

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934.

For the quarterly period ended September 30,
2005

OR

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

For the transition period from _____ to _____

Commission file number 000-51327

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, New York, New York

10022

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, Including Area Code 212-810-5800

Former Name, Former Address and Former Fiscal Year, if Changed Since last
Report.

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

Indicate by check mark whether the Registrant is an accelerated filer
(as defined by Rule 12b-2 of the Exchange Act). Yes No

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

Class

Outstanding at November 11, 2005

Common stock, \$.001 par value

35,366,589

BLACKROCK KELSO CAPITAL CORPORATION

FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2005

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained herein constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to future financial or business performance, strategies or expectations. Forward-looking statements are typically identified by words or phrases such as "trend," "opportunity," "pipeline," "believe," "comfortable," "expect," "anticipate," "current," "intention," "estimate," "position," "assume," "potential," "outlook," "continue," "remain," "maintain," "sustain," "seek," "achieve" and similar expressions, or future or conditional verbs such as "will," "would," "should," "could," "may" or similar expressions. BlackRock Kelso Capital Corporation (the "Company") cautions that forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Forward-looking statements speak only as of the date they are made, and the Company assumes no duty to and does not undertake to update forward-looking statements. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance.

In addition to factors previously disclosed in the Company's Securities and Exchange Commission (the "SEC") reports and those identified elsewhere in this report, the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance:

- (1) the introduction, withdrawal, success and timing of business initiatives and strategies;
- (2) changes in political, economic or industry conditions, the interest rate environment or financial and capital markets, which could result in changes in the value of the Company's assets;
- (3) the relative and absolute investment performance and operations of the Company's Advisor, BlackRock Kelso Capital Advisors LLC (the "Advisor");
- (4) the impact of increased competition;
- (5) the impact of capital improvement projects;
- (6) the impact of future acquisitions and divestitures;
- (7) the unfavorable resolution of legal proceedings;
- (8) the extent and timing of any share repurchases;
- (9) the impact, extent and timing of technological changes and the adequacy of intellectual property protection;
- (10) the impact of legislative and regulatory actions and reforms and regulatory, supervisory or enforcement actions of government agencies relating to the Company, the Advisor or its affiliates, BlackRock, Inc. or The PNC Financial Services Group, Inc.;
- (11) terrorist activities, which may adversely affect the general economy, real estate, financial and capital markets, specific industries, and the Company and the Advisor;
- (12) the ability of the Advisor to attract and retain highly talented professionals;
- (13) fluctuations in foreign currency exchange rates; and
- (14) the impact of changes to tax legislation and, generally, the tax position of the Company.

Forward-looking statements speak only as of the date they are made. The Company does not undertake, and specifically disclaims any obligation, to publicly release the result of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

BLACKROCK KELSO CAPITAL CORPORATION

STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)
September 30, 2005

ASSETS:

Cash and cash equivalents, at fair value (amortized cost of \$417,652,895)	\$ 417,605,390
Investments, at fair value (amortized cost of \$123,943,288)	124,060,153
Interest receivable	187,253
Other assets	122,332

Total Assets	\$ 541,975,128
	=====

LIABILITIES:

Payable for investments purchased	\$ 8,990,000
Offering costs payable	800,000
Management fees payable	436,992
Organizational expenses payable	200,000
Accrued administrative services expenses	185,484
Directors' fees payable	107,670
Other accrued expenses and payables	330,299

Total Liabilities	11,050,445

NET ASSETS:

Common stock, par value \$.001 per share, 40,000,000 common shares authorized, 35,366,589 issued and outstanding	35,367
Paid-in capital in excess of par	529,091,071
Accumulated undistributed net investment income	1,728,885
Net unrealized appreciation	69,360

Total Net Assets	530,924,683

Total Liabilities and Net Assets	\$ 541,975,128
	=====
Net Asset Value Per Share	\$ 15.01
	=====

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

BLACKROCK KELSO CAPITAL CORPORATION

STATEMENT OF OPERATIONS (UNAUDITED)

For the period July 25, 2005 (inception of operations) through September 30, 2005

INVESTMENT INCOME:	
Interest	\$ 3,599,086

EXPENSES:	
Management fees	1,976,340
Organizational	200,000
Administrative services	185,484
Advisor expenses	132,616
Professional fees	126,216
Directors' fees	107,670
Insurance	45,278
Other	84,767

Total Expenses Before Management Fee Waiver	2,858,371
Management fee waiver	(988,170)

Total Expenses After Management Fee Waiver	1,870,201

NET INVESTMENT INCOME	1,728,885

UNREALIZED GAIN ON INVESTMENTS AND CASH EQUIVALENTS Net change in unrealized appreciation:	
Investments	116,865
Cash equivalents	(47,505)

Net change in unrealized appreciation	69,360

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 1,798,245
	=====
Earnings Per Common Share	\$ 0.05
	=====
Basic and Diluted Shares Outstanding	35,366,589

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

BLACKROCK KELSO CAPITAL CORPORATION

STATEMENT OF CHANGES IN NET ASSETS (UNAUDITED)

For the period July 25, 2005 (inception of operations) through September 30, 2005

INCREASE IN NET ASSETS FROM OPERATIONS:	
Net investment income	\$ 1,728,885
Net change in unrealized appreciation	69,360

Net increase in net assets resulting from operations	1,798,245

CAPITAL SHARE TRANSACTIONS:	
Proceeds from shares sold	530,498,845
Less offering costs	(1,372,407)

Net increase in net assets resulting from capital share transactions	529,126,438

TOTAL INCREASE IN NET ASSETS	530,924,683
Net assets at beginning of period	-

Net assets at end of period	\$ 530,924,683
	=====

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

BLACKROCK KELSO CAPITAL CORPORATION

STATEMENT OF CASH FLOWS (UNAUDITED)

For the period July 25, 2005 (inception of operations) through September 30, 2005

OPERATING ACTIVITIES:

Net increase in net assets resulting from operations	\$ 1,798,245
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Purchases of short-term investments - net	(103,196,541)
Purchases of long-term investments	(20,257,000)
Change in unrealized appreciation on investments	(116,865)
Amortization of premium/discount - net	(489,747)
Increase in interest receivable	(187,253)
Increase in other assets	(122,332)
Increase in payable for investments purchased	8,990,000
Increase in offering costs payable	800,000
Increase in management fees payable	436,992
Increase in organizational expenses payable	200,000
Increase in other accrued expenses and payables	623,453

Net cash used in operating activities	(111,521,048)

FINANCING ACTIVITIES

Net proceeds from issuance of common stock:	
Cash	109,408,498
Contribution of short-term investments and cash equivalents	419,717,940

Net cash provided by financing activities	529,126,438

Net increase in cash and cash equivalents	417,605,390
Cash and cash equivalents, beginning of period	-

Cash and cash equivalents, end of period	\$ 417,605,390
	=====
Accumulated Undistributed Net Investment Income	\$ 1,728,885
	=====

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

BLACKROCK KELSO CAPITAL CORPORATION

SCHEDULE OF INVESTMENTS (UNAUDITED)
September 30, 2005

Portfolio Company	Industry	Principal Amount	Amortized Cost	Fair Value
SHORT-TERM INVESTMENTS - 19.5%				
Asset-Backed Security - 2.8%				
RACERS Trust, Series 2005-17-0, 3.86% (LIBOR + 0.02%/Q), 8/21/06, acquired 8/29/05 (*)	Asset-Backed Security	\$ 15,000,000	\$ 15,000,000	\$ 15,008,700
Commercial Paper - 16.7%				
AIG Funding Inc., 3.65%, 12/21/05	Insurance	20,000,000	19,835,750	19,824,500
Banque et Caisse d'Epargne de L'Etat, 3.68%, 12/27/05	Sovereign Agency	20,000,000	19,822,375	19,809,334
BNP Paribas (Canada), 3.76%, 1/24/06	Banking	1,500,000	1,481,984	1,480,929
Credit Suisse First Boston USA, Inc., 3.76%, 1/27/06	Security Broker and Dealer	8,000,000	7,901,404	7,894,751
Danske Corporation, 3.69%, 12/20/05	Banking	20,000,000	19,836,000	19,824,500
Solitaire Funding LLC, 3.92%, 12/28/05	Banking	20,000,000	19,808,355	19,805,189
Total Commercial Paper		89,500,000	88,685,868	88,639,203
TOTAL SHORT TERM INVESTMENTS		104,500,000	103,685,868	103,647,903
LONG-TERM INVESTMENTS - 3.8%				
Subordinated Debt / Corporate Notes - 1.3%				
First Mercury Holdings, Inc., 11.80% (LIBOR + 8.00%/Q), 8/15/12, acquired 8/12/05 (*)	Insurance	1,800,000	1,782,317	1,791,000
InSight Health Services Corp., 9.17% (LIBOR + 5.25%/Q), 11/1/11, acquired 9/16/05 (*)	Diagnostic Imaging	2,500,000	2,487,550	2,487,500
Select Medical Holdings Corporation, 9.93% (LIBOR + 5.75%/S), 9/15/08, acquired 9/15/05 (*)	Specialty Hospitals	2,500,000	2,500,000	2,487,500
Total Subordinated Debt / Corporate Notes		6,800,000	6,769,867	6,766,000
Term Loans - 2.5%				
Bushnell Performance Optics, First Lien, 6.64% (LIBOR + 3.00%), 8/19/11	Leisure Products	1,000,000	1,000,000	1,012,500
HIT Entertainment, Inc., Second Lien, 9.33% (LIBOR + 5.50%), 2/26/13	Entertainment	1,000,000	1,000,000	1,017,500
Metaldyne Corporation et al., First Lien, 8.58% (LIBOR + 4.50%), 12/31/09	Motor Vehicle Parts	1,000,000	995,000	1,005,000
NTELOS Inc., Second Lien, 9.03% (LIBOR + 5.00%), 2/24/12	Telecommunications	2,000,000	1,995,000	2,020,000
PBI Media, Inc., Second Lien, 9.86% (LIBOR + 6.00%), 9/30/13	Information Services	5,000,000	5,000,000	5,050,000
Synventive Acquisition Inc., First Lien, 7.12% (LIBOR + 3.25%), 7/29/12	Injection Molding Systems	1,000,000	997,553	1,007,500
U.S. Security Holdings, Inc., First Lien, 7.27% (LIBOR + 3.25%), 2/29/12	Security Services	1,000,000	1,000,000	1,010,000
Wastequip, Inc., Second Lien, 10.02% (LIBOR + 6.00%), 7/12/11	Waste Treatment	500,000	500,000	505,000
Wembley, Inc., Second Lien, 7.83% (LIBOR + 3.75%), 8/23/12	Gaming	1,000,000	1,000,000	1,018,750
Total Term Loans		13,500,000	13,487,553	13,646,250
TOTAL LONG TERM INVESTMENTS		20,300,000	20,257,420	20,412,250
TOTAL INVESTMENTS		124,800,000	123,943,288	124,060,153

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

BLACKROCK KELSO CAPITAL CORPORATION

SCHEDULE OF INVESTMENTS (UNAUDITED) (continued)
September 30, 2005

Portfolio Company -----	Principal Amount -----	Amortized Cost -----	Fair Value -----
CASH EQUIVALENTS - 78.7% -----			
Commercial Paper - 73.7%			
Bank of America Corporation, 3.67%, 10/24/05	\$ 10,000,000	\$ 9,976,553	\$ 9,976,553
Blue Ridge Asset Funding Corporation, 3.75%, 10/20/05	25,000,000	24,950,521	24,950,521
CheckPoint Charlie, Inc., 3.77%, 10/17/05	5,700,000	5,690,449	5,690,449
Citigroup Funding, Inc., 3.68%, 10/25/05	20,000,000	19,950,933	19,950,933
Concord Minutemen Capital Company, LLC, 3.75%, 10/17/05	26,000,000	25,956,667	25,956,667
Countrywide Financial Corporation, 3.92%, 10/3/05	26,000,000	25,994,338	25,994,338
Eurohypo AG, New York Branch, 3.71%, 10/25/05	20,000,000	20,000,067	20,000,067
Galaxy Funding, Inc., 3.93%, 12/28/05	10,000,000	9,903,933	9,903,689
Lexington Parker Capital Corp., 3.75%, 10/17/05	23,200,000	23,161,333	23,161,333
Liberty Street Funding Corporation, 3.68%, 10/12/05	8,000,000	7,991,004	7,991,004
Liberty Street Funding Corporation, 3.70%, 11/15/05	6,256,000	6,227,066	6,211,635
Liberty Street Funding Corporation, 3.80%, 12/15/05	10,095,000	10,015,081	10,012,137
Lockhart Funding LLC, 3.65%, 10/7/05	25,000,000	24,984,792	24,984,792
Morgan Stanley & Co., 3.75%, 10/19/05	25,000,000	24,953,125	24,953,125
Rabobank USA Financial Corp., 3.88%, 10/3/05	26,000,000	25,994,396	25,994,396
Ranger Funding Co. LLC, 3.68%, 10/13/05	25,000,000	24,969,333	24,969,333
Sedna Finance, Inc., 3.60%, 10/27/05	20,000,000	19,948,000	19,919,797
Silver Tower US Funding LLC, 3.78%, 10/26/05	20,000,000	19,947,500	19,947,500
UBS Finance (Delaware) LLC, 3.80%, 10/5/05	20,000,000	19,991,556	19,991,556
Victory Receivables Corporation, 3.88%, 10/3/05	23,000,000	22,995,042	22,995,042
Wal-Mart Stores, Inc., 3.49%, 10/4/05	17,600,000	17,594,881	17,594,198
Total Commercial Paper	391,851,000	391,196,570	391,149,065
Master Notes - 4.9%			
Merrill Lynch Mortgage Capital, Inc., 3.95%, 10/4/05	26,000,000	26,000,000	26,000,000
Money Market Fund - 0.1%			
Galileo Money Market Fund	456,325	456,325	456,325
TOTAL CASH EQUIVALENTS	418,307,325	417,652,895	417,605,390
TOTAL INVESTMENTS AND CASH EQUIVALENTS - 102.0%	\$543,107,325	\$541,596,183	541,665,543
OTHER ASSETS & LIABILITIES (NET) - (2.0%)			(10,740,860)
NET ASSETS - 100.0%			\$530,924,683

(*) - These securities are exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. In the aggregate, these securities represent 4.1% of net assets as of September 30, 2005.

