, the Certificate of Incorporation or these By-Laws (except as otherwise stated therein or herein), to be given to any director, member of a committee or stockholder, such notice may be given by mail, addressed to such director, member of a committee or stockholder, at such person's address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Written notice may also be given personally or by telegram, telex or cable.

8.2 Waiver of Notices. Whenever any notice is required by applicable law, the Certificate of Incorporation or these By-Laws (except as stated therein or herein), to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed by the person or persons entitled to notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Attendance of a person at a meeting, present in person or represented by proxy, shall constitute a waiver of notice of such meeting, except where the person attends the meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any annual or special meeting of stockholders or any regular or special meeting of the directors or members of a committee of directors need be specified in any written waiver of notice unless so required by law, the Certificate of Incorporation or these By-Laws.

Exhibit 4

CERTIFICATE OF DESIGNATIONS
OF
SERIES Z PREFERRED SHARES
OF
BLACKROCK KELSO CAPITAL CORPORATION

BlackRock Kelso Capital Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), hereby certifies that the following resolutions were adopted by the Board of Directors of the Corporation (the "Board of Directors") pursuant to authority of the Board of Directors as required by Section 151 of the Delaware General Corporation Law:

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors in accordance with the provisions of the Certificate of Incorporation of the Corporation, as amended (the "Certificate of Incorporation"), the Board of Directors hereby creates a series of the authorized preferred stock, par value $0.001 per share, and hereby states the designation and number thereof, and fixes the voting powers, preferences and relative, participating, optional and other special rights, and the qualifications, limitations and restrictions thereof, as follows:

Section 1. Designation and Amount. The Corporation hereby creates and establishes a series of preferred shares of interest and designates such shares as "Series Z Preferred Shares" (the "Series Z Shares"). The Corporation is authorized to issue up to 400 Series Z Shares to persons or entities to be determined by the officers or other authorized persons of the Corporation (collectively, the "Authorized Persons").

Section 2. Dividends.

(a) Holders of the Series Z Shares shall be entitled to receive when, as and if declared by the Board of Directors, or a duly authorized committee thereof, cumulative dividends in an amount equal to 8% per year of the Liquidation Preference (as defined below) of each such Series Z Share. Distributions in respect of the Series Z Share shall be payable on such dates (each, a "Dividend Payment Date") not less often than annually, as the Board of Directors, in consultation with the investment advisor to the Corporation (the "Investment Manager"), may determine, to the holders of record of the Series Z Shares as they appear on the stock register of the Corporation at the close of business on the fifth Business Day preceding such Dividend Payment Date, in preference to dividends on Common Shares and any other Shares of the Corporation ranking junior to the Series Z Shares in payment of dividends. Dividends on the Series Z Shares shall accumulate from the date on which such Series Z Shares are originally issued. Each period beginning on and including a Dividend Payment Date (or the date of original issue of the Series Z Shares, in the case of the first dividend period after issuance of such Series Z Shares) and ending on but excluding the next succeeding Dividend Payment Date is referred to herein as a "Dividend Period". Dividends on account of arrears for any past Dividend Period or in connection with the redemption of the Series Z Shares may be declared and paid at any time, without reference to any Dividend Payment Date, to the holder of record on such date not exceeding 30 days preceding the payment date thereof as shall be fixed by the Board of Directors.

(b) (i) No full dividends shall be declared or paid on the Series Z Shares for any dividend period or part thereof unless full cumulative dividends due through the most recent Dividend Payment Dates therefor for all series of Preferred Shares of the Corporation ranking on a parity with the Series Z Shares as to the payment of dividends have been or contemporaneously are declared and paid through the most recent Dividend Payment Dates therefor. If full cumulative dividends due have not been paid on all such outstanding Preferred Shares, any dividends being paid on such Preferred Shares (including the Series Z Shares) will be paid as nearly pro rata as possible in proportion to the respective amounts of dividends accumulated but unpaid on each such series of Preferred Shares on the relevant Dividend Payment Date. No holder of the Series Z Shares shall be entitled to any dividends, whether payable in cash, property or shares, in excess of full cumulative dividends as provided in this paragraph 2(b)(i) on the Series Z Shares. No interest or sum of money in lieu of interest shall be payable in respect of any dividend payments on the Series Z Shares that may be in arrears.

(ii) For so long as the Series Z Shares are outstanding, the Corporation shall not pay any dividend or other distribution (other than a dividend or distribution paid in Common Shares, or options, warrants or rights to subscribe for or purchase Common Shares or other shares, if any, ranking junior to the Series Z Shares as to dividends and upon liquidation) in respect of the Common Shares or any other shares of the Corporation ranking junior to the Series Z Shares as to the payment of dividends and the distribution of assets upon liquidation, or call for redemption, redeem, purchase or otherwise acquire for consideration any Common Shares or any other shares of the Corporation ranking junior to the Series Z Shares as to the payment of dividends and the distribution of assets upon liquidation (except by conversion into or exchange for shares of the Corporation ranking junior to the Series Z

Shares as to dividends and upon liquidation), unless, in each case, (A) all cumulative dividends on the Series Z Shares due on or prior to the date of such action have been declared and paid (or shall have been declared and sufficient funds for the payment thereof deposited with the applicable dividend-disbursing agent) or (B) the Corporation has redeemed the Series Z Shares or set aside liquid assets sufficient therefor.

(iii) Any dividend payment made on the Series Z Shares shall first be credited against the dividends accumulated with respect to the earliest dividend period for which dividends have not been paid.

(c) Not later than the Business Day immediately preceding each Dividend Payment Date, the Corporation shall deposit with the dividend-disbursing agent cash or cash equivalents having an initial combined value sufficient to pay the dividends that are payable on such Dividend Payment Date, which cash equivalents (if any) shall mature on or prior to such Dividend Payment Date. The Corporation may direct the dividend-disbursing agent with respect to the investment of any such cash or cash equivalents, provided that such investment consists exclusively of cash or cash equivalents, and provided further that the proceeds of any such investment will be available at the opening of business on such Dividend Payment Date.

