

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name BlackRock Kelso Capital Corporation		2 Issuer's employer identification number (EIN) 20-2725151	
3 Name of contact for additional information BlackRock Kelso Capital Advisors LLC	4 Telephone No. of contact 212-810-5800	5 Email address of contact www.blackrockkelso.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 40 East 52nd Street		7 City, town, or post office, state, and Zip code of contact New York, NY 10022	
8 Date of action December 31, 2012		9 Classification and description Common Stock - Regulated Investment Company	
10 CUSIP number 092533108	11 Serial number(s) n/a	12 Ticker symbol BKCC	13 Account number(s) n/a

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ **The Issuer paid a quarterly distribution to common shareholders during 2012. All or a portion of each distribution constitutes a non-taxable return of capital.**

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ **The portion of the distribution that constitutes a non-taxable return of capital will decrease a U.S. taxpayer's basis in the shares of the Issuer. See attached for breakdown of 2012 distributions.**

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ **The Issuer's current and accumulated earnings and profits were compared to distributions paid during the year ended December 31, 2012. The non-taxable return of capital represents the amount of distributions paid during the taxable year ended December 31, 2012 in excess of Issuer's current and accumulated earnings and profits under IRC Section 316.**

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶
Internal Revenue Code Sections 301, 316, 852

Lined area for listing Internal Revenue Code sections.

18 Can any resulting loss be recognized? ▶ No

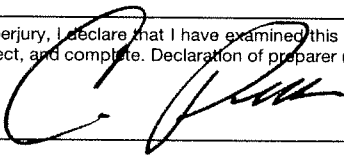
Lined area for providing information regarding loss recognition.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶
See attached for the per share amounts and dates of distributions impacted by this organizational action. This organizational action is reportable with respect to calendar year 2012.

Lined area for providing other necessary information.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶  Date ▶ 4/15/2013

Print your name ▶ Corinne Pankovcin Title ▶ Chief Financial Officer

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶	Firm's EIN ▶			
	Firm's address ▶	Phone no.			

BlackRock Kelso Capital Corporation

Letter to Stockholders on the Tax Status of 2012 Distributions

The information on dividends paid by BlackRock Kelso Capital Corporation (“BlackRock Kelso” or the “Company”) (CUSIP Number: 092533108) for 2012 is set forth below. For tax purposes, the Company is a regulated investment company (“RIC”) and is designating the types of distributions you received as a stockholder for 2012 in accordance with Subchapter M of the Internal Revenue Code of 1986, as amended (“IRC”), in the following manner:

- **Ordinary Income Dividends:** These dividends are from the Company’s ordinary net investment income and net short-term capital gains for the year. This type of dividend is to be reported on your tax return as ordinary income. Ordinary dividend distributions from a RIC do not qualify for the 15% tax rate on dividend income from domestic corporations and qualified foreign corporations except to the extent that the RIC received the income in the form of qualifying dividends from domestic corporations and qualified foreign corporations.

Total ordinary income distributions are reported on your Form 1099-DIV in Box 1a.

- **Capital Gains:** Capital gain distributions arise from net long-term capital gains recognized by the Company during the year. These capital gain distributions generally qualify for the 15% maximum capital gains rate. All capital gains are determined by how long the Company held the investment and the type of investment.

Total capital gain distributions are reported on your Form 1099-DIV in Box 2a.

- **Non-dividend Distributions:** Non-dividend distributions are non-taxable and arise from distributions made in excess of taxable earnings and profits of the Company during the year. This type of distribution is reported on your tax return as a return of capital to the extent of your basis in the stock. Any excess would be treated as a capital gain. Shareholders should consult their tax advisor for tax guidance.

Total non-dividend distributions are reported on your Form 1099-DIV in Box 3.

Distributions that were reinvested through the Company’s Dividend Reinvestment Plan are treated, for tax purposes, as if they had been paid in cash. Therefore, stockholders who participated in the Dividend Reinvestment Plan should also refer to the table below for appropriate tax treatment of 2012 dividends.

DETAILS OF DISTRIBUTIONS FOR 2012

The amounts shown in the table below represent the **final** accounting of the Company's 2012 distributions. This information supersedes any estimated information you may have received during the year. These distributions were classified as follows:

Record Date	Payment Date	Total Paid Per Share	Ordinary Income Per Share Ordinary Rate (1)	Long Term Capital Gains Per Share (2) 15% Rate	Non-Dividend Distribution Per Share	Deferred Dividend (3)
12/21/2011	1/4/2012	\$0.26	\$0.02	\$0.00	\$0.24	\$0.00
3/20/2012	4/3/2012	\$0.26	\$0.02	\$0.00	\$0.24	\$0.00
6/19/2012	7/3/2012	\$0.26	\$0.02	\$0.00	\$0.24	\$0.00
9/19/2012	10/3/2012	\$0.26	\$0.01	\$0.00	\$0.25	\$0.00
12/20/2012	1/3/2013	\$0.26	\$0.00	\$0.00	\$0.00	\$0.26
Total		\$1.30	\$0.07	\$0.00	\$0.97	\$0.26

% of Total Dividends

Paid Per Share	100.00%	5.38%	0.00%	74.62%	20.00%
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- (1) The Company hereby notes that no portion of its dividend represents amounts eligible for treatment as qualified dividend income in accordance with IRC Section 854(b), nor is any portion of the dividend eligible for the dividends received deduction available to certain U.S. domestic corporations.
- (2) The Company hereby designates these distributions as amounts eligible for treatment as capital gain dividends in accordance with IRC Sections 852(b)(3) and 854(a).
- (3) The December 20, 2012 record date distribution is allocable to 2013 for federal income tax purposes.

This tax status letter is not intended to constitute tax, legal, investment, or other professional advice. This is general information and should not be relied upon for tax purposes. Stockholders should be aware that tax treatment is subject to change by law in the future or retroactively. Stockholders should consult their tax advisor for tax guidance pertinent to specific facts and circumstances.

If you have questions about the tax status of your distributions, please contact BNY Mellon Investment Servicing Inc. at (866) 333-6433. You may also contact BlackRock Kelso Capital Corporation's Investor Relations Department directly at (212) 810-5800 or info@blackrockkelso.com.