All of the term loans to our portfolio companies bear interest at a floating rate that may be determined by reference to the London Interbank Offered Rate (LIBOR) or other base rate (commonly the Federal Funds Rate or the Prime Rate), at the borrower's option. Additionally, the borrower under a term loan generally has the option to select from interest rate reset periods of one, two, three or six months and may alter that selection at the end of any reset period.

Reset frequencies for floating rate investments other than term loans are indicated by Q (quarterly) or S (semiannually).

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

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. Organization and Interim Financial Statements

BlackRock Kelso Capital Corporation (the "Company"), was organized as a Delaware corporation on April 13, 2005 and was initially funded on July 25, 2005. The Company has filed an election to be treated as a business development company ("BDC") under the Investment Company Act of 1940 (the "1940 Act"). In addition, for tax purposes the Company intends to elect to be treated as a regulated investment company, or RIC, under the Internal Revenue Code of 1986 (the "Code"). The Company's investment objective is to generate both current income and capital appreciation through debt and equity investments. The Company intends to invest primarily in middle-market companies in the form of senior and junior secured and unsecured debt securities and loans, each of which may include an equity component, and by making direct preferred, common and other equity investments in such companies.

On July 25, 2005, the Company completed a private placement (the "Offering") of 35,366,589 shares of its common stock, par value \$.001 per share (the "Common Stock"), at a price of \$15.00 per share. Net proceeds from the Offering of \$529,126,438 reflect the payment of a placement fee of \$507,407 and additional offering costs of \$865,000. Such additional offering costs represent management's best estimate and are subject to change.

Interim financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 and 10 of Regulation S-X. In the opinion of management, all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim period, have been included. The current period's results of operations will not necessarily be indicative of results that ultimately may be achieved for the fiscal year ending December 31, 2005.

2. Significant Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported period. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ.

The significant accounting policies consistently followed by the Company are:

- (a) Investments for which market quotations are readily available are valued at such market quotations, which are generally obtained from an independent pricing service or one or more broker-dealers or market makers. However, debt investments with remaining maturities within 60 days are valued at cost plus accreted discount, or minus amortized premium, which approximates fair value. Debt and equity securities for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Company's Board of Directors.

Because the Company expects that there will not be a readily available market value for many of the investments in its portfolio, the Company expects to value many of its portfolio investments at fair value as determined in good faith by or under the direction of the Board of Directors using a consistently applied valuation process in accordance with a documented valuation policy that has been reviewed and approved by the Board of Directors. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the Company's investments may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

With respect to the Company's investments for which market quotations are not readily available, the Board of Directors undertakes a multi-step valuation process each quarter, as described below:

- (1) The quarterly valuation process begins with each portfolio company or investment being initially valued

by the investment professionals responsible for the portfolio investment;

- (2) Preliminary valuation conclusions are then documented and discussed with senior management;
- (3) To the extent determined by the Audit Committee of the Board of Directors, independent valuation firms engaged by the Board of Directors conduct independent appraisals and review management's preliminary valuations and their own independent assessment;
- (4) The Audit Committee of the Board of Directors reviews the preliminary valuations of the investment professionals and senior management and that of the independent valuation firms; and
- (5) The Board of Directors discusses valuations and determines the fair value of each investment in the portfolio in good faith based on the input of the Company's investment advisor, the respective independent valuation firms and the Audit Committee.

The types of factors that the Company may take into account in fair value pricing its investments include, as relevant, the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, comparison to publicly traded securities and other relevant factors.

Determination of fair values involves subjective judgments and estimates. Accordingly, these notes to the financial statements express the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on the financial statements.

The carrying value of the Company's financial instruments approximate fair value. The carrying value of interest receivable and other assets, accounts payable and accrued expenses, approximate fair value due to their short maturity.

At this time, none of the Company's portfolio companies is controlled by or affiliated with the Company as defined in the 1940 Act.

- (b) Cash equivalents include short-term liquid investments in a money market fund and money market instruments with a remaining maturity when purchased of three months or less.
- (c) Security transactions are accounted for on the trade date unless there are substantial conditions to the purchase.
- (d) Gains or losses on the sale of investments are calculated using the specific identification method.
- (e) Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis. Interest income is not accrued if collection is deemed doubtful or the related investment is in default. For loans and debt securities with contractual PIK interest, which represents contractual interest accrued and added to the loan balance that generally becomes due at maturity, PIK interest is not accrued if the portfolio company valuation indicates that the PIK interest is not collectible. Origination, closing and/or commitment fees and discounts and premiums on investments purchased are accreted/amortized over the life of the respective investment using the effective yield method. Upon the prepayment of a loan or debt security, any prepayment penalties and unamortized loan origination, closing and commitment fees are recorded as interest income.
- (f) A portion of the net proceeds of the Offering was used to pay the Company's offering costs. The offering costs were charged against the proceeds from the Offering when received and were approximately \$1,372,407.
- (g) The Company intends to qualify for the tax treatment applicable to regulated investment companies under Subchapter M of the Code, and, among other things, intends to make the requisite distributions to its stockholders which will relieve the Company from Federal income and excise taxes. Therefore, no provision has been recorded for Federal income or excise taxes.

In order to qualify as a RIC, the Company is required to distribute to its stockholders at least 90% of investment company taxable income, as defined by the Code. To avoid Federal excise taxes, the Company must distribute at least 98% of its income (both ordinary income and net capital gains).

In accordance with GAAP, book and tax basis differences relating to stockholder distributions and other permanent book and tax differences are reclassified to capital in excess of par. In addition, the character of income and gains to be distributed is determined in accordance with income tax regulations that may differ from GAAP.

- (h) Dividends and distributions to common stockholders are recorded on the record date. The amount to be paid out as a dividend is determined by the Board of Directors.

The Company has adopted a dividend reinvestment plan that provides for reinvestment of distributions on behalf of stockholders, unless a stockholder elects to receive cash. As a result, if the Board of Directors authorizes, and the Company declares, a cash dividend, then stockholders who have not "opted out" of the dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of Common Stock, rather than receiving the cash dividends.

3. Agreements and Related Party Transaction

The Company has entered into an Investment Management Agreement (the "Management Agreement") with BlackRock Kelso Capital Advisors LLC (the "Advisor"), under which the Advisor, subject to the overall supervision of the Company's Board of Directors, will manage the day-to-day operations of, and provide investment advisory services to, the Company. For providing these services, the Advisor receives a fee (the "Management Fee") from the Company at an annual rate of 2.0% of the Company's total assets, including any assets acquired with the proceeds of leverage. For services rendered under the Management Agreement during the period commencing from the closing of the Offering (the "Closing") through and including the first twelve months of operations, the Management Fee will be payable monthly in arrears. For services rendered under the Management Agreement after that time, the Management Fee will be paid quarterly in arrears. 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 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 first anniversary of the Closing, whichever is sooner (the "Ramp-Up Date"). Thereafter, the Advisor has agreed to waive, until such time as the Company has completed an initial public offering of its Common Stock and listed its Common Stock on a national securities exchange ("Public Market Event"), one-quarter of the amount of the Management Fee the Advisor would otherwise be entitled to receive from the Company. In addition, the Advisor has agreed to (a) waive Management Fees for any calendar year in excess of approximately \$11.9 million until the earlier of (i) such time as the Company has completed the Public Market Event or (ii) the fourth anniversary of the Company's inception of operations and (b) waive Management Fees in excess of approximately \$5.6 million during the fifth year of the Company's existence unless the Company has completed the Public Market Event.

For the period July 25, 2005 (inception of operations) through September 30, 2005, the Advisor earned \$988,170 in base investment advisory and management fees, net of the waiver provision, from the Company.

The Management Agreement provides that the Advisor or its affiliates may be entitled to an incentive fee (the "Carried Interest") under certain circumstances. 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 Company stockholders, as described in more detail below, 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 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 at the same time as, and not in advance of, any distributions in respect of the Company's Common Stock, (i) 50% of the amount by which the

cumulative distributions and amounts distributable to the holders of the Common Stock of the Company 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 cumulative amounts distributed pursuant to this paragraph and the cumulative amounts of net income (including realized capital gains in excess of realized capital losses) in excess of net unrealized capital depreciation distributed to the holders of the Company's Common Stock, and (ii) thereafter an amount equal to 20% of the sum of the amount distributed pursuant to this paragraph and the cumulative amounts of net income (including realized capital gains in excess of realized capital losses) in excess of net unrealized capital depreciation distributed to the holders of the Company's Common Stock. 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 did not exceed the net amount of capital depreciation at the beginning of such period and does not exceed the excess of cumulative realized capital gains over cumulative realized capital losses.

For the period July 25, 2005 (inception of operations) through September 30, 2005, no Carried Interest amounts were earned by the Advisor or its affiliates.

The Management Agreement provides that the Company will reimburse the Advisor for costs and expenses incurred by the Advisor for office space rental, office equipment and utilities allocable to the performance by the Advisor of its duties under the Management Agreement, as well as any costs and expenses incurred by the Advisor relating to any non-investment advisory, administrative or operating services provided by the Advisor to the Company. For the period July 25, 2005 (inception of operations) through September 30, 2005, the Company accrued \$132,616 for costs and expenses reimbursable to the Advisor under the Management Agreement.

No person who is an officer, director or employee of the Advisor and who serves as a director of the Company receives any compensation from the Company for such services. Directors who are not affiliated with the Advisor receive compensation for their services and reimbursement of expenses incurred to attend meetings.

The Company has also entered into an Administration Agreement with BlackRock Financial Management, Inc. (the "Administrator"), a majority-owned subsidiary of The PNC Financial Services Group, Inc., under which the Administrator provides administrative services to the Company. For providing these services, facilities and personnel, the Company reimburses the Administrator for the Company's allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under the Administration Agreement, including rent and the Company's allocable portion of the cost of the Company's officers and their respective staffs. The Administrator will also provide on the Company's behalf and at its request managerial assistance to those portfolio companies to which the Company is required to provide such assistance.

For the period July 25, 2005 (inception of operations) through September 30, 2005, the Company accrued \$185,484 for administrative services expenses payable to the Administrator under the Administration Agreement.

From time to time, the Administrator may pay amounts owed by the Company to third party providers of goods or services. The Company will subsequently reimburse the Administrator for such amounts paid on its behalf. For the period July 25, 2005 (inception of operations) through September 30, 2005, the Company reimbursed the Administrator \$180,910 for payments made on behalf of the Company to third party providers of goods and services. At September 30, 2005, an additional \$17,965 has been accrued for and is owing to the Administrator for such payments.