(d) Notwithstanding anything to the contrary contained herein or in the Certificate of Incorporation, no dividends may be paid in respect of the Series Z Shares if after giving effect to the payment of such dividend the Corporation would not be able to pay its debts as such debts become due in the ordinary course of business or the Corporation's total assets would be less than the sum of its total liabilities.

Section 3. Liquidation Rights. The Series Z Shares will have a liquidation preference equal to $500 per Series Z Share (the "Liquidation Preference") plus accumulated and unpaid dividends and will be redeemable at the option of the Corporation in whole or in part at any time in an amount equal to the Liquidation Preference plus accumulated and unpaid dividends thereon calculated as of the date of redemption.

Section 4. Asset Coverage. The Corporation shall not issue or sell any Preferred Shares (including, without limitation, the Series Z Shares) unless immediately thereafter the Preferred Shares (including, without limitation, the Series Z Shares) will have an asset coverage of at least 200%, as required under the Investment Company Act of 1940 (the "Investment Company Act"). Furthermore, the Corporation may not declare or pay any dividend or distribution with respect to the Common Shares unless the Preferred Shares (including, without limitation, the Series Z Shares) have, at the time of the dividend or distribution, an asset coverage of at least 200% after deducting the amount of the dividend or distribution.

Section 5. Voting Rights.

(a) General.

Except as otherwise provided in the Certificate of Incorporation, the By-Laws or a resolution of the Board of Directors, or as required by applicable law, holders of the Series Z Shares shall have no power to vote on any matter except matters submitted to a vote of the Common Shares. In any matter submitted to a vote of the holders of the Common Shares, each holder of the Series Z Shares shall be entitled to one vote for each Series Z Share held and the holders of the outstanding Preferred Shares, including the Series Z Shares, and the Common Shares shall vote together as a single class; provided, however, that at any meeting of the stockholders of the Corporation held for the election of Directors, the holders of the outstanding Preferred Shares, including the Series Z Shares, shall be entitled, as a class, to the exclusion of the holders of all other securities and classes or series of Shares of the Corporation, to elect a number of the Corporation's Directors, such that following the election of Directors at the meeting of the Members, the Corporation's Board of Directors shall contain two Directors elected by the holders of the outstanding Preferred Shares, including the Series Z Shares. Subject to paragraph 5(b) hereof, the holders of the outstanding Shares of the Corporation, including the holders of outstanding Preferred Shares (including the Series Z Shares) voting as a single class, shall elect the balance of the Directors.

(b) Right to Elect Majority of Board of Directors.

Subject to the rights of any creditors of the Corporation, during any period in which any one or more of the conditions described below shall exist (such period being referred to herein as a "Voting Period"), the number and/or composition of Directors constituting the Board of Directors shall be adjusted as necessary to permit the holders of outstanding Preferred Shares, including the Series Z Shares, voting separately as one class (to the exclusion of the holders of all other securities and classes and series of Shares of the Corporation) to elect the number of Directors that, when added to the two Directors elected exclusively by the holders of Preferred Shares pursuant to paragraph 5(a) above, would constitute a simple majority of the Board of Directors as so adjusted. The Corporation and the Board of Directors shall take all necessary actions, including effecting the removal of Directors or amendment of the Certificate of Incorporation, to effect an adjustment of the number and/or composition of Directors as described in the preceding sentence. A Voting Period shall commence:

(i) if at any time accumulated dividends (whether or not earned or declared, and whether or not funds are then legally available in an amount sufficient therefor) on the Series Z Shares equal to at least two full years' dividends shall be due and unpaid and sufficient cash or specified securities shall not have been deposited with the dividend-disbursing agent for the payment of such accumulated dividends; or

(ii) if at any time holders of any other Preferred Shares are entitled to elect a majority of the Directors of the Corporation under the Investment Company Act or Certificate of Designations creating such shares.

Upon the termination of a Voting Period, the voting rights described in this paragraph 5(b) shall cease, subject always, however, to the reverting of such voting rights in the holders of Preferred Shares upon the further occurrence of any of the events described in this paragraph 5(b).

(c) Right to Vote with Respect to Certain Other Matters.

So long as the Series Z Shares are outstanding, the Corporation shall not, without the affirmative vote of the holders of a majority of the Series Z Shares outstanding at the time and present and voting on such matter, voting separately as one class, amend, alter or repeal the provisions of this Certificate of Designations so as to in the aggregate adversely affect the rights and preferences set forth in this Certificate of Designations. To the extent permitted under the Investment Company Act, in the event that more than one series of Preferred Shares are outstanding, the Corporation shall not effect any of the actions set forth in the preceding sentence which in the aggregate adversely affects the rights and preferences set forth in the Certificates of Designations for a series of Preferred Shares differently than such rights and preferences for any other series of Preferred Shares without the affirmative vote of the holders of at least a majority of the Preferred Shares outstanding and present and voting on such matter of each series adversely affected (each such adversely affected series voting separately as a class to the extent its rights are affected differently). The holders of the Series Z Shares shall not be entitled to vote on any matter that affects the rights or interests of only one or more other series of Preferred Shares. The Corporation shall notify any rating agency rating any series of Preferred Shares at least ten Business Days prior to any such vote described above. Unless a higher percentage is required under the Certificate of Incorporation, By-Laws or applicable provisions of the Delaware General Corporation Law or the Investment Company Act, the affirmative vote of the holders of a majority of the outstanding Preferred Shares, including the Series Z Shares, voting together as a single class, will be required to approve any plan of reorganization adversely affecting the Preferred Shares or any action requiring a vote of security holders under Section 13(a) of the Investment Company Act. For purposes of this paragraph 5(c), the phrase "vote of the holders of a majority of the outstanding Preferred Shares" (or any like phrase) shall mean, in accordance with Section 2(a)(42) of the Investment Company Act, the vote, at the annual or a special meeting of the stockholders of the Corporation duly called (i) of 67 percent or more of the Preferred Shares present at such meeting, if the holders of more than 50 percent of the outstanding Preferred Shares are present or represented by proxy; or (ii) of more than 50 percent of the outstanding Preferred Shares, whichever is less. The class vote of holders of Preferred Shares described above will in each case be in addition to a separate vote of the requisite percentage of Common Shares and Preferred Shares, including the Series Z Shares, voting together as a single class, necessary to authorize the action in question. An increase in the number of authorized Preferred Shares pursuant to the Certificate of Incorporation or the issuance of additional shares of any series of Preferred Shares (other than the Series Z Shares) pursuant to the Certificate of Incorporation shall not in and of itself be considered to adversely affect the rights and preferences of the Preferred Shares.