PFPC Inc. ("PFPC"), a majority-owned subsidiary of The PNC Financial Services Group, Inc., provides administrative and accounting services to the Company pursuant to a Sub-Administration and Accounting Services Agreement. PFPC Trust Company provides custodian services to the Company pursuant to a Custodian Services Agreement. Also, PFPC provides transfer agency and compliance support services to the Company pursuant to a Transfer Agency Agreement and a Compliance Support Services Agreement, respectively. For the services provided to the Company by PFPC and its affiliates, PFPC is entitled to an annual fee of 0.02% of the Company's average net assets plus reimbursement of reasonable expenses, and a base fee, payable monthly.

For the period July 25, 2005 (inception of operations) through September 30, 2005, the Company accrued \$33,450 for administrative, accounting, custodian and transfer agency services fees payable to PFPC and its affiliates under the related agreements.

On July 25, 2005, in connection with the closing of the Offering, the Company issued approximately 33,333,333 shares of its common stock to an entity for which the Advisor serves as manager in exchange for total consideration of \$500,000,000 (\$15.00 per share), consisting of \$80,282,060 in cash and a portfolio of short-term investments and cash equivalents valued at \$419,717,940. The transaction was effected in accordance with the Company's valuation procedures governing securities transactions with affiliates and was ratified by the Board of Directors.

As of September 30, 2005, the Advisor beneficially owned 733,333 shares of the Company's Common Stock, representing approximately 2.1% of the total shares outstanding. As of September 30, 2005, other entities affiliated with the Administrator and PFPC beneficially owned 2,309,150 shares of the Company's Common Stock, representing approximately 6.5% of the total shares outstanding.

4. Organizational Expenses and Offering Costs

A portion of the proceeds of the Offering was used for organizational expenses and offering costs of approximately \$200,000 and \$1,372,407, respectively. Organizational expenses are expensed as incurred. Offering costs have been charged against paid-in capital in excess of par. Such organizational expenses and offering costs represent management's best estimate and are subject to change.

5. Earnings Per Share

The following information sets forth the computation of basic and diluted net increase in net assets per share resulting from operations for the period July 25, 2005 (inception of operations) through September 30, 2005.

Numerator for basic and diluted net increase in net assets per share:

\$1,798,245.

Denominator for basic and diluted weighted average shares: 35,366,589.

Basic and diluted net increase in net assets per share resulting from operations: \$0.05.

Diluted net increase in net assets per share resulting from operations equals basic net increase in net assets per share resulting from operations for the period because there were no common stock equivalents outstanding during the period.

6. Purchases and Sales of Investments

Excluding short-term investments, the Company's purchases of investments for the period July 25, 2005 (inception of operations) to September 30, 2005 totaled \$20,257,000. There were no sales of investments during the period.

7. Risks and Uncertainties

The Company has no operating history. It is subject to the business risks and uncertainties associated with any new business. During the period required for the Company to identify and evaluate suitable investments in private middle-market companies, the Company may invest in temporary investments that earn yields that could be substantially lower than required to cover its operating expenses or to pay dividends at all or at a particular level. Many entities will compete with the Company to make the types of investments that it plans to make in middle-market companies and such entities may have one or more competitive advantages compared to the Company. As an externally-managed BDC, the Company will be largely dependent on the efforts of the Advisor and other service providers.

The Company is subject to financial market risks, including changes in interest rates. Many of the investments in the Company's portfolio are expected to have floating rates. While hedging activities may insulate the Company against adverse changes in interest rates, they may also limit the Company's ability to participate in the benefits of lower interest rates with respect to its portfolio of investments.

The Company intends to make investments in private companies, which may be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. Each of these factors could cause the Company to realize significantly less than the value at which it has previously recorded such investments if it were necessary to liquidate all or a portion of its portfolio quickly.

The Company's investments will primarily be rated below investment-grade or unrated but of comparable credit quality to those rated below investment-grade. The lower rating of such investments reflects a greater possibility that adverse changes in the financial condition of the issuer of such investments or in general business or economic conditions or both may impair the ability of such issuer to make payments of principal and interest. The debt and equity securities or obligations in which the Company will invest may be subordinate to other securities or obligations of the issuers of such investments. The Company may also invest in securities and obligations that may be in covenant or payment default or are issued by companies involved in bankruptcy or other reorganization and liquidation proceedings. The repayment of defaulted obligations is subject to significant uncertainties.

Subject to complying with the diversification requirements to qualify as a RIC, 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. As a result, the Company could be more vulnerable to events affecting a single issuer or industry and therefore subject to greater volatility than a company whose investments were more broadly diversified.

8. Guarantees

In the normal course of business, the Company enters into contractual agreements that provide general indemnifications against losses, costs, claims and liabilities arising from the performance of individual obligations under such agreements. The Company has had no prior claims or payments pursuant to such agreements. The Company's individual maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. However, based on management's experience, the Company expects the risk of loss to be remote.

9. Financial Highlights

The following is a schedule of financial highlights for the period July 25, 2005 (inception of operations) through September 30, 2005.

Per Share Data:

Net asset value, beginning of period	\$ -

Gross proceeds from Offering	15.00
Offering costs	(0.04)

Net proceeds from Offering	14.96

Net investment income	0.05
Net unrealized appreciation	0.00*

Net increase in net assets resulting from operations	0.05

Net asset value, end of period	\$15.01
	=====
Total return (1)	0.07%
Shares outstanding at end of period	35,366,589

Ratio / Supplemental Data:

Ratio of expenses to average net assets (2)	
Before management fee waiver	2.94%

After management fee waiver	1.92%
Ratio of net interest income to average net assets (2)	1.78%

* Less than \$0.01.

(1) Total return is based on the change in net asset value per share assuming an investment at the initial offering price of \$15.00 per share. Total return also takes into account dividends and distributions, if any, reinvested in accordance with the Company's dividend reinvestment plan. Interim periods are not annualized.

(2) Annualized.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

BlackRock Kelso Capital Corporation (the "Company," "we," "us," and "our"), was incorporated in Delaware on April 13, 2005 and was initially funded on July 25, 2005. Our investment objective is to provide a combination of current income and capital appreciation. We intend to invest primarily in debt and equity securities of private U.S. middle-market companies. The term "middle-market" refers to companies with annual revenues typically between \$25 million and \$500 million.

We are externally managed and have elected to be treated as a business development company ("BDC") under the Investment Company Act of 1940 (the "1940 Act"). As a BDC, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in "qualifying assets," including securities of private U.S. companies, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less.

On July 25, 2005, we completed a private placement (the "Offering") of 35,366,589 shares of our common stock, par value \$.001 per share (the "Common Stock"), at a price of \$15.00 per share. Net proceeds from the offering of \$529,126,438 reflect the payment of a placement fee of \$507,407 and additional offering costs of \$865,000. Such offering costs represent management's best estimate and are subject to change.

We intend to elect to be treated as a regulated investment company, or a RIC, under Subchapter M of the Internal Revenue Code of 1986 (the "Code"). To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements. Pursuant to these elections, we generally will not have to pay corporate-level taxes on any income that we distribute to our stockholders.

Critical Accounting Policies, Estimates and Judgments

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Changes in the economic environment, financial markets and any other parameters used in determining such estimates could cause actual results to differ. In addition to the discussion below, our critical accounting policies are further described in the notes to the financial statements.

Valuation of Portfolio Investments

As a BDC, we intend to invest in illiquid securities including debt and equity securities of middle-market companies. Under procedures established by our Board of Directors, we value investments for which market quotations are readily available at such market quotations, which are generally obtained from an independent pricing service or one or more broker-dealers or market makers. However, we value debt investments with remaining maturities within 60 days at cost plus accreted discount, or minus amortized premium, which approximates fair value. Debt and equity securities for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of our Board of Directors. Such determination of fair values may involve subjective judgments and estimates. With respect to investments for which market quotations are not readily available, our Board of Directors, together with independent valuation advisers, values each investment considering, among other measures, discounted cash flow

models, comparisons of financial ratios of peer companies that are public and other factors.

Because we expect that there will not be a readily available market for many of the investments in our portfolio, we expect to value many of our portfolio investments at fair value as determined in good faith by or under the direction of our Board of Directors using a consistently applied valuation process in accordance with a documented valuation policy that has been reviewed and approved by the Board of Directors. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

With respect to investments for which market quotations are not readily available, our Board of Directors undertakes a multi-step valuation process each quarter, as described below:

- o Our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals responsible for the portfolio investment;
- o Preliminary valuation conclusions are then documented and discussed with senior management;
- o To the extent determined by the Audit Committee of our Board of Directors, independent valuation firms engaged by our Board of Directors conduct independent appraisals and review management's preliminary valuations and their own independent assessment;
- o The Audit Committee of our Board of Directors reviews the preliminary valuations of the investment professionals and senior management and that of the independent valuation firms; and
- o The Board of Directors discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of our investment adviser, the respective independent valuation firms and the Audit Committee.

Revenue Recognition

We record interest income, adjusted for amortization of premium and accretion of discount, on an accrual basis. We do not accrue interest income if collection is deemed doubtful or the related investment is in default. For loans and debt securities with contractual PIK interest, which represents contractual interest accrued and added to the loan balance that generally becomes due at maturity, we do not accrue PIK interest if the portfolio company valuation indicates that the PIK interest is not collectible. Origination, closing and/or commitment fees and discounts and premiums on investments purchased are accreted/amortized over the life of the respective investment using the effective yield method. Upon the prepayment of a loan or debt security, we record any prepayment penalties and unamortized loan origination, closing and commitment fees as interest income.

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

We measure realized gains or losses by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized, but considering unamortized upfront fees and prepayment penalties. Realized gains and losses are computed using the specific identification method. Net change in unrealized appreciation or depreciation reflects the change in portfolio investment values during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation, when gains or losses are realized.

Within the context of these critical accounting policies, we are not currently aware of any reasonably likely events or circumstances that would result in materially different amounts being reported.

Risks and Uncertainties

The Company has no operating history. It is subject to the business risks and uncertainties associated with any new business. During the period required for the Company to identify and evaluate suitable investments in private middle-market companies, the Company may invest in temporary investments that earn yields that could be substantially lower than required to cover its operating expenses or to pay dividends at all or at a particular level. Many entities will

compete with the Company to make the types of investments that it plans to make in middle-market companies and such entities may have one or more competitive advantages compared to the Company. As an externally-managed BDC, the Company will be largely dependent on the efforts of its investment advisor and other service providers.

The Company is subject to financial market risks, including changes in interest rates. Many of the investments in the Company's portfolio are expected to have floating rates. While hedging activities may insulate the Company against adverse changes in interest rates, they may also limit the Company's ability to participate in the benefits of lower interest rates with respect to its portfolio of investments.

The Company intends to make investments in private companies, which may be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. Each of these factors could cause the Company to realize significantly less than the value at which it has previously recorded such investments if it were necessary to liquidate all or a portion of its portfolio quickly.

The Company's investments will primarily be rated below investment-grade or unrated but of comparable credit quality to those rated below investment-grade. The lower rating of such investments reflects a greater possibility that adverse changes in the financial condition of the issuer of such investments or in general business or economic conditions or both may impair the ability of such issuer to make payments of principal and interest. The debt and equity securities or obligations in which the Company will invest may be subordinate to other securities or obligations of the issuers of such investments. The Company may also invest in securities and obligations that may be in covenant or payment default or are issued by companies involved in bankruptcy or other reorganization and liquidation proceedings. The repayment of defaulted obligations is subject to significant uncertainties.

Subject to complying with the diversification requirements to qualify as a RIC, 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. As a result, the Company could be more vulnerable to events affecting a single issuer or industry and therefore subject to greater volatility than a company whose investments were more broadly diversified.

Other factors that may affect the Company's future results include those described under the heading "Cautionary Statement Regarding Forward-Looking Statements" in this quarterly report on Form 10-Q.

Portfolio and Investment Activity

We completed our first partial quarter of operations on September 30, 2005 with our portfolio invested 19.5% (as a percent of net asset value) in short-term investments, 3.8% in long-term investments and 78.7% in cash equivalents. Short-term investments consist of high-quality debt investments (other than cash equivalents) that mature within one year or less from the date of purchase. Long-term investments consist of subordinated debt/corporate notes and term loans. All of our subordinated debt/corporate notes at September 30, 2005 were accruing interest at floating rates based on LIBOR. Term loans typically accrue interest at floating rates determined by reference to LIBOR or other base rate (commonly the Federal Funds Rate or the Prime Rate) with stated maturities at origination that range from 5 to 10 years. At September 30, 2005, the weighted average yield of our long-term investments was 9.3%. The weighted average yield of our subordinated debt/corporate notes and term loans was 10.4% and 7.7%, respectively. We compute yields using interest rates as of the purchase date and include amortization of loan origination fees, original issue discount and market premium or discount, weighted by their respective costs.