(d) Voting Procedures.

(i) As soon as practicable after the accrual of any right of the holders of Preferred Shares to elect additional Directors as described in paragraph 5(b) above, the Corporation shall call a special meeting of such holders and instruct the dividend-disbursing agent to mail a notice of such special meeting to such holders, such meeting to be held not less than 10 nor more than 20 days after the date of mailing of such notice. If the Corporation fails to send such notice to the dividend-disbursing agent or if the Corporation does not call such a special meeting, it may be called by any such holder on like notice. The record date for determining the holders entitled to notice of and to vote at such special meeting shall be the close of business on the day on which such notice is mailed or such other date as the Board of Directors shall determine. At any such special meeting and at each meeting held during a Voting Period, such holders of Preferred Shares, voting together as a class (to the exclusion of the holders of all other securities and classes and series of Shares of the Corporation), shall be entitled to elect the number of Directors prescribed in paragraph 5(b) above on a one-vote-per-share basis. At any such meeting, or adjournment thereof in the absence of a quorum, a majority of such holders present in person or by proxy shall have the power to adjourn the meeting without notice, other than by an announcement at the meeting, to a date not more than 120 days after the original record date.

(ii) The terms of office of all persons who are Directors of the Corporation at the time of a special meeting of holders of Preferred

Shares to elect Directors and who remain Directors following such meeting shall continue, notwithstanding the election at such meeting by such holders of the number of Directors that they are entitled to elect, and the persons so elected by such holders, together with the two incumbent Directors elected by the holders of Preferred Shares, and the remaining incumbent Directors elected by the holders of the Common Shares and Preferred Shares, shall constitute the duly elected Directors of the Corporation.

(iii) Upon the expiration of a Voting Period, the terms of office of the additional Directors elected by the holders of Preferred Shares pursuant to paragraph 5(b) above shall expire at the earliest time permitted by law, and the remaining Directors shall constitute the Directors of the Corporation and the voting rights of such holders of Preferred Shares, including the Series Z Shares, to elect additional Directors pursuant to paragraph 5(b) above shall cease, subject to the provisions of the last sentence of paragraph 5(b). Upon the expiration of the terms of the Directors elected by the holders of Preferred Shares pursuant to paragraph 5(b) above, the number of Directors shall be automatically reduced to the number of Directors on the Board of Directors immediately preceding such Voting Period.

(e) Exclusive Remedy.

Unless otherwise required by law, the holders of the Series Z Shares shall not have any rights or preferences other than those specifically set forth herein. The holders of the Series Z Shares shall have no preemptive rights or rights to cumulative voting. In the event that the Corporation fails to pay any dividends on the Series Z Shares, the exclusive remedy of the holders shall be the right to vote for Directors pursuant to the provisions of this paragraph 5.

Section 6. Put Right. If a Public Market Event occurs, the holder of a Series Z Share may, at any time after the seventh anniversary of the issuance of such share, require the Corporation to redeem the Series Z Shares of the holder at a price equal to $500 per Series Z Share plus accumulated and unpaid dividends. Any such right shall be exercised by a written request tendering such share for redemption and payment.

Section 7. Call Right. The Corporation may, at any time, redeem any or all Series Z Share at a price equal to the Liquidation Preference plus any accumulated and unpaid dividends.

Section 8. Junior Securities. With respect to dividend rights and the distribution of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the Series Z Shares shall rank on a parity with the Special Share, as created pursuant to a Certificate of Designations dated April [ ], 2005 and prior to the Corporation's Common Stock and all other classes and series of capital stock of the Corporation currently outstanding or hereafter issued by the Corporation.

Section 9. Book-Entry. The Series Z Shares will be issued in book entry form, and no holder of the Series Z Shares will be entitled to a share certificate therefor unless the Board of Directors approves the issuance of Series Z Shares certificates.

Section 10. Transfers of Series Z Shares. The Series Z Shares shall not be transferred unless (i) the prior written consent of the Investment Manager has been obtained by the proposed transferor, which consent may be withheld for any reason or for no reason in the Investment Manager's sole discretion, and (ii) the proposed transferee has demonstrated to the satisfaction of the Investment Manager, in the Investment Manager's sole discretion, that it is an "accredited investor" within the meaning given to such term under Regulation D of the Securities Act of 1933, as amended. Any proposed transfer in violation of this Section 7 shall be void and have no effect.

Section 11. Regulations. The Board of Directors may make such additional rules and regulations, not inconsistent with this Certificate of Designations, as it may deem expedient concerning the issue, transfer and registration of any certificates (if any such certificates are issued) for the Series Z Shares. It may appoint, or authorize any officer or officers of the Corporation to appoint, one or more transfer agents or one or more transfer clerks and one or more registrars.

Section 12. Other Rights or Preferences. Unless otherwise required by law, the Series Z Shares shall not have any rights or preferences other than those set forth herein or in the Certificate of Incorporation.

Section 13. Business Day. Business Day shall mean any day on which banks in New York, New York are open for business or such other day classified as a business day according to such criteria as the Corporation may adopt from time to time.

IN WITNESS WHEREOF, BlackRock Kelso Capital Corporation has caused this Statement of Preferences to be signed, as of this 14th day of April, 2005.

BLACKROCK KELSO CAPITAL CORPORATION

By:

    Name:
    Title:

Exhibit 5

INVESTMENT MANAGEMENT AGREEMENT

AGREEMENT, dated April [ ], 2005, between BlackRock Kelso Capital Corporation, a Delaware corporation, (the "BDC") and BlackRock Kelso Capital Advisors LLC (the "Advisor"), a Delaware limited liability company.

WHEREAS, Advisor has agreed to furnish investment advisory services to the BDC, a business development company registered under the Investment Company Act of 1940, as amended (the "1940 Act");

WHEREAS, this Agreement has been approved in accordance with the provisions of the 1940 Act, and the Advisor is willing to furnish such services upon the terms and conditions herein set forth;

NOW, THEREFORE, in consideration of the mutual premises and covenants herein contained and other good and valuable consideration, the receipt of which is hereby acknowledged, it is agreed by and between the parties hereto as follows:

1. In General. The Advisor agrees, all as more fully set forth herein, to act as investment advisor to the BDC with respect to the investment of the BDC's assets and to supervise and arrange for the day-to-day operations of the BDC and the purchase of securities for and the sale of securities held in the investment portfolio of the BDC.

2. Duties and Obligations of the Advisor with Respect to Investment of Assets of the BDC.

(a) Subject to the succeeding provisions of this paragraph and subject to the direction and control of the BDC's Board of Directors, the Advisor shall (i) act as investment advisor for and supervise and manage the investment and reinvestment of the BDC's assets and in connection therewith have complete discretion in purchasing and selling securities and other assets for the BDC and in voting, exercising consents and exercising all other rights appertaining to such securities and other assets on behalf of the BDC; (ii) supervise continuously the investment program of the BDC and the composition of its investment portfolio; (iii) arrange, subject to the provisions of Section 3(b) hereof, for the purchase and sale of securities and other assets held in the investment portfolio of the BDC; and (iv) oversee the administration of all aspects of the BDC's business and affairs and provide, or arrange for others whom it believes to be competent to provide, certain services as specified in paragraph (b) below. Nothing contained herein shall be construed to restrict the BDC's right to hire its own employees or to contract for administrative services to be performed by third parties, including but not limited to, the calculation of the net asset value of the BDC's.

(b) Except to the extent provided for directly by the BDC, the specific services to be provided or arranged for by the Advisor for the BDC pursuant to paragraph (a)(iv) above are (i) maintaining the BDC's books and records, to the extent not maintained by the BDC's custodian, transfer agent and dividend disbursing agent in accordance with applicable laws and regulations (ii) initiating all money transfers to the BDC's custodian and from the BDC's custodian for the payment of the BDC's expenses, investments and dividends; (iii) reconciling account information and balances among the BDC's custodian, transfer agent and dividend disbursing agent; (iv) preparing all governmental filings by the BDC and all reports by the BDC to its shareholders; (v) supervising the calculation of the net asset value of the BDC's shares; and (vi) preparing notices and agendas for meetings of the BDC's shareholders and the BDC's Board of Directors as well as minutes of such meetings in all matters required by applicable law to be acted upon by the Board of Directors.

(c) In the performance of its duties under this Agreement, the Advisor shall at all times use all reasonable efforts to conform to, and act in accordance with, any requirements imposed by (i) the provisions of the Investment Company Act of 1940 (the "Act"), and of any rules or regulations in force thereunder; (ii) any other applicable provision of law; (iii) the provisions of the Certificate of Incorporation and the By-Laws of the BDC, as such documents are amended from time to time; (iv) the investment objectives, policies and restrictions applicable to the BDC as set forth in the BDC's Private Placement Memorandum; and (v) any policies and determinations of the Board of Directors of the BDC.

(d) The Advisor will seek to provide qualified personnel to fulfill its duties hereunder and, except as set forth in the following sentence, will bear all costs and expenses incurred in connection with its investment advisory duties thereunder. The BDC shall reimburse the Advisor for all direct and indirect cost and expenses incurred by the Advisor (i) for office space rental, office equipment and utilities allocable to performance of investment advisory and non investment advisory administrative or operating services hereunder by the Advisor and (ii) allocable to any non-investment advisory administrative or operating services provided by the Advisor hereunder, including salaries, bonuses, health insurance, retirement benefits and all similar employment

costs, such as office equipment and other overhead items. All allocations made pursuant to this paragraph (d) shall be made pursuant to allocation guidelines approved from time to time by the Board of Directors. The BDC shall also be responsible for the payment of all the BDC's other expenses, including (i) payment of the fees payable to the Advisor under Section 8 hereof; (ii) organizational expenses; (iii) brokerage fees and commissions; (iv) taxes; (v) interest charges on borrowings; (vi) the cost of liability insurance or fidelity bond coverage for the BDC's officers and employees, and directors' and officers' errors and omissions insurance coverage; (vii) legal, auditing and accounting fees and expenses; (viii) charges of the BDC's administrator (if any), custodian, transfer agent and dividend disbursing agent and any other service providers; (ix) the BDC's dues, fees and charges of any trade association of which the BDC is a member; (x) the expenses of printing, preparing and mailing proxies, stock certificates, reports, prospectuses, registration statements and other documents used by the BDC; (xi) expenses of registering and offering securities of the BDC under applicable law; (xii) the expenses of holding shareholder meetings; (xiii) the compensation, including fees, of any of the BDC's directors, officers or employees who are not affiliated persons of the Advisor; (xiv) all expenses of computing the BDC's net asset value per share; (xv) litigation and indemnification and other extraordinary or non recurring expenses; and (xvi) all other non investment advisory expenses of the BDC.

(e) The Advisor shall give the BDC the benefit of its professional judgment and effort in rendering services hereunder, but neither the Advisor nor any of its officers, directors, employees, agents or controlling persons shall be liable for any act or omission or for any loss sustained by the BDC in connection with the matters to which this Agreement relates, except a loss resulting from willful misfeasance, bad faith or gross negligence in the performance of its duties, or by reason of its reckless disregard of its obligations and duties under this Agreement; provided, however, that the foregoing shall not constitute a waiver of any rights which the BDC may have which may not be waived under applicable law.