To maintain our status as a BDC, we must not acquire any assets other than "qualifying assets" unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets. If we invest in an issuer that has outstanding marginable securities at the time we make an investment, these acquired assets may not be treated as qualifying assets. This results from the definition of "eligible portfolio company" under the 1940 Act, which in part looks to whether a company has outstanding marginable securities. Amendments promulgated in 1998 by the Board of Governors of the Federal Reserve System to Regulation T under the Securities Exchange Act of 1934 expanded the definition of marginable security to include any non-equity security. These amendments have raised questions as to whether a private company that has outstanding debt securities would qualify as an eligible portfolio company. The staff of the Securities and Exchange Commission (the "SEC") has been considering these issues but has not to our knowledge reached a conclusion. The SEC has proposed a rule that would clarify that "qualifying assets" could include

securities of companies whose equity securities are not marginable, and legislation has been introduced in Congress that would liberalize the range of investments that we could treat as "qualifying assets."

Results of Operations

We commenced operations on July 25, 2005 and, therefore, have no period with which to compare results for the partial quarter ended September 30, 2005.

Operating Income

Investment income during our initial period of operations largely reflects income generated from cash equivalents and short-term investments. Investment income totaled \$3,599,086 for the period July 25, 2005 (inception of operations) through September 30, 2005, of which \$3,542,146 was attributable to short-term investments and cash equivalents, \$34,024 to subordinated debt/corporate notes and \$22,916 to term loans. As we continue to invest the net proceeds from the Offering in longer-term investments, we expect that we will generate additional income at rates higher than those we received on our investments during the initial period.

Operating Expenses

Operating expenses for the period July 25, 2005 (inception of operations) through September 30, 2005 were approximately \$1,870,201, consisting of \$988,170 in management fees (net of the management fee waiver of \$988,170), \$200,000 in expenses related to the organization of the Company, \$185,484 in administrative services expenses, \$132,616 in Advisor expenses, \$126,216 in professional fees, \$107,670 for directors' fees, \$45,278 in insurance expenses and \$84,767 in other expenses.

Net Investment Income

The Company's net investment income was \$1,728,885 for the period July 25, 2005 (inception of operations) through September 30, 2005.

Net Unrealized Appreciation

For the period July 25, 2005 (inception of operations) through September 30, 2005, the Company's net unrealized appreciation was \$69,360. Net unrealized appreciation on investments totaled \$116,865. The Company had net unrealized depreciation of \$47,505 on cash equivalents.

Net Increase in Net Assets Resulting From Operations

The net increase in net assets resulting from operations for the period July 25, 2005 (inception of operations) through September 30, 2005 was \$1,798,245.

Financial Condition, Liquidity and Capital Resources

During the period July 25, 2005 (inception of operations) to September 30, 2005, we completed a private placement of 35,366,589 shares of our Common Stock at a price of \$15.00 per share. The net proceeds from the Offering of \$529,126,438 consisted of cash of \$109,408,498 and a contribution of short-term investments and cash equivalents of \$419,717,940.

We generated cash primarily from the net proceeds of the Offering as well as cash flows from operations, including income earned from temporary investments in cash equivalents and high-quality debt investments that mature in one year or less. In the future, we may also fund a portion of our investments through borrowings from banks and issuances of senior securities. We do not expect to incur such indebtedness until the proceeds from the Offering have been substantially invested. In the future, we may also securitize a portion of our investments in mezzanine or senior secured loans or other assets. Our primary use of funds will be investments in portfolio companies and cash distributions to stockholders.

We anticipate that it will take up to two years to invest substantially all of the net proceeds from the Offering due to the time necessary to identify, evaluate, structure, negotiate and close suitable investments in portfolio companies. We can

offer no assurances that we will be able to invest all of our net proceeds within this time frame, as our investment outlook will depend on the availability of appropriate investment opportunities consistent with our investment objectives and other market conditions.

The Company's operating activities resulted in a net use of cash of \$111,521,048 for the period July 25, 2005 (inception of operations) through September 30, 2005, primarily due to the purchase of investments and the payment of management fees and other expenses.

The Company's financing activities provided cash of \$529,126,438 for the period July 25, 2005 (inception of operations) through September 30, 2005, representing the net proceeds of the Offering.

The Company had no outstanding capital commitments at September 30, 2005.

Off-Balance Sheet Financing

We have no off-balance sheet contractual obligations or arrangements.

Dividends

We intend to elect to be treated as a RIC under Subchapter M of the Code. In order to maintain our status as a RIC, we are required to (1) distribute at least 90% of our investment company taxable income and (2) distribute at least 98% of our income (both ordinary income and net capital gains) to avoid an excise tax. For 2005, we anticipate declaring our first dividend in December, which will be payable in January 2006. Thereafter, we intend to make distributions to our stockholders on a quarterly basis of substantially all of our net operating income. We also intend to make distributions of net realized capital gains, if any, at least annually.

We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of these distributions from time to time. In addition, we may be limited in our ability to make distributions due to the asset coverage test for borrowings when applicable to us as a BDC under the 1940 Act. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including possible loss of our status as a RIC. We cannot assure stockholders that they will receive any distributions at all or at a particular level.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company is subject to financial market risks, including changes in interest rates. We expect that many of the term loans in our portfolio will have floating rates. At September 30, 2005, all of our long-term investments were floating rate and approximately 98% of our net assets consisted of high quality short-term investments and cash equivalents. As such, our portfolio is not expected to be materially impacted by market interest rate fluctuations. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in the benefits of lower interest rates with respect to our portfolio of investments. During the period July 25, 2005 (inception of operations) through September 30, 2005, we did not engage in any hedging activities.

Item 4. Controls and Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15 under the Securities Exchange Act of 1934). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our current disclosure controls and procedures are effective in timely alerting them to material information relating to the Company that is required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934.

There have been no changes in our internal control over financial reporting that occurred during the period July 25, 2005 (inception of operations) through September 30, 2005 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

We are not a party in any pending legal proceeding, and no such proceedings are known to be contemplated.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Not required.

Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

(a) Exhibits.

- 3.1 Form of Administration Agreement between Registrant and BlackRock Financial Management, Inc.
- 3.2 Form of Transfer Agency Services Agreement between Registrant and PFPC Inc.
- 3.3 Form of Sub-Administration and Accounting Services Agreement between Registrant, PFPC Inc. and BlackRock Financial Management, Inc.
- 31.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BLACKROCK KELSO CAPITAL CORPORATION

Date: November 14, 2005

By: /s/ James R. Maher

James R. Maher
Chief Executive Officer

Date: November 14, 2005

By: /s/ Frank D. Gordon

Frank D. Gordon
Chief Financial Officer

ADMINISTRATION AGREEMENT

AGREEMENT (this "Agreement") made as of August 4, 2005 by and between BlackRock Kelso Capital Corporation, a Delaware corporation (hereinafter referred to as the "Corporation"), and BlackRock Financial Management, Inc., a Delaware corporation (hereinafter referred to as the "Administrator").

W I T N E S S E T H:

WHEREAS, the Corporation is a newly organized closed-end management investment company that has elected to be treated as a business development company under the Investment Company Act of 1940, as amended (hereinafter referred to as the "Investment Company Act");

WHEREAS, the Corporation desires to retain the Administrator to provide administrative services to the Corporation in the manner and on the terms hereinafter set forth; and

WHEREAS, the Administrator is willing to provide administrative services to the Corporation on the terms and conditions hereafter set forth.

NOW, THEREFORE, in consideration of the premises and the covenants hereinafter contained and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Corporation and the Administrator hereby agree as follows:

1. Duties of the Administrator.

(a) Employment of Administrator. The Corporation hereby employs the Administrator to act as administrator of the Corporation, and to furnish, or arrange for others to furnish, the administrative services, personnel and facilities described below, subject to review by and the overall control of the Board of Directors of the Corporation, for the period and on the terms and conditions set forth in this Agreement. The Administrator hereby accepts such employment and agrees during such period to render, or arrange for the rendering of, such services and to assume the obligations herein set forth subject to the reimbursement of costs and expenses as provided for below. The Administrator and any such other persons providing services arranged for by the Administrator shall for all purposes herein be deemed to be independent contractors and shall, unless otherwise expressly provided or authorized herein, have no authority to act for or represent the Corporation in any way or otherwise be deemed agents of the Corporation.

(b) Services. The Administrator shall perform (or oversee, or arrange for, the performance of) the administrative services necessary for the operation of the Corporation. Without limiting the generality of the foregoing, the Administrator shall provide the Corporation with office facilities, equipment, clerical, bookkeeping and record keeping services at such office facilities and such other services as the Administrator, subject to review by the Board of Directors of the Corporation, shall from time to time determine to be necessary or useful to perform its obligations under this Agreement. The Administrator shall also, on behalf of the Corporation, arrange for the services of, and oversee, custodians, depositories, transfer agents, dividend disbursing agents, other stockholder servicing agents, accountants, attorneys, underwriters, brokers and dealers, corporate fiduciaries, insurers, banks and such other persons in any such other capacity deemed to be necessary or desirable. The Administrator shall make reports to the Corporation's Board of Directors of its performance of obligations hereunder and furnish advice and recommendations with respect to such other aspects of the business and affairs of the Corporation as it shall determine to be desirable; provided that nothing herein shall be construed to require the Administrator to, and the Administrator shall not, provide any advice or recommendation relating to the securities and other assets that the Corporation should purchase, retain or sell or any other investment advisory services to the Corporation. The Administrator shall be responsible for the financial and other records that the Corporation is required to maintain and shall prepare all reports and other materials required to be filed with the Securities and Exchange Commission (the "SEC") or any other regulatory authority, including reports to stockholders. At the Corporation's request, the Administrator will provide on the Corporation's behalf significant managerial assistance to those portfolio companies to which the Corporation is required to provide such assistance. In addition, the Administrator will assist the Corporation in determining and publishing the Corporation's net asset value, overseeing the preparation and filing of the Corporation's tax returns, and the printing and dissemination of reports to stockholders of the Corporation, and generally overseeing the payment of the Corporation's expenses and the performance of administrative and professional services rendered to the Corporation by others.

2. Records. The Administrator agrees to maintain and keep all books, accounts and other records of the Corporation that relate to activities performed by the Administrator hereunder and, if required by the Investment Company Act, will maintain and keep such books, accounts and records in accordance with that act. In compliance with the requirements of Rule 31a-3 under the Investment Company Act, the Administrator agrees that all records that it maintains for the Corporation shall at all times remain the property of the Corporation, shall be readily accessible during normal business hours, and shall be promptly surrendered upon the termination of this Agreement or otherwise on written request. The Administrator further agrees that all

records which it maintains for the Corporation pursuant to Rule 31a-1 under the Investment Company Act will be preserved for the periods prescribed by Rule 31a-2 under the Investment Company Act unless any such records are earlier surrendered as provided above. Records shall be surrendered in usable machine-readable form. The Administrator shall have the right to retain copies of such records subject to observance of its confidentiality obligations under this Agreement.

3. Confidentiality. The parties hereto agree that each shall treat confidentially all information provided by each party to the other regarding its business and operations. All confidential information provided by a party hereto, including nonpublic personal information pursuant to Regulation S-P of the SEC, shall be used by any other party hereto solely for the purpose of rendering services pursuant to this Agreement and, except as may be required in carrying out this Agreement, shall not be disclosed to any third party, without the prior consent of such providing party. The foregoing shall not be applicable to any information that is publicly available when provided or thereafter becomes publicly available other than through a breach of this Agreement, or that is required to be disclosed by any regulatory authority, any authority or legal counsel of the parties hereto, by judicial or administrative process or otherwise by applicable law or regulation.

4. Compensation; Allocation of Costs and Expenses.

(a) In full consideration of the provision of the services of the Administrator, the Corporation shall reimburse the Administrator for the costs and expenses incurred by the Administrator in performing its obligations and providing personnel and facilities hereunder.