3. Covenants. In the performance of its duties under this Agreement, the Advisor shall at all times conform to, and act in accordance with, any requirements imposed by: (i) the provisions of the 1940 Act and the Investment Advisers Act of 1940, as amended, and all applicable Rules and Regulations of the Securities and Exchange Commission; (ii) any other applicable provision of law; (iii) the provisions of the Certificate of Incorporation and By-Laws of the BDC, as such documents are amended from time to time; (iv) the investment objectives and policies of the BDC as set forth in its Private Placement Memorandum; and (v) any policies and determinations of the Board of Directors of the BDC.

(b) In addition, the Advisor will:

(i) place orders either directly with the issuer or with any broker or dealer. Subject to the other provisions of this paragraph, in placing orders with brokers and dealers, the Advisor will attempt to obtain the best price and the most favorable execution of its orders. In placing orders, the Advisor will consider the experience and skill of the firm's securities traders as well as the firm's financial responsibility and administrative efficiency. Consistent with this obligation, the Advisor may select brokers on the basis of the research, statistical and pricing services they provide to the BDC and other clients of the Advisor. Information and research received from such brokers will be in addition to, and not in lieu of, the services required to be performed by the Advisor hereunder. A commission paid to such brokers may be higher than that which another qualified broker would have charged for effecting the same transaction, provided that the Advisor determines in good faith that such commission is reasonable in terms either of the transaction or the overall responsibility of the Advisor to the BDC and its other clients and that the total commissions paid by the BDC will be reasonable in relation to the benefits to the BDC over the long term. In addition, the Advisor is authorized to take into account the sale of shares of the BDC in allocating purchase and sale orders for portfolio securities to brokers or dealers (including brokers and dealers that are affiliated with the Advisor), provided that the Advisor believes that the quality of the transaction and the commission are comparable to what they would be with other qualified firms. In no instance, however, will the BDC's securities be purchased from or sold to the Advisor, or any affiliated person thereof, except to the extent permitted by the SEC or by applicable law;

(ii) maintain a policy and practice of conducting its investment advisory services hereunder independently of the commercial banking operations of its affiliates. When the Advisor makes investment recommendations for the BDC, its investment advisory personnel will not inquire or take into consideration whether the issuer of securities proposed for purchase or sale for the BDC's account are customers of the commercial department of its affiliates; and

(iii) treat confidentially and as proprietary information of the BDC all records and other information relative to the BDC, and the BDC's prior, current or potential shareholders, and will not use such records and information for any purpose other than performance of its responsibilities and duties hereunder, except after prior notification to and approval in writing by the BDC, which approval shall not be unreasonably withheld and may not be withheld where the Advisor may be

exposed to civil or criminal contempt proceedings for failure to comply, when requested to divulge such information by duly constituted authorities, or when so requested by the BDC.

4. Services Not Exclusive. Nothing in this Agreement shall prevent the Advisor or any officer, employee or other affiliate thereof from acting as investment advisor for any other person, firm or corporation, or from engaging in any other lawful activity, and shall not in any way limit or restrict the Advisor or any of its officers, employees or agents from buying, selling or trading any securities for its or their own accounts or for the accounts of others for whom it or they may be acting; provided, however, that the Advisor will undertake, and will cause its employees to undertake, no activities which, in its judgment, will adversely affect the performance of the Advisor's obligations under this Agreement.

5. Books and Records. In compliance with the requirements of Rule 31a-3 under the 1940 Act, the Advisor hereby agrees that all records which it maintains for the BDC are the property of the BDC and further agrees to surrender promptly to the BDC any such records upon the BDC's request. The Advisor further agrees to preserve for the periods prescribed by Rule 31a-2 under the 1940 Act the records required to be maintained by Rule 31a-1 under the 1940 Act.

6. Agency Cross Transactions. From time to time, the Advisor or brokers or dealers affiliated with it may find themselves in a position to buy for certain of their brokerage clients (each an "Account") securities which the Advisor's investment advisory clients wish to sell, and to sell for certain of their brokerage clients securities which advisory clients wish to buy. Where one of the parties is an advisory client, the Advisor or the affiliated broker or dealer cannot participate in this type of transaction (known as a cross transaction) on behalf of an advisory client and retain commissions from one or both parties to the transaction without the advisory client's consent. This is because in a situation where the Advisor is making the investment decision (as opposed to a brokerage client who makes his own investment decisions), and the Advisor or an affiliate is receiving commissions from both sides of the transaction, there is a potential conflicting division of loyalties and responsibilities on the Advisor's part regarding the advisory client. The SEC has adopted a rule under the Investment Advisers Act of 1940, as amended, which permits the Advisor or its affiliates to participate on behalf of an Account in agency cross transactions if the advisory client has given written consent in advance. By execution of this Agreement, the BDC authorizes the Advisor or its affiliates to participate in agency cross transactions involving an Account. The BDC may revoke its consent at any time by written notice to the Advisor.

7. Expenses. During the term of this Agreement, the Advisor will bear all costs and expenses of its employees and any overhead incurred in connection with its duties hereunder and shall bear the costs of any salaries or Directors' fees of any officers or Directors of the BDC who are affiliated persons (as defined in the 1940 Act) of the Advisor; provided that the Board of Directors of the BDC may approve reimbursement to the Advisor of the pro rata portion of the salaries, bonuses, health insurance, retirement benefits and all similar employment costs for the time spent on BDC operations (other than the provision of investment advice and administrative services required to be provided hereunder) of all personnel employed by the Advisor who devote substantial time to BDC operations or the operations of other investment companies advised by the Advisor.

8. Compensation of the Advisor.

(a) The Advisor, for its services to the BDC, will be entitled to receive a management fee (the "Management Fee") from the BDC. The Management Fee will be calculated at an annual rate of 2.00% of total assets. For services rendered under this Agreement during the period commencing from the Closing through and including the first twelve months of operations, the Management Fee will be payable monthly in arrears based on the asset valuation for the prior month or, prior to the BDC's first valuation, its assets upon the commencement of its business. For services rendered under this Agreement after that time, the Management Fee will be paid quarterly in arrears based on the asset valuation for the prior quarter.