(b) The Corporation will bear all costs and expenses that are incurred in its operation and transactions and not specifically assumed by the Corporation's investment adviser (the "Adviser"), pursuant to that certain Investment Management Agreement, dated as of July 25, 2005 by and between the Corporation and the Adviser. Costs and expenses to be borne by the Corporation include, but are not limited to, those relating to: organization and offering; calculating the Corporation's net asset value (including the cost and expenses of any independent valuation firm); expenses incurred by the Adviser payable to third parties, including agents, consultants or other advisors, in monitoring financial and legal affairs for the Corporation and in monitoring the Corporation's investments and performing due diligence on its prospective portfolio companies; interest payable on debt, if any, incurred to finance the Corporation's investments; offerings of the Corporation's common stock and other securities; investment advisory and management fees; administration fees, if any, payable under this Agreement; fees payable to third parties, including agents, consultants or other advisors, relating to, or associated with, evaluating and making investments; transfer agent and custodial fees; federal and state registration fees; all costs of registration and listing the Corporation's shares on any securities exchange; federal, state and local taxes; independent directors' fees and expenses; costs of preparing and filing reports or other documents required by the SEC; costs of any reports, proxy statements or other notices to stockholders, including printing costs; the Corporation's allocable portion of the fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums; direct costs and expenses of administration, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs; and all other expenses incurred by the Corporation or the Administrator in connection with administering the Corporation's business, including payments under this Agreement based upon the Corporation's allocable portion of the Administrator's overhead in performing its obligations under this Agreement, including rent and the allocable portion of the cost of the Corporation's officers and their respective staffs.

5. Limitation of Liability of the Administrator; Indemnification. The Administrator, its affiliates and their respective officers, managers, partners, agents, employees, controlling persons, members, and any other person or entity affiliated with any of them (collectively, the "Indemnified Parties"), shall not be liable to the Corporation for any action taken or omitted to be taken by the Administrator in connection with the performance of any of its duties or obligations under this Agreement or otherwise as administrator for the Corporation, and the Corporation shall indemnify, defend and protect the Administrator (and its officers, managers, partners, agents, employees, controlling persons, members, and any other person or entity affiliated with the Administrator, including without limitation the Indemnified Parties (each of whom shall be deemed a third party beneficiary hereof) and hold them harmless from and against all damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) incurred by the Indemnified Parties in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding (including an action or suit by or in the right of the Corporation or its security holders) arising out of or otherwise based upon the performance of any of the Administrator's duties or obligations under this Agreement or otherwise as administrator for the Corporation. Notwithstanding the preceding sentence of this Paragraph 5 to the contrary, nothing contained herein shall protect or be deemed to protect the Indemnified Parties against or entitle or be deemed to entitle the Indemnified Parties to indemnification in respect of, any liability to the Corporation or its security holders to which the Indemnified Parties would otherwise be subject by reason of criminal conduct, willful misfeasance, bad faith or negligence in the performance of the Administrator's duties or by reason of the reckless disregard of the Administrator's duties and obligations under this Agreement (to the extent applicable, as the same shall be determined in accordance with the Investment

Company Act and any interpretations or guidance by the SEC or its staff thereunder).

6. Activities of the Administrator. The services of the Administrator to the Corporation are not to be deemed to be exclusive, and the Administrator and each other person providing services as arranged by the Administrator is free to render services to others. It is understood that directors, officers, employees and stockholders of the Corporation are or may become interested in the Administrator and its affiliates, as directors, officers, members, managers, employees, partners, stockholders or otherwise, and that the Administrator and directors, officers, members, managers, employees, partners and stockholders of the Administrator and its affiliates are or may become similarly interested in the Corporation as stockholders or otherwise.

7. Duration and Termination of this Agreement.

(a) This Agreement shall become effective as of the date hereof, and shall remain in force with respect to the Corporation for two years thereafter, and thereafter continue from year to year, but only so long as such continuance is specifically approved at least annually by (i) the Board of Directors of the Corporation and (ii) a majority of those members of the Corporation's Board of Directors who are not parties to this Agreement or "interested persons" (as defined in the Investment Company Act) of any such party.

(b) This Agreement may be terminated at any time, without the payment of any penalty, by vote of the Corporation's Board of Directors, or by the Administrator, upon 60 days' written notice to the other party. This Agreement may not be assigned by a party without the consent of the other party.

8. Amendments of this Agreement. This Agreement may not be amended or modified except by an instrument in writing signed by all parties hereto.

9. Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party may assign, delegate or otherwise transfer this Agreement or any of its rights or obligations hereunder without the prior written consent of the other party. No assignment by either party permitted hereunder shall relieve the applicable party of its obligations under this Agreement. Any assignment by either party in accordance with the terms of this Agreement shall be pursuant to a written assignment agreement in which the assignee expressly assumes the assigning party's rights and obligations hereunder.

10. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, including without limitation Sections 5-1401 and 5-1402 of the New York General Obligations Law and New York Civil Practice Laws and Rules 327(b), and the applicable provisions of the Investment Company Act, if any. To the extent that the applicable laws of the State of New York, or any of the provisions herein, conflict with the applicable provisions of the Investment Company Act, if any, the latter shall control. The parties unconditionally and irrevocably consent to the exclusive jurisdiction of the courts located in the State of New York and waive any objection with respect thereto, for the purpose of any action, suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

11. No Waiver. The failure of either party to enforce at any time for any period the provisions of or any rights deriving from this Agreement shall not be construed to be a waiver of such provisions or rights or the right of such party thereafter to enforce such provisions, and no waiver shall be binding unless executed in writing by all parties hereto.

12. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

13. Headings. The descriptive headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

14. Counterparts. This Agreement may be executed in one or more counterparts, each of which when executed shall be deemed to be an original instrument and all of which taken together shall constitute one and the same agreement.

15. Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by overnight courier service (with signature required), by facsimile, or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at their respective principal executive office addresses.

16. Entire Agreement. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior

agreements and undertakings, both written and oral, between the parties with respect to such subject matter.

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

BLACKROCK KELSO CAPITAL CORPORATION

By:
Title:

BLACKROCK FINANCIAL MANAGEMENT, INC.

By:
Title:

TRANSFER AGENCY SERVICES AGREEMENT

THIS AGREEMENT is made as of , 2005 by and between PFPC INC., a Massachusetts corporation ("PFPC"), and BLACKROCK KELSO CAPITAL CORPORATION, a Delaware corporation (the "Fund").

W I T N E S S E T H:

WHEREAS, the Fund wishes to retain PFPC to provide transfer agent, registrar, dividend disbursing agent and shareholder servicing agent services provided for herein, and PFPC wishes to furnish such services.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Definitions. As Used in this Agreement:

- (a) "Authorized Person" means any officer of the Fund and any other person duly authorized by the Fund to give Oral Instructions or Written Instructions on behalf of the Fund. An Authorized Person's scope of authority may be limited by setting forth such limitation in a written document signed by both parties hereto.
- (b) "Dividend Reinvestment Plan" means the Fund's Dividend Reinvestment Plan, as the details of such Plan (and any changes thereto) are provided by the Fund to PFPC from time to time in writing.
- (c) "Oral Instructions" mean oral instructions received by PFPC from an Authorized Person or from a person reasonably believed by PFPC to be an Authorized Person. PFPC may, in its sole discretion in each separate instance, consider and rely upon instructions it receives from an Authorized Person via electronic mail as Oral Instructions.
- (d) "Shares" mean the shares of beneficial interest of any series or class of the Fund.
- (e) "Written Instructions" mean (i) written instructions signed by an Authorized Person (or a person reasonably believed by PFPC to be an Authorized Person) and received by PFPC or (ii) trade instructions transmitted (and received by PFPC) by means of an electronic transaction reporting system access to which requires use of a password or other authorized identifier.
- (f) "1940 Act" means the Investment Company Act of 1940, as amended.

2. Appointment. The Fund hereby appoints PFPC to provide transfer agent, registrar, dividend disbursing agent and shareholder servicing agent services in accordance with the terms set forth in this Agreement. PFPC accepts such appointment and agrees to furnish such services.

3. Compliance with Rules and Regulations. PFPC will comply with the requirements of any laws, rules and regulations of governmental authorities that are applicable to the duties to be performed by PFPC under this Agreement. Except as specifically set forth in this Agreement, PFPC assumes no responsibility for compliance by the Fund with any laws, rules and regulations.

4. Instructions.

- (a) Unless otherwise provided in this Agreement, PFPC shall act only upon Oral Instructions or Written Instructions.
- (b) PFPC shall be entitled to rely upon any Oral Instruction or Written Instruction it receives from an Authorized Person (or from a person reasonably believed by PFPC to be an Authorized Person) pursuant to this Agreement. PFPC may assume that any Oral Instructions or Written Instructions received hereunder are not in any way inconsistent with the provisions of organizational documents of the Fund or of any vote, resolution or proceeding of the Fund's board of directors or shareholders, unless and until PFPC receives Written Instructions to the contrary.
- (c) The Fund agrees to forward to PFPC Written Instructions confirming Oral Instructions so that PFPC receives the Written Instructions by the close of business on the same day that such Oral Instructions are received. The fact that such confirming Written Instructions are not received by PFPC or differ from the Oral Instructions shall in no way invalidate the transactions or enforceability of the transactions authorized by the Oral Instructions or PFPC's

ability to rely upon such Oral Instructions.

5. Right to Receive Advice.

- (a) Advice of the Fund. If PFPC is in doubt as to any action it should or should not take, PFPC may request directions or advice, by way of Oral Instructions or Written Instructions.
- (b) Advice of Counsel. If PFPC shall be in doubt as to any question of law pertaining to any action it should or should not take, PFPC may request advice from counsel of its own choosing (who may be counsel for the Fund, the Fund's sponsor or adviser or PFPC, at the option of PFPC).
- (c) Conflicting Advice. In the event of a conflict between Oral Instructions or Written Instructions and the advice PFPC receives from counsel, PFPC may rely upon and follow the advice of counsel.
- (d) Protection of PFPC. PFPC shall be indemnified by the Fund and without liability for any action PFPC takes or does not take in reliance upon Oral Instructions or Written Instructions PFPC receives from or on behalf of the Fund or advice from counsel and which PFPC believes, in good faith, to be consistent with those Oral Instructions or Written Instructions or that advice. Nothing in this section shall be construed so as to impose an obligation upon PFPC (i) to seek such advice or Oral Instructions or Written Instructions, or (ii) to act in accordance with such advice or Oral Instructions or Written Instructions. Nothing in this subsection shall excuse PFPC from liability for its acts or omissions in carrying out such Oral Instructions or Written Instructions to the extent such acts or omissions constitute willful misfeasance, bad faith, negligence or reckless disregard by PFPC of any duties, obligations or responsibilities set forth in this Agreement.

6. Records; Visits. The books and records pertaining to the Fund, which are in the possession or under the control of PFPC, shall be the property of the Fund. PFPC may house such books and records in a third party storage facility. Such books and records shall be prepared and maintained as required by the 1940 Act. The Fund and Authorized Persons, and such other persons the Fund by means of Written Instructions reasonably authorizes (including but not limited to the Fund's independent accountants), shall have access to such books and records at all times during PFPC's normal business hours; provided that the Fund shall not authorize access by individuals employed by PFPC's direct competitors. Upon the reasonable request of the Fund, copies of any such books and records shall be provided by PFPC to the Fund, an Authorized Person, or such other person, at the Fund's expense.

7. Confidentiality. Each party shall keep confidential any information it receives hereunder relating to the other party's business ("Confidential Information"). Confidential Information shall include (a) any data or information that is competitively sensitive material, and not generally known to the public, including, but not limited to, information about product plans, marketing strategies, finances, operations, customer relationships, customer profiles and information, customer lists, sales estimates, business plans, and internal performance results relating to the past, present or future business activities of the Fund or PFPC; (b) any scientific or technical information, design, process, procedure, formula, or improvement that is commercially valuable and secret in the sense that its confidentiality affords the Fund or PFPC a competitive advantage over its competitors; (c) all confidential or proprietary concepts, documentation, reports, data, specifications, computer software, source code, object code, flow charts, databases, inventions, know-how, and trade secrets, whether or not patentable or copyrightable; and (d) anything designated as confidential. Notwithstanding the foregoing, information shall not be Confidential Information and shall not be subject to such confidentiality obligations if it: (a) is already known to the receiving party at the time it is obtained; (b) is or becomes publicly known or available through no wrongful act of the receiving party; (c) is rightfully received from a third party who, to the best of the receiving party's knowledge, is not under a duty of confidentiality; (d) is released by the protected party to a third party without restriction; (e) is requested or required to be disclosed by the receiving party pursuant to a court order, subpoena, governmental or regulatory agency request or law (provided the receiving party will provide the other party written notice of the same, to the extent such notice is permitted); (f) is relevant to the defense of any claim or cause of action asserted against the receiving party; (g) is necessary or desirable for PFPC to release such information in connection with the provision of services under this Agreement; or (g) has been or is independently developed or obtained by the receiving party.

8. Cooperation with Accountants. PFPC shall cooperate with the Fund's independent public accountants and shall take all reasonable action in the performance of its obligations under this Agreement to ensure that the necessary information is made available to such accountants for the expression of their opinion, as reasonably requested by the Fund.

9. PFPC System. PFPC shall retain title to and ownership of any and all data bases, computer programs, screen formats, report formats, interactive design techniques, derivative works, inventions, discoveries, patentable or copyrightable matters, concepts, expertise, patents, copyrights, trade secrets, and other related legal rights utilized by PFPC in connection with the services provided by PFPC to the Fund.
10. Disaster Recovery. PFPC shall enter into and shall maintain in effect with appropriate parties one or more agreements making reasonable provisions for emergency use of electronic data processing equipment to the extent appropriate equipment is available. In the event of equipment failures, PFPC shall, at no additional expense to the Fund, take reasonable steps to minimize service interruptions. PFPC shall have no liability with respect to the loss of data or service interruptions caused by equipment failure, provided such loss or interruption is not caused by PFPC's own willful misfeasance, bad faith, negligence or reckless disregard of its duties or obligations under this Agreement.

11. Compensation.

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- (a) As compensation for services set forth herein that are rendered by PFPC during the term of this Agreement, the Fund will pay to PFPC a fee or fees as may be agreed to in writing by the Fund and PFPC. In addition, the Fund agrees to pay, and will be billed separately in arrears for, reasonable expenses incurred by PFPC in the performance of its duties hereunder.
- (b) PFPC shall establish certain cash management accounts ("Service Accounts") required to provide services under this Agreement. The Fund acknowledges (i) PFPC may receive investment earnings from sweeping the funds in such Service Accounts into investment accounts including, but not limited, investment accounts maintained at an affiliate or client of PFPC; (ii) balance credits earned with respect to the amounts in such Service Accounts ("Balance Credits") will be used to offset the banking service fees imposed by the cash management service provider (the "Banking Service Fees"); (iii) PFPC shall retain any excess Balance Credits for its own use; and (iv) Balance Credits will be calculated and applied toward the Fund's Banking Service Fees regardless of the Service Account balance sweep described in sub-section (i) of this Section 11 (b).
- (c) The undersigned hereby represents and warrants to PFPC that (i) the terms of this Agreement, (ii) the fees and expenses associated with this Agreement, and (iii) any benefits accruing to PFPC or to the adviser or sponsor to the Fund in connection with this Agreement, including but not limited to any fee waivers, conversion cost reimbursements, up front payments, signing payments or periodic payments made or to be made by PFPC to such adviser or sponsor or any affiliate of the Fund relating to the Agreement have been fully disclosed to the board of directors of the Fund and that, if required by applicable law, such board of directors has approved or will approve the terms of this Agreement, any such fees and expenses, and any such benefits.

12. Indemnification. The Fund agrees to indemnify, defend and hold harmless PFPC and its affiliates (other than the Fund, BlackRock Kelso Capital Advisors LLC and BlackRock, Inc. and its subsidiaries, to the extent any of the foregoing may be deemed to be affiliates of PFPC) including their respective officers, directors, agents and employees (each a "PFPC Indemnified Person"), from all taxes, charges, expenses, assessments, claims and liabilities (including, without limitation, reasonable attorneys' fees and disbursements and liabilities arising under applicable securities laws and any state and foreign securities and blue sky laws) (collectively, "Losses") arising directly or indirectly from any action or omission to act which PFPC takes or omits to take in connection with the provision of services to the Fund hereunder. No PFPC Indemnified Party shall be indemnified against any Losses caused by PFPC's or such PFPC Indemnified Party's own willful misfeasance, bad faith, negligence or reckless disregard in the performance of PFPC's duties under this Agreement, provided that in the absence of a finding to the contrary the acceptance, processing and/or negotiation of a fraudulent payment for the purchase of Shares shall be presumed not to have been the result of PFPC's or its affiliates own willful misfeasance, bad faith, negligence or reckless disregard of such duties. The provisions of this Section 12 shall survive termination of this Agreement.

13. Responsibility of PFPC.

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- (a) PFPC shall be under no duty hereunder to take any action on behalf of the Fund except as specifically set forth herein or as may be specifically agreed to by PFPC and the Fund in a written amendment hereto. PFPC shall be obligated to exercise care and diligence in the performance of its duties hereunder and to act in good faith in performing services

provided for under this Agreement. PFPC shall be liable only for any Losses suffered by the Fund arising out of PFPC's performance of or failure to perform its duties under this Agreement and only to the extent such Losses arise out of PFPC's willful misfeasance, bad faith, negligence or reckless disregard of such duties.

- (b) Notwithstanding anything in this Agreement to the contrary,
 - (i) PFPC shall not be liable for losses, delays, failure, errors, interruption or loss of data occurring directly or indirectly by reason of circumstances beyond its reasonable control, including without limitation acts of God; action or inaction of civil or military authority; public enemy; war; terrorism; riot; fire; flood; sabotage; epidemics; labor disputes; civil commotion; interruption, loss or malfunction of utilities, transportation, computer or communications capabilities; insurrection; elements of nature; or non-performance by a third party (other than employees, officers or affiliates of PFPC (other than the Fund, BlackRock Kelso Capital Advisors LLC and BlackRock, Inc. and its subsidiaries, to the extent any of the foregoing may be deemed to be affiliates of PFPC)); and
 - (ii) PFPC shall not be under any duty or obligation to inquire into and shall not be liable for the validity or invalidity, authority or lack thereof, or truthfulness or accuracy or lack thereof, of any instruction, direction, notice, instrument or other information which PFPC reasonably believes to be genuine. Notwithstanding the foregoing, PFPC shall use commercially reasonable efforts to mitigate the effect of events enumerated in clause (i) of the preceding sentence, although such efforts shall not impute any liability to PFPC.
- (c) Notwithstanding anything in this Agreement to the contrary, neither PFPC nor its affiliates (not including the Fund, BlackRock Kelso Capital Advisors LLC and BlackRock, Inc. and its subsidiaries, to the extent any of the foregoing may be deemed to be affiliates of PFPC) shall be liable for any consequential, special or indirect losses or damages, whether or not the likelihood of such losses or damages was known by PFPC or its affiliates.
- (d) Each party shall have a duty to mitigate damages for which the other party may become responsible.
- (e) The provisions of this Section 13 shall survive termination of this Agreement.

14. Description of Services.

- (a) Services Provided on an Ongoing Basis, If Applicable.
 - (i) Maintain shareholder registrations;
 - (ii) Provide toll-free lines for shareholder and broker-dealer use;
 - (iii) Provide periodic shareholder lists and statistics;
 - (iv) Mailing of year-end tax information; and
 - (v) Periodic mailing of shareholder Dividend Reinvestment Plan account information and Fund financial reports.
- (b) Dividends and Distributions. PFPC must receive a resolution of the Fund's board of directors authorizing the declaration and payment of dividends and distributions. Upon receipt of the resolution, PFPC shall issue the dividends and distributions in cash, or, if the resolution so provides, pay such dividends and distributions in Shares. Such issuance or payment shall be made after deduction and payment of the required amount of funds to be withheld in accordance with any applicable tax laws or other laws, rules or regulations. PFPC shall timely send to the Fund's shareholders tax forms and other information, or permissible substitute notice, relating to dividends and distributions, paid by the Fund as are required to be filed and mailed by applicable law, rule or regulation. PFPC shall maintain and file with the U.S. Internal Revenue Service and other appropriate taxing authorities reports relating to all dividends above a stipulated amount (currently \$10.00 accumulated yearly dividends) paid by the Fund to its shareholders as required by tax or other law, rule or regulation.

In accordance with such procedures and controls as are mutually agreed upon from time to time by and among the Fund, PFPC and the Fund's custodian, PFPC shall process applications from Fund shareholders relating to the Fund's Dividend Reinvestment Plan and will effect purchases of Shares in connection with the Dividend Reinvestment Plan. As the dividend disbursing agent, PFPC shall, on or before the payment date of any dividend or distribution by the Fund, notify the Fund's accounting agent or sub-accounting agent

of the estimated amount required to pay any portion of said dividend or distribution which is payable in cash, and on or before the payment date of such dividend or distribution, the Fund shall instruct the Fund's custodian to make available to PFPC sufficient funds for the cash amount to be paid out. If a shareholder is entitled to receive additional Shares, by virtue of any dividend or distribution, appropriate credits will be made to the shareholder's account and/or certificates delivered where requested, all in accordance with the Dividend Reinvestment Plan.

(c) Communications to Shareholders. Upon timely Written Instructions, PFPC shall mail all communications by the Fund to its shareholders, including:

- (i) Reports to shareholders;
- (ii) Monthly or quarterly (whichever is requested pursuant to Written Instructions) Dividend Reinvestment Plan statements;
- (iii) Dividend and distribution notices;
- (iv) Proxy material; and
- (v) Tax form information.

PFPC will receive and tabulate the proxy cards for the meetings of the Fund's shareholders.

(d) Records. PFPC shall maintain records of the accounts for each shareholder showing the following information:

- (i) Name, address and U.S. Tax Identification or Social Security number;
- (ii) Number and class of shares held and number and class of Shares for which certificates, if any, have been issued, including certificate numbers and denominations;
- (iii) Historical information regarding the account of each shareholder, including dividends and distributions paid and the date and price for all transactions on a shareholder's account;
- (iv) Any stop or restraining order placed against a shareholder's account;
- (v) Any correspondence relating to the current maintenance of a shareholder's account;
- (vi) Information with respect to withholdings; and
- (vii) Any information required in order for PFPC to perform any calculations contemplated or required by this Agreement.

(e) Shareholder Inspection of Stock Records. Upon request from a Fund shareholder to inspect stock records, PFPC will notify the Fund and require instructions granting or denying each such request. Unless PFPC has acted contrary to the Fund's instructions, the Fund agrees to release PFPC from any liability for refusal of permission for a particular shareholder to inspect the Fund's shareholder records.

15. Duration and Termination. This Agreement shall continue until terminated by the Fund or by PFPC on sixty (60) days' prior written notice to the other party. In the event the Fund gives notice of termination, all expenses associated with movement (or duplication) of records and materials and conversion thereof to a successor service provider (or each successive service provider), including expenses incurred after termination, will be borne by the Fund and paid by the Fund to PFPC.

16. Notices. Notices shall be addressed (a) if to PFPC, at 301 Bellevue Parkway, Wilmington, Delaware 19809, Attention: President (or such other address as PFPC may inform the Fund in writing); (b) if to the Fund, at c/o BlackRock Kelso Capital Advisors LLC, 40 East 52nd Street, New York, New York 10022, Attention: Frank Gordon (or such other address as the Fund may inform PFPC in writing) or (c) if to neither of the foregoing, at such other address as shall have been given by like notice to the sender of any such notice or other communication by the other party. If notice is sent by confirming facsimile sending device, it shall be deemed to have been given immediately. If notice is sent by first-class mail, it shall be deemed to have been given three days after it has been mailed. If notice is sent by messenger, it shall be deemed to have been given on the day it is delivered.

17. Amendments. This Agreement, or any term thereof, may be changed or waived only by a written amendment, signed by the party against whom enforcement of such change or waiver is sought.

18. Assignment. PFPC may assign this Agreement to any majority owned

direct or indirect subsidiary of PFPC or of The PNC Financial Services Group, Inc. (other than BlackRock, Inc. and its subsidiaries), provided that PFPC gives the Fund 30 days' prior written notice of such assignment.