(b) For purposes of this Agreement, the net assets of the BDC shall be calculated pursuant to the procedures adopted by resolutions of the Directors of the BDC for calculating the value of the BDC's assets or delegating such calculations to third parties.

(c) The Advisor will be entitled to receive a fee (the "Carried Interest") in an amount equal to, (i) commencing on the Ramp-Up Date and prior to the first day of the calendar quarter during which the Public Market Event occurs, (A) 50% (payable at the same time as, and not in advance of, any distributions in respect of the BDC's common shares) of the amount by which the Cumulative Adjusted Common Distributions exceed the Hurdle until the cumulative payments that have been made in respect of the Carried Interest pursuant to this clause (i) since the Ramp-Up Date equal 20% of the sum of the amount paid pursuant to this clause (i) plus the amount of the Cumulative Adjusted Common Distributions since the Ramp-Up Date, and thereafter (B) an amount (payable at the same time as, and not in advance of, any distributions in respect of the BDC's common shares) such that, after payment thereof, the cumulative payments that have been made in respect of the Carried Interest pursuant to this clause (i) since the Ramp-Up Date equal 20% of the sum of the amount paid pursuant to

this clause (i) plus the amount of the Cumulative Adjusted Common Distributions since the Ramp-Up Date and (ii) commencing on and after the first day of the calendar quarter during which the Public Market Event occurs, (A) 50% (payable at the same time as, and not in advance of, any distributions in respect of the BDC's common shares) of the amount by which the cumulative distributions and amounts distributable out of net income (including realized capital gains in excess of realized capital losses) in respect of the BDC's common shares (1) since the Public Market Event or (2) during the four calendar quarters most recently completed prior to or within 15 days after the date of declaration, whichever is most recent, exceed the Hurdle until the cumulative payments that have been made in respect of the Carried Interest pursuant to this clause (ii) equal 20% of the sum of the amount distributed pursuant to this clause (ii) plus the amount of the Cumulative Adjusted Common Distributions (1) since the Public Market Event or (2) during the four calendar quarters most recently completed prior to or within 15 days after the date of declaration, whichever is most recent, and thereafter (B) an amount (payable at the same time as, and not in advance of, any distributions in respect of the Common Shares) equal to the excess of (1) 20% of the sum of the amount distributed pursuant to this clause (ii) plus the amount of the Measurement Period Adjusted Common Distributions (as defined below) over (2) the portion of the amount in item (1) above previously distributed during such four preceding quarters.

(d) For purposes of Section 8(c), (i) "Public Market Event" means the completion by the BDC of an initial public offering of its common shares registered under the Securities Act of 1933 and the commencement of trading of such common shares on a national securities exchange; (ii) "Hurdle" means the product of 2% times the quarterly net asset value of the BDC attributable to its common shares as of the beginning of such quarter (or such measurement period) calculated after giving effect to any distributions in respect of such quarter (or such measurement period) times the number of quarters in the measurement period (which, after the Public Market Event, will be four quarters); (iii) "Cumulative Adjusted Common Distributions" means the excess of the cumulative distributions and amounts distributable out of net income (including realized capital gain in excess of realized capital losses) in respect of the common shares over the net amount of capital depreciation, if any, at the time of determination; (iv) "Measurement Period Adjusted Common Distributions" means the aggregate distributions and amounts distributable out of net income (including realized capital gains in excess of realized capital losses) in respect of the common shares during the four calendar quarters most recently completed prior to or within 15 days after the date of declaration of any distribution under Section 8(c), less any increases in net capital depreciation attributable to the common shares during such four quarter period or plus any decrease in such net capital depreciation but only to the extent that both (A) such decrease did not exceed the net amount of capital depreciation at the beginning of such period and (B) such decrease did not exceed the excess of cumulative realized capital gains over cumulative realized capital losses since commencement of operations; and (v) "Ramp-up Date" means such time that 90% of the assets of the BDC are invested in portfolio companies in accordance with the BDC's investment objective, excluding investments in cash, cash equivalents, U.S. government securities and other high-quality debt investments that mature in one year or less from the date of investment, or the date on which the BDC first draws funds under accepted subscriptions for its common shares, whichever is sooner.

(e) The Advisor shall only be entitled to the Carried Interest if such fees are not, have not, or will not be paid to the Advisor or an affiliate through another mechanism.

(f) Alternatively, the Carried Interest may be paid pursuant to a dividend on a preferred share (the "Special S Share") issued by the BDC in the form attached as Exhibit A hereto. For avoidance of doubt, if the Special S Share is issued by the BDC the Carried Interest will not be paid pursuant to this agreement.

9. Indemnity. (a) The BDC may, in the discretion of the Board of Directors of the BDC, indemnify the Advisor, and each of the Advisor's directors, officers, employees, agents, associates and controlling persons and the directors, partners, members, officers, employees and agents thereof (including any individual who serves at the Advisor's request as director, officer, partner, member or the like of another entity) (each such person being an "Indemnitee") against any liabilities and expenses, including amounts paid in satisfaction of judgments, in compromise or as fines and penalties, and counsel fees (all as provided in accordance with applicable state law) reasonably incurred by such Indemnitee in connection with the defense or disposition of any action, suit or other proceeding, whether civil or criminal, before any court or administrative or investigative body in which such Indemnitee may be or may have been involved as a party or otherwise or with which such Indemnitee may be or may have been threatened, while acting in any capacity set forth herein or thereafter by reason of such Indemnitee having acted in any such capacity, except with respect to any matter as to which such Indemnitee shall have been adjudicated not to have acted in good faith in the reasonable belief that such Indemnitee's action was in the best interest of the BDC and furthermore, in the case of any criminal proceeding, so long as such Indemnitee had no reasonable cause to believe that the conduct was unlawful; provided, however, that (1) no Indemnitee shall be indemnified hereunder against any liability to the BDC or its shareholders or any expense of such Indemnitee arising by reason of (i) willful misfeasance, (ii) bad faith, (iii) gross negligence or (iv) reckless disregard of the duties involved in the conduct of such Indemnitee's position (the conduct referred to in such clauses

(i) through (iv) being sometimes referred to herein as "disabling conduct"), (2) as to any matter disposed of by settlement or a compromise payment by such Indemnitee, pursuant to a consent decree or otherwise, no indemnification either for said payment or for any other expenses shall be provided unless there has been a determination that such settlement or compromise is in the best interests of the BDC and that such Indemnitee appears to have acted in good faith in the reasonable belief that such Indemnitee's action was in the best interest of the BDC and did not involve disabling conduct by such Indemnitee and (3) with respect to any action, suit or other proceeding voluntarily prosecuted by any Indemnitee as plaintiff, indemnification shall be mandatory only if the prosecution of such action, suit or other proceeding by such Indemnitee was authorized by a majority of the full Board of Directors of the BDC.

(b) The BDC may make advance payments in connection with the expenses of defending any action with respect to which indemnification might be sought hereunder if the BDC receives a written affirmation of the Indemnitee's good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking to reimburse the BDC unless it is subsequently determined that such Indemnitee is entitled to such indemnification and if the Directors of the BDC determine that the facts then known to them would not preclude indemnification. In addition, at least one of the following conditions must be met: (A) the Indemnitee shall provide security for such Indemnitee-undertaking, (B) the BDC shall be insured against losses arising by reason of any unlawful advance, or (C) a majority of a quorum consisting of Directors of the BDC who are neither "interested persons" of the BDC (as defined in Section 2(a)(19) of the 1940 Act) nor parties to the proceeding ("Disinterested Non-Party Directors") or an independent legal counsel in a written opinion, shall determine, based on a review of readily available facts (as opposed to a full trial-type inquiry), that there is reason to believe that the Indemnitee ultimately will be found entitled to indemnification.

(c) All determinations with respect to the standards for indemnification hereunder shall be made (1) by a final decision on the merits by a court or other body before whom the proceeding was brought that such Indemnitee is not liable or is not liable by reason of disabling conduct, or (2) in the absence of such a decision, by (i) a majority vote of a quorum of the Disinterested Non-Party Directors of the BDC, or (ii) if such a quorum is not obtainable or, even if obtainable, if a majority vote of such quorum so directs, independent legal counsel in a written opinion. All determinations that advance payments in connection with the expense of defending any proceeding shall be authorized and shall be made in accordance with the immediately preceding clause (2) above.

The rights accruing to any Indemnitee under these provisions shall not exclude any other right to which such Indemnitee may be lawfully entitled.

10. Limitation on Liability. (a) The Advisor will not be liable for any error of judgment or mistake of law or for any loss suffered by Advisor or by the BDC in connection with the performance of this Agreement, except a loss resulting from a breach of fiduciary duty with respect to the receipt of compensation for services or a loss resulting from willful misfeasance, bad faith or gross negligence on its part in the performance of its duties or from reckless disregard by it of its duties under this Agreement.

(b) Notwithstanding anything to the contrary contained in this Agreement, the parties hereto acknowledge and agree that, as provided in the Certificate of Incorporation, this Agreement is executed by the Directors and/or officers of the BDC, not individually but as such Directors and/or officers of the BDC, and the obligations hereunder are not binding upon any of the Directors or Shareholders individually but bind only the estate of the BDC.

11. Duration and Termination. This Agreement shall become effective as of the date hereof and, unless sooner terminated with respect to the BDC as provided herein, shall continue in effect for a period of two years. Thereafter, if not terminated, this Agreement shall continue in effect with respect to the BDC for successive periods of 12 months, provided such continuance is specifically approved at least annually by both (a) the vote of a majority of the BDC's Board of Directors or the vote of a majority of the outstanding voting securities of the BDC at the time outstanding and entitled to vote, and (b) by the vote of a majority of the Directors who are not parties to this Agreement or interested persons of any party to this Agreement, cast in person at a meeting called for the purpose of voting on such approval. Notwithstanding the foregoing, this Agreement may be terminated by the BDC at any time, without the payment of any penalty, upon giving the Advisor 60 days' notice (which notice may be waived by the Advisor), provided that such termination by the BDC shall be directed or approved by the vote of a majority of the Directors of the BDC in office at the time or by the vote of the holders of a majority of the voting securities of the BDC at the time outstanding and entitled to vote, or by the Advisor on 60 days' written notice (which notice may be waived by the BDC). This Agreement will also immediately terminate in the event of its assignment. (As used in this Agreement, the terms "majority of the outstanding voting securities," "interested person" and "assignment" shall have the same meanings of such terms in the 1940 Act.) If this Agreement is terminated pursuant to this Section, the Fund shall pay the Advisor a pro rated portion of the Management Fee and the Carried Interest. The Management Fee and the Carried Interest due to the Adviser in the event of termination pursuant to this Section will be determined according to the method set forth in the

following paragraph.

The BDC will engage at its own expense a firm acceptable to the BDC and the Advisor to determine the maximum reasonable fair value as of the termination date of the BDC's consolidated assets (assuming each asset is readily marketable among institutional investors without minority discount and with an appropriate control premium for any control positions and ascribing an appropriate net present value to unamortized organizational and offering costs and going concern value). After review of such firm's work papers by the Advisor and the BDC and resolution of any comments therefrom, such firm will render its report as to valuation, and the BDC will pay to the Advisor or its affiliates any Management Fees or Carried Interest, as the case may be, payable pursuant to the paragraphs above as if all of the consolidated assets of the BDC had been sold at the values indicated in such report and any net income and gain distributed. Such report will be completed within 90 days after notice of termination is delivered hereto.

12. Notices. Any notice under this Agreement shall be in writing to the other party at such address as the other party may designate from time to time for the receipt of such notice and shall be deemed to be received on the earlier of the date actually received or on the fourth day after the postmark if such notice is mailed first class postage prepaid.

13. Amendment of this Agreement. No provision of this Agreement may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought. Any amendment of this Agreement shall be subject to the 1940 Act.

14. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York for contracts to be performed entirely therein without reference to choice of law principles thereof and in accordance with the applicable provisions of the 1940 Act.

15. Use of the Name BlackRock Kelso Capital. The Advisor has consented to the use by the BDC of the name or identifying words "BlackRock Kelso Capital" in the name of the BDC. Such consent is conditioned upon the employment of the Advisor as the investment advisor to the BDC. The name or identifying words "BlackRock Kelso Capital" may be used from time to time in other connections and for other purposes by the Advisor and any of its affiliates. The Advisor may require the BDC to cease using "BlackRock Kelso Capital" in the name of the BDC if the BDC ceases to employ, for any reason, the Advisor, any successor thereto or any affiliate thereof as investment advisor of the BDC.

16. Miscellaneous. The captions in this Agreement are included for convenience of reference only and in no way define or delimit any of the provisions hereof or otherwise affect their construction or effect. If any provision of this Agreement shall be held or made invalid by a court decision, statute, rule or otherwise, the remainder of this Agreement shall not be affected thereby. This Agreement shall be binding on, and shall inure to the benefit of the parties hereto and their respective successors.

17. Capitalized Terms. Capitalized terms not defined herein shall have the respective meanings given to them in the Confidential Private Placement Memorandum of BlackRock Kelso Capital Holding LLC or, if not contained therein, in the documents referenced therein.

18. Counterparts. This Agreement may be executed in counterparts by the parties hereto, each of which shall constitute an original counterpart, and all of which, together, shall constitute one Agreement.

IN WITNESS WHEREOF, the parties hereto have caused the foregoing instrument to be executed by their duly authorized officers, all as of the day and the year first above written.

BLACKROCK KELSO CAPITAL CORPORATION

By:

Name:
Title:

BLACKROCK KELSO CAPITAL ADVISORS LLC

By:

Name:
Title:

Exhibit A

Exhibit 6

SUBSCRIPTION AGREEMENT

THIS SUBSCRIPTION AGREEMENT is entered into as of the [ ] day of [ ], 2005, between BlackRock Kelso Capital Corporation, a corporation organized and existing under the laws of Delaware (the "Company"), and [an affiliate of BlackRock, Inc.] (the "Purchaser").

THE PARTIES HEREBY AGREE AS FOLLOWS:

1. PURCHASE AND SALE OF THE SHARES

1.1 SALE AND ISSUANCE OF SHARES. Subject to the terms and conditions of this Agreement, the Company agrees to sell to the Purchaser, and the Purchaser agrees to purchase from the Company [ ] common shares of beneficial interest, par value $0.001, representing undivided beneficial interests in the Company (the "Shares") at a price per Share of $[ ] for an aggregate purchase price of $[ ].

2. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE PURCHASER. The Purchaser hereby represents and warrants to, and covenants for the benefit of, the Company that:

2.1 PURCHASE ENTIRELY FOR OWN ACCOUNT. This Agreement is made by the Company with the Purchaser in reliance upon the Purchaser's representation to the Company, which by the Purchaser's execution of this Agreement the Purchaser hereby confirms, that the Shares are being acquired for investment for the Purchaser's own account, and not as a nominee or agent and not with a view to the resale or distribution by the Purchaser of any of the Shares, and that the Purchaser has no present intention of selling, granting any participation in, or otherwise distributing the Shares, in either case in violation of any securities registration requirement under applicable law, but subject nevertheless, to any requirement of law that the disposition of its property shall at all times be within its control. By executing this Agreement, the Purchaser further represents that the Purchaser does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participation to such person or to any third person, with respect to any of the Shares.

2.2 INVESTMENT EXPERIENCE. The Purchaser acknowledges that it can bear the economic risk of the investment for an indefinite period of time and has such knowledge and experience in financial and business matters (and particularly in the business in which the Company operates) as to be capable of evaluating the merits and risks of the investment in the Shares. The Purchaser is an "accredited investor" as defined in Rule 501(a) of Regulation D under the Securities Act of 1933 (the "1933 Act").

2.3 RESTRICTED SECURITIES. The Purchaser understands that the Shares are characterized as "restricted securities" under the United States securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations such Shares may be resold without registration under the 1933 Act only in certain circumstances. In this connection, the Purchaser represents that it understands the resale limitations imposed by the 1933 Act and is generally familiar with the existing resale limitations imposed by Rule 144.

2.4 FURTHER LIMITATIONS ON DISPOSITION. The Purchaser further agrees not to make any disposition directly or indirectly of all or any portion of the Shares unless and until:

(a) There is then in effect a registration statement under the 1933 Act covering such proposed disposition and such disposition is made in accordance with such registration statement; or

(b) The Purchaser shall have furnished the Directors of the Company with an opinion of counsel, reasonably satisfactory to the Directors, that such disposition will not require registration of such Shares under the 1933 Act.

(c) Notwithstanding the provisions of subsections (a) and (b) above, no such registration statement or opinion of counsel shall be necessary for a transfer by the Purchaser to any affiliate of the Purchaser, if the transferee agrees in writing to be subject to the terms hereof to the same extent as if it were the original Purchaser hereunder.

2.5 LEGENDS. It is understood that the certificate, if any, evidencing the Shares may bear either or both of the following legends:

(a) "These securities have not been registered under the Securities Act of 1933. They may not be sold, offered for sale, pledged or hypothecated in the absence of a registration statement in effect with respect to the Shares under such Act or an opinion of counsel reasonably satisfactory to the Directors of BlackRock Kelso Capital Corporation that such registration is not required."

(b) Any legend required by the laws of any other applicable

jurisdiction.

The Purchaser and the Directors agree that the legend contained in the paragraph (a) above shall be removed at a holder's request when they are no longer necessary to ensure compliance with federal securities laws.

2.6 COUNTERPARTS. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

BLACKROCK KELSO CAPITAL CORPORATION

By:

Name:
Title:

[AN AFFILIATE OF BLACKROCK
FINANCIAL MANAGEMENT, INC.]

By:

Name: [___]
Title:[___]
May [___], 2005