19. Subcontractors. PFPC may, in its sole discretion, engage subcontractors to perform any of the obligations contained in this Agreement to be performed by PFPC; provided, however, PFPC shall remain responsible for the acts and omissions of any such sub-contractors to the same extent that PFPC is responsible for its own acts and omissions under this Agreement.
20. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
21. Further Actions. Each party agrees to perform such further acts and execute such further documents as are necessary to effectuate the purposes hereof.
22. Miscellaneous.
 - (a) Entire Agreement. This Agreement embodies the entire agreement and understanding between the parties and supersedes all prior agreements and understandings relating to the subject matter hereof, provided that the parties may embody in one or more separate documents their agreement, if any, with respect to delegated duties and compensation of PFPC.
 - (b) No Changes that Materially Affect Obligations. Notwithstanding anything in this Agreement to the contrary, the Fund agrees not to make any modifications to its offering document or registration statement or adopt any policies which would affect materially the obligations or responsibilities of PFPC hereunder without the prior written approval of PFPC, which approval shall not be unreasonably withheld or delayed.
 - (c) Captions. 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.
 - (d) Information. The Fund will provide such information and documentation as PFPC may reasonably request in connection with services provided by PFPC to the Fund.
 - (e) Governing Law. This Agreement shall be deemed to be a contract made in Delaware and governed by Delaware law, without regard to principles of conflicts of law.
 - (f) Partial Invalidity. 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.
 - (g) Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.
 - (h) No Representations or Warranties. Except as expressly provided in this Agreement, PFPC hereby disclaims all representations and warranties, express or implied, made to the Fund or any other person, including, without limitation, any warranties regarding quality, suitability, merchantability, fitness for a particular purpose or otherwise (irrespective of any course of dealing, custom or usage of trade), of any services or any goods provided incidental to services provided under this Agreement. PFPC disclaims any warranty of title or non-infringement except as otherwise set forth in this Agreement.
 - (i) Facsimile Signatures. The facsimile signature of any party to this Agreement shall constitute the valid and binding execution hereof by such party.
 - (j) Regulation S-P. PFPC agrees that, subject to the reuse and re-disclosure provisions of Regulation S-P, 17 CFR Part 248.11, it shall not disclose the non-public personal information of investors in the Fund obtained under this Agreement, except as necessary to carry out the services set forth in this Agreement or as otherwise permitted by law or regulation.
 - (k) Customer Identification Program Notice. To help the U.S. government fight the funding of terrorism and money laundering activities, U.S. Federal law requires each financial institution to obtain, verify, and record certain information that identifies each person who initially opens an account with that financial institution on or after October 1, 2003. Certain of PFPC's affiliates are financial institutions, and as a matter of policy PFPC will request (or already has requested) the Fund's name, address and taxpayer identification number or other government-issued

identification number, and, if such party is a natural person, that party's date of birth. PFPC may also ask (and may have already asked) for additional identifying information, and PFPC may take steps (and may have already taken steps) to verify the authenticity and accuracy of these data elements.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

PFPC INC.

By:

Title:

BLACKROCK KELSO CAPITAL
CORPORATION

By:

Title:

SUB-ADMINISTRATION AND ACCOUNTING SERVICES AGREEMENT

THIS AGREEMENT is made as of July 18, 2005 by and among BLACKROCK KELSO CAPITAL CORPORATION, a Delaware corporation (the "Fund"), PFPC INC., a Massachusetts corporation ("PFPC") which is a subsidiary of The PNC Financial Services Group, Inc., and BLACKROCK FINANCIAL MANAGEMENT, INC., a Delaware corporation (the "Administrator") which is also a subsidiary of The PNC Financial Services Group, Inc.

W I T N E S S E T H :

WHEREAS, the Administrator serves as administrator of the Fund; and

WHEREAS, the Fund and the Administrator wish to retain PFPC to provide sub-administration and accounting services provided for herein with respect to the Fund, and PFPC wishes to furnish such services with respect to the Fund.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Definitions. As Used in this Agreement:

- (a) "Authorized Person" means any officer of the Fund and any other person duly authorized by the Fund to give Oral Instructions or Written Instructions under this Agreement. An Authorized Person's scope of authority may be limited by setting forth such limitation in a written document signed by the Fund and PFPC.
- (b) "Oral Instructions" means oral instructions received by PFPC from an Authorized Person or from a person reasonably believed by PFPC to be an Authorized Person. PFPC may, in its sole discretion in each separate instance, consider and rely upon instructions it receives from an Authorized Person via electronic mail as Oral Instructions.
- (c) "Written Instructions" means (i) written instructions signed by an Authorized Person (or a person reasonably believed by PFPC to be an Authorized Person) and received by PFPC or (ii) trade instructions transmitted (and received by PFPC) by means of an electronic transaction reporting system access to which requires use of a password or other authorized identifier.

2. Appointment. The Fund and the Administrator hereby appoint PFPC to provide sub-administration and accounting services with respect to the Fund in accordance with the terms set forth in this Agreement. PFPC accepts such appointment and agrees to furnish such services.

3. Compliance with Rules and Regulations. PFPC will comply with the requirements of any laws, rules and regulations of governmental authorities that are applicable to the duties to be performed by PFPC under this Agreement. Except as specifically set forth in this Agreement, PFPC assumes no responsibility for compliance by the Administrator, the Fund or any other entity with any laws, rules and regulations.

4. Instructions.

- (a) Unless otherwise provided in this Agreement, PFPC shall act only upon Oral Instructions or Written Instructions.
- (b) PFPC shall be entitled to rely upon any Oral Instruction or Written Instruction it receives from an Authorized Person (or from a person reasonably believed by PFPC to be an Authorized Person) pursuant to this Agreement. PFPC may assume that any Oral Instructions or Written Instructions received hereunder are not in any way inconsistent with the Administrator's obligations to the Fund or with the provisions of organizational documents of the Fund or with any vote, resolution or proceeding of the Fund's board of directors or shareholders, unless and until PFPC receives Written Instructions to the contrary.
- (c) The Fund agrees to forward to PFPC Written Instructions confirming Oral Instructions so that PFPC receives the Written Instructions by the close of business on the same day that such Oral Instructions are received. The fact that such confirming Written Instructions are not received by PFPC or differ from the Oral Instructions shall in no way invalidate the transactions or enforceability of the transactions authorized by the Oral Instructions or PFPC's ability to rely upon such Oral Instructions.

5. Right to Receive Advice.

- (a) Oral Instructions or Written Instructions. If PFPC is in doubt as to any action it should or should not take, PFPC

may request directions or advice, by way of Oral Instructions or Written Instructions.

- (b) Advice of Counsel. If PFPC shall be in doubt as to any question of law pertaining to any action it should or should not take, PFPC may request advice from counsel of its own choosing (who may be counsel for the Administrator, the Fund, the Fund's sponsor or adviser or PFPC, at the option of PFPC).
- (c) Conflicting Advice. In the event of a conflict between Oral Instructions or Written Instructions and the advice PFPC receives from counsel, PFPC may rely upon and follow the advice of counsel.
- (d) Protection of PFPC. PFPC shall be indemnified by the Fund and without liability for any action PFPC takes or does not take in reliance upon Oral Instructions or Written Instructions PFPC receives regarding or relating to the Fund or advice from counsel and which PFPC believes, in good faith, to be consistent with those Oral Instructions or Written Instructions or that advice. Nothing in this section shall be construed so as to impose an obligation upon PFPC (i) to seek such advice or Oral Instructions or Written Instructions, or (ii) to act in accordance with such advice or Oral Instructions or Written Instructions. Nothing in this subsection shall excuse PFPC from liability for its acts or omissions in carrying out such Oral Instructions or Written Instructions to the extent such acts or omissions constitute willful misfeasance, bad faith, negligence or reckless disregard by PFPC of any duties, obligations or responsibilities set forth in this Agreement.

6. Records; Visits. The books and records pertaining to the Fund, which are in the possession or under the control of PFPC, shall be the property of the Fund. PFPC may house such books and records in a third party storage facility. The Fund, the Administrator and Authorized Persons, and such other persons the Fund by means of Written Instructions reasonably authorizes (including but not limited to the Fund's independent accountants), shall have access to such books and records at all times during PFPC's normal business hours; provided that the Fund shall not authorize access by any individuals employed by PFPC's direct competitors. Upon the reasonable request of the Fund or the Administrator, copies of any such books and records shall be provided by PFPC to the Fund, the Administrator, an Authorized Person, or such other person, at the Fund's expense.

PFPC shall keep the following records:

- (a) all books and records with respect to the Fund's books of account; and
- (b) records of the Fund's securities transactions.

7. Confidentiality. Each of the Fund and the Administrator shall keep confidential any information it receives hereunder relating to PFPC's business and PFPC shall keep confidential any information it receives hereunder relating to the Fund's business. Confidential information shall include (a) any data or information that is competitively sensitive material, and not generally known to the public, including, but not limited to, information about product plans, marketing strategies, finances, operations, customer relationships, customer profiles and information, customer lists, sales estimates, business plans, and internal performance results relating to the past, present or future business activities of the Fund or PFPC; (b) any scientific or technical information, design, process, procedure, formula, or improvement that is commercially valuable and secret in the sense that its confidentiality affords the Fund or PFPC a competitive advantage over its competitors; (c) all confidential or proprietary concepts, documentation, reports, data, specifications, computer software, source code, object code, flow charts, databases, inventions, know-how, and trade secrets, whether or not patentable or copyrightable; and (d) anything designated as confidential. Notwithstanding the foregoing, information shall not be confidential information and shall not be subject to the foregoing confidentiality obligations if it: (a) is already known to the receiving party at the time it is obtained; (b) is or becomes publicly known or available through no wrongful act of the receiving party; (c) is rightfully received from a third party who, to the best of the receiving party's knowledge, is not under a duty of confidentiality; (d) is released by the protected party to a third party without restriction; (e) is requested or required to be disclosed by the receiving party pursuant to a court order, subpoena, governmental or regulatory agency request or law (provided the receiving party will provide the other party (in the case of disclosure by the Fund or the Administrator the "other party" will be PFPC, and in the case of disclosure by PFPC the "other party" will be the Fund) written notice of the same, to the extent such notice is permitted); (f) is relevant to the defense of any claim or cause of action asserted against the receiving party; (g) is necessary or desirable for PFPC to release such information in connection with the provision of services under this Agreement; or (h) has been or is independently developed or obtained by the receiving party.

PFPC agrees that, subject to the reuse and re-disclosure

provisions of Regulation S-P, 17 CFR Part 248.11, it shall not disclose the non-public personal information of investors in the Fund obtained under this Agreement, except as necessary to carry out the services set forth in this Agreement or as otherwise permitted by law or regulation.

8. Liaison with Accountants. PFPC shall act as liaison with the Fund's independent public accountants and shall provide account analyses, fiscal year summaries, and other audit-related schedules with respect to the Fund. PFPC shall take all reasonable action in the performance of its duties under this Agreement to assure that the necessary or appropriate information is made available to such accountants for the expression of their opinion, as reasonably requested by the Fund.
9. PFPC System. PFPC shall retain title to and ownership of any and all data bases, computer programs, screen formats, report formats, interactive design techniques, derivative works, inventions, discoveries, patentable or copyrightable matters, concepts, expertise, patents, copyrights, trade secrets, and other related legal rights utilized by PFPC in connection with the services provided by PFPC with respect to the Fund.
10. Disaster Recovery. PFPC shall enter into and shall maintain in effect with appropriate parties one or more agreements making reasonable provisions for emergency use of electronic data processing equipment to the extent appropriate equipment is available. In the event of equipment failures, PFPC shall, at no additional expense to the Fund or the Administrator, take reasonable steps to minimize service interruptions. PFPC shall have no liability with respect to the loss of data or service interruptions caused by equipment failure, provided such loss or interruption is not caused by PFPC's own willful misfeasance, bad faith, negligence or reckless disregard of its duties or obligations under this Agreement.
11. Compensation.
 - (a) As compensation for services set forth herein that are rendered by PFPC during the term of this Agreement, the Fund will pay to PFPC a fee or fees as may be agreed to in writing by the Fund and PFPC.
 - (b) The Fund and the Administrator hereby represent and warrant to PFPC that (i) the terms of this Agreement, (ii) the fees and expenses associated with this Agreement, and (iii) any benefits accruing to PFPC or to the Administrator (or any affiliate thereof) or to the adviser or sponsor to the Fund in connection with this Agreement, including but not limited to any fee waivers, conversion cost reimbursements, up front payments, signing payments or periodic payments made or to be made by PFPC to the Administrator (or any affiliate thereof) or to such adviser or sponsor or to any affiliate of the Fund relating to this Agreement have been fully disclosed to the board of directors of the Fund and that, if required by applicable law, such board of directors has approved or will approve the terms of this Agreement, any such fees and expenses, and any such benefits.
12. Indemnification. The Fund agrees to indemnify, defend and hold harmless PFPC and its affiliates (other than the Fund, BlackRock Kelso Capital Advisors LLC and BlackRock, Inc. and its subsidiaries, to the extent any of the foregoing may be deemed to be affiliates of PFPC) including their respective officers, directors, agents and employees (each, a "PFPC Indemnified Party") from all taxes, charges, expenses, assessments, claims and liabilities (including, without limitation, reasonable attorneys' fees and disbursements and liabilities arising under applicable securities laws and any state and foreign securities and blue sky laws) (collectively, "Losses") arising directly or indirectly from any action or omission to act which PFPC takes or omits to take in connection with the provision of services under this Agreement. No PFPC Indemnified Party shall be indemnified against any Losses caused by PFPC's or such PFPC Indemnified Party's own willful misfeasance, bad faith, negligence or reckless disregard in the performance of PFPC's duties under this Agreement. The provisions of this Section 12 shall survive termination of this Agreement.
13. Responsibility of PFPC.
 - (a) PFPC shall be under no duty hereunder to take any action on behalf of the Fund or the Administrator except as specifically set forth herein or as may be specifically agreed to by PFPC, the Fund and the Administrator in a written amendment hereto. PFPC shall be obligated to exercise care and diligence in the performance of its duties hereunder and to act in good faith in performing services provided for under this Agreement. PFPC shall be liable only for any Losses suffered by the Fund arising out of PFPC's performance of or failure to perform its duties under this Agreement and only to the extent such Losses arise out of PFPC's willful misfeasance, bad faith, negligence or reckless disregard of such duties.
 - (b) Notwithstanding anything in this Agreement to the contrary, (i) PFPC shall not be liable for losses, delays, failure, errors, interruption or loss of data occurring directly or

indirectly by reason of circumstances beyond its reasonable control, including without limitation acts of God; action or inaction of civil or military authority; public enemy; war; terrorism; riot; fire; flood; sabotage; epidemics; labor disputes; civil commotion; interruption, loss or malfunction of utilities, transportation, computer or communications capabilities; insurrection; elements of nature; or non-performance by a third party (other than employees, officers or affiliates of PFPC (other than the Fund, BlackRock Kelso Capital Advisors LLC and BlackRock, Inc. and its subsidiaries, to the extent any of the foregoing may be deemed to be affiliates of PFPC)); and (ii) PFPC shall not be under any duty or obligation to inquire into and shall not be liable for the validity or invalidity, authority or lack thereof, or truthfulness or accuracy or lack thereof, of any instruction, direction, notice, instrument or other information which PFPC reasonably believes to be genuine. Notwithstanding the foregoing, PFPC shall use commercially reasonable efforts to mitigate the effect of the events enumerated in clause (i) of the preceding sentence, although such efforts shall not impute any liability to PFPC.

- (c) Notwithstanding anything in this Agreement to the contrary, the Fund and the Administrator hereby acknowledge and agree that (i) PFPC, in the course of providing tax-related services or calculating and reporting portfolio performance hereunder, may rely upon PFPC's interpretation of tax positions or its interpretation of relevant circumstances (as determined by PFPC) in providing such tax services and in determining methods of calculating portfolio performance to be used, and that (ii) PFPC shall not be liable for losses or damages of any kind associated with such reliance except to the extent such loss or damage is substantially due to PFPC's willful misfeasance, bad faith, negligence or reckless disregard in the performance of its duties under this Agreement.
- (d) Notwithstanding anything in this Agreement to the contrary, without limiting anything in the immediately preceding sub-section (c), the Fund and the Administrator hereby acknowledge and agree that PFPC shall not be found to have been negligent or to have acted with willful misfeasance, bad faith or reckless disregard with respect to losses or damages associated with areas of responsibility that the judiciary, regulators (or other governmental officials) or members of the investment fund industry determine would otherwise apply to PFPC (or similar service providers) and which, as of the date hereof, have yet to be identified by such parties as areas for which PFPC (or any similar service provider) is (or would be) responsible.
- (e) Notwithstanding anything in this Agreement to the contrary neither PFPC nor its affiliates (not including the Fund, BlackRock Kelso Capital Advisors LLC and BlackRock, Inc. and its subsidiaries, to the extent any of the foregoing may be deemed to be affiliates of PFPC) shall be liable for any consequential, special or indirect losses or damages, whether or not the likelihood of such losses or damages was known by PFPC or its affiliates.
- (f) Each party shall have a duty to mitigate damages for which any other party to this Agreement may become responsible.
- (g) Notwithstanding anything in this Agreement to the contrary, the services provided by PFPC do not constitute, nor shall they be construed as constituting, legal advice or the provision of legal services for or on behalf of the Administrator, the Fund or any other person.
- (h) The provisions of this Section 13 shall survive termination of this Agreement.

14. Description of Accounting Services on a Continuous Basis.

PFPC will perform the following accounting services if required with respect to the Fund:

- (i) Journalize investment, capital share and income and expense activities;
- (ii) Record investment buy/sell trade tickets when received from the Fund's investment adviser;
- (iii) Maintain individual ledgers for investment securities;
- (iv) Maintain historical tax lots for each security;
- (v) Record and reconcile corporate action activity and all other capital changes;
- (vi) Reconcile cash and investment balances of the Fund with the Fund's custodian and provide the Fund's investment adviser with the beginning cash balance available for investment purposes;

- (vii) Calculate contractual expenses, including management fees and incentive allocation, as applicable, in accordance with the Fund's investment management agreement;
- (viii) Monitor the expense accruals and notify an officer of the Fund of any proposed adjustments;
- (ix) Control all disbursements and authorize such disbursements upon Written Instructions;
- (x) Calculate capital gains and losses;
- (xi) Determine net income;
- (xii) Determine applicable foreign exchange gains and losses on payables and receivables;
- (xiii) Obtain market quotes and currency exchange rates with respect to the Fund's investments from independent pricing services approved by the Fund's investment adviser, or if such quotes are unavailable, then obtain such prices from the Fund's investment adviser, and in either case calculate the market value of the Fund's investments on a monthly basis in accordance with applicable valuation policies or guidelines provided by the Fund to PFPC (provided PFPC does not inform the Fund that it is unable to comply with such policies or guidelines);
- (xiv) Transmit or mail a copy of the portfolio valuation on a monthly basis to the Fund's investment adviser as agreed upon between the Fund and PFPC;
- (xv) Arrange for the computation of the net asset value of the Fund on a monthly basis in accordance with the provisions of the Fund's offering memorandum; and
- (xvi) As appropriate, compute yields, total return, expense ratios, portfolio turnover rate, and if required, portfolio average dollar-weighted maturity.

15. Description of Sub-Administration Services on a Continuous Basis.

PFPC will perform the following sub-administration services if required with respect to the Fund:

- (i) Supply various normal and customary Fund statistical data to the Fund as requested on an ongoing basis;
- (ii) Prepare for execution and file the Fund's Federal and state tax returns;
- (iii) Coordinate the printing of the Fund's annual shareholder reports;
- (iv) Prepare monthly security transaction listings;
- (v) Supply certain financial statements, schedules, notes and related financial and supplementary data in connection with the filing of the Fund's annual and quarterly reports on Forms 10-K and 10-Q with the Securities and Exchange Commission, as agreed by PFPC from time to time; and
- (vi) Monitor the Fund's status as a regulated investment company under Sub-chapter M of the Internal Revenue Code of 1986, as amended.

16. Duration and Termination. This Agreement shall continue until terminated by the Fund, the Administrator or PFPC on sixty (60) days' prior written notice to the other parties. In the event the Fund or the Administrator gives notice of termination, all expenses associated with movement (or duplication) of records and materials and conversion thereof to a successor service provider (or each successive service provider), including expenses incurred after termination, will be borne by the Fund and paid by the Fund to PFPC.

17. Notices. Notices shall be addressed (a) if to PFPC, at 301 Bellevue Parkway, Wilmington, Delaware 19809, Attention: President (or such other address as PFPC may inform the other parties in writing); (b) if to the Fund, at 40 East 52nd Street, New York, NY 10022; Attention: Frank Gordon (or such other address as the Fund may inform the other parties in writing); (c) if to the Administrator, at 40 East 52nd Street, New York, NY 10022; Attention: James Kong (or such other address as the Administrator may inform the other parties in writing); or (d) if to none of the foregoing, at such other address as shall have been provided by like notice to the sender of any such notice or other communication. If notice is sent by confirming facsimile sending device, it shall be deemed to have been given immediately. If notice is sent by first-class mail, it shall be deemed to have been given three days after it has been mailed. If notice is sent by messenger, it shall be deemed to have been given on the day it is delivered.

18. Amendments. This Agreement, or any term hereof, may be changed or waived only by written amendment, signed by the party against whom enforcement of such change or waiver is sought.
19. Assignment. PFPC may assign this Agreement to any majority owned direct or indirect subsidiary of PFPC or of The PNC Financial Services Group, Inc. (other than BlackRock, Inc. and its subsidiaries), provided that PFPC gives the Fund and the Administrator 30 days' prior written notice of such assignment.
20. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
21. Further Actions. Each party agrees to perform such further acts and execute such further documents as are necessary to effectuate the purposes hereof.
22. Miscellaneous.

 - (a) No Changes that Materially Affect Obligations. Notwithstanding anything in this Agreement to the contrary, PFPC shall have no responsibility under this Agreement with respect to any modifications made by the Fund to its offering memorandum, registration statement or policies which would affect materially the obligations or responsibilities of PFPC hereunder, without the prior written approval of PFPC (which approval shall not be unreasonably withheld or delayed).
 - (b) No Representations or Warranties. Except as expressly provided in this Agreement, PFPC hereby disclaims all representations and warranties, express or implied, made to the Fund, the Administrator or any other person, including, without limitation, any warranties regarding quality, suitability, merchantability, fitness for a particular purpose or otherwise (irrespective of any course of dealing, custom or usage of trade), of any services or any goods provided incidental to services provided under this Agreement. PFPC disclaims any warranty of title or non-infringement except as otherwise set forth in this Agreement.
 - (c) Entire Agreement. This Agreement embodies the entire agreement and understanding among the parties relating to the subject matter hereof and supersedes all prior agreements and understandings relating to the subject matter hereof, provided that the parties may embody in one or more separate documents their agreement, if any, with respect to delegated duties, subsequently agreed upon services, and compensation of PFPC.
 - (d) Captions. 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.
 - (e) Information. The Fund will provide such information and documentation as PFPC may reasonably request in connection with services provided by PFPC with respect to the Fund.
 - (f) Governing Law. This Agreement shall be deemed to be a contract made in Delaware and governed by Delaware law, without regard to principles of conflicts of law.
 - (g) Partial Invalidity. 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.
 - (h) Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.
 - (i) Facsimile Signatures. The facsimile signature of any party to this Agreement shall constitute the valid and binding execution hereof by such party.
 - (j) Customer Identification Program Notice. To help the U.S. government fight the funding of terrorism and money laundering activities, U.S. Federal law requires each financial institution to obtain, verify, and record certain information that identifies each person who initially opens an account with that financial institution on or after October 1, 2003. Certain of PFPC's affiliates are financial institutions, and as a matter of policy PFPC will request (or already has requested) the Fund's name, address and taxpayer identification number or other government-issued identification number, and, if such party is a natural person, that party's date of birth. PFPC may also ask (and may have already asked) for additional identifying information, and PFPC may take steps (and may have already taken steps) to verify the authenticity and accuracy of

these data elements.

(k)

No Third Party Beneficiary. Notwithstanding anything in this Agreement to the contrary, (i) no other entity is intended to be, nor shall it be, a third party beneficiary of this Agreement (except as set forth in Section 12 and Section 13(e) of this Agreement) and (ii) PFPC shall have no liability under or as a result of this Agreement to any third party.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

PFPC INC.

By: _____

Title: _____

BLACKROCK KELSO CAPITAL CORPORATION

By: _____

Title: _____

BLACKROCK FINANCIAL MANAGEMENT, INC.

By: _____

Title: _____

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, James R. Maher, certify that:

1. I have reviewed this quarterly report on Form 10-Q of BlackRock Kelso Capital Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and, for, the period presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(c)) and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Not applicable (until the first fiscal year ending after July 15, 2006).
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosures controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2005

/s/ James R. Maher

Name: James R. Maher
Title: Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Frank D. Gordon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of BlackRock Kelso Capital Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and, for, the period presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(c)) and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Not applicable (until the first fiscal year ending after July 15, 2006).
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosures controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2005

/s/ Frank D. Gordon

Name: Frank D. Gordon
Title: Chief Financial Officer

Certification of CEO and CFO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of BlackRock Kelso Capital Corporation (the "Company") for the quarter ending September 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), James R. Maher, as Chief Executive Officer of the Company, and Frank D. Gordon, as Chief Financial Officer of the Company, each hereby certifies, pursuant to ss.18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James R Maher

Name: James R. Maher
Title: Chief Executive Officer
Date: November 14, 2005

/s/ Frank D. Gordon

Name: Frank D. Gordon
Title: Chief Financial Officer
Date: November 14, 2005

This certification accompanies the report pursuant to ss.906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of ss.18 of the Securities Exchange Act of 1934, as amended.

A signed original of this certification required by ss.906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.