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, 2011

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 001-33559

BLACKROCK KELSO CAPITAL CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**20-2725151** **(I.R.S. Employer Identification No.)**
40 East 52nd Street, New York, NY **(Address of Principal Executive Offices)**	**10022** **(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☑ Non-Accelerated filer ☐ (Do not check if a smaller reporting company)
Smaller reporting company ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes ☐ No ☑

The number of shares of the Registrant's common stock, $.001 par value per share, outstanding at November 2, 2011 was 73,274,412.

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BLACKROCK KELSO CAPITAL CORPORATION

FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2011

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report, and other statements that we may make, may contain forward-looking statements 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.

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 we assume no duty to and do 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 identified elsewhere in the reports BlackRock Kelso Capital Corporation has filed with the Securities and Exchange Commission (the “SEC”), the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance:

- our future operating results;
- our business prospects and the prospects of our portfolio companies;
- the impact of investments that we expect to make;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- the adequacy of our cash resources and working capital, including our ability to obtain continued financing on favorable terms;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- the impact of increased competition;
- the ability of BlackRock Kelso Capital Advisors LLC, our investment advisor (the “Advisor”), to locate suitable investments for us and to monitor and administer our investments;
- potential conflicts of interest in the allocation of opportunities between us and other investment funds managed by the Advisor or its affiliates;
- the ability of the Advisor to attract and retain highly talented professionals;
- fluctuations in foreign currency exchange rates; and
- the impact of changes to tax legislation and, generally, our tax position.

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PART 1. FINANCIAL INFORMATION

In this Quarterly Report, "Company", "we", "us" and "our" refer to BlackRock Kelso Capital Corporation unless the context states otherwise.

Item 1. Financial Statements

BlackRock Kelso Capital Corporation

Statements of Assets and Liabilities (Unaudited)

	September 30, 2011	December 31, 2010
Assets:		
Investments at fair value:		
Non-controlled, non-affiliated investments (amortized cost of $891,642,736 and $822,763,237)	$ 821,008,762	$ 707,262,774
Non-controlled, affiliated investments (amortized cost of $63,965,899 and $80,424,668)	70,781,115	77,376,201
Controlled investments (amortized cost of $93,063,468 and $82,489,600)	100,472,026	95,446,691
Total investments at fair value (amortized cost of $1,048,672,103 and $985,677,505)	992,261,903	880,085,666
Cash and cash equivalents	30,223,195	1,344,159
Cash denominated in foreign currency (cost of $4,072 and $798,560)	3,817	816,712
Unrealized appreciation on forward foreign currency contracts	1,376,893	—
Receivable for investments sold	462,271	5,316,189
Interest receivable	16,004,557	10,763,333
Dividends receivable	12,721,070	9,849,927
Prepaid expenses and other assets	7,410,500	7,431,688
Total Assets	$ 1,060,464,206	$ 915,607,674
Liabilities:		
Payable for investments purchased	$ 2,935,476	$ 2,726,437
Unrealized depreciation on forward foreign currency contracts	159,700	368,445
Debt	317,450,000	170,000,000
Interest payable	2,314,810	256,084
Dividend distributions payable	18,984,146	23,222,287
Base management fees payable	5,124,033	4,355,021
Incentive management fees payable	—	14,614,098
Accrued administrative services	254,001	80,164
Other accrued expenses and payables	1,458,101	1,505,214
Total Liabilities	348,680,267	217,127,750
Net Assets:		
Common stock, par value $.001 per share, 200,000,000 common shares authorized, 74,377,615 and 73,531,317 issued and 73,015,936 and 72,569,638 outstanding	74,378	73,531
Paid-in capital in excess of par	1,002,494,654	994,200,522
Distributions in excess of net investment income	(3,770,179)	(4,029,341)
Accumulated net realized loss	(222,843,450)	(180,403,836)
Net unrealized depreciation	(55,205,167)	(105,935,052)
Treasury stock at cost, 1,361,679 and 961,679 shares held	(8,966,297)	(5,425,900)
Total Net Assets	711,783,939	698,479,924
Total Liabilities and Net Assets	$ 1,060,464,206	$ 915,607,674
Net Asset Value Per Share	$ 9.75	$ 9.62

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

BlackRock Kelso Capital Corporation

Statements of Operations (Unaudited)

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Investment Income:				
From non-controlled, non-affiliated investments:				
Interest	$ 28,702,720	$ 21,756,798	$ 82,966,737	$ 72,077,951
Dividends	610,173	543,026	2,278,768	1,588,281
Other income	—	—	37,500	37,500
From non-controlled, affiliated investments:				
Interest	1,222,841	1,637,598	4,055,375	4,722,438
Dividends	383,516	327,156	1,106,309	943,730
From controlled investments:				
Interest	2,327,995	553,592	5,069,254	1,458,324
Total investment income	33,247,245	24,818,170	95,513,943	80,828,224
Expenses:				
Base management fees	5,124,033	4,049,347	14,547,503	12,522,832
Incentive management fees	—	—	—	493,951
Interest and credit facility fees	4,208,359	1,748,712	11,902,630	4,570,476
Amortization of debt issuance costs	634,678	713,305	1,871,184	1,469,481
Professional fees	683,095	394,589	1,345,608	790,820
Investment advisor expenses	315,435	394,306	1,176,450	1,178,267
Administrative services	319,500	203,182	866,121	681,892
Insurance	108,186	123,409	350,606	458,020
Director fees	97,000	93,500	309,269	281,169
Other	792,346	286,568	1,564,091	884,162
Total expenses	12,282,632	8,006,918	33,933,462	23,331,070
Net Investment Income	20,964,613	16,811,252	61,580,481	57,497,154
Realized and Unrealized Gain (Loss):				
Net realized gain (loss):				
Non-controlled, non-affiliated investments	258,039	400,317	(37,073,408)	(26,685,901)
Non-controlled, affiliated investments	176,800	—	(4,892,398)	(36,221,865)
Controlled investments	18,929	—	22,372	2,515
Foreign currency	682,083	875,621	(496,180)	166,998
Net realized gain (loss)	1,135,851	1,275,938	(42,439,614)	(62,738,253)
Net change in unrealized appreciation or depreciation on:				
Non-controlled, non-affiliated investments	(4,598,697)	(9,861,152)	44,282,872	9,255,775
Non-controlled, affiliated investments	(190,180)	259,096	10,447,300	36,626,837
Controlled investments	(5,630,890)	9,594,214	(5,548,533)	29,115,151
Foreign currency translation	1,256,787	(1,763,644)	1,548,246	(623,077)
Net change in unrealized appreciation or depreciation	(9,162,980)	(1,771,486)	50,729,885	74,374,686
Net realized and unrealized gain (loss)	(8,027,129)	(495,548)	8,290,271	11,636,433
Net Increase in Net Assets Resulting from Operations	$ 12,937,484	$ 16,315,704	$ 69,870,752	$ 69,133,587
Net Investment Income Per Share	$ 0.29	$ 0.26	$ 0.84	$ 0.96
Earnings Per Share	$ 0.18	$ 0.25	$ 0.96	$ 1.15
Basic and Diluted Weighted-Average Shares Outstanding	73,101,398	65,509,414	72,966,076	59,898,128
Dividends Declared Per Share	$ 0.26	$ 0.32	$ 0.84	$ 0.96

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

BlackRock Kelso Capital Corporation

Statements of Changes in Net Assets (Unaudited)

	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Net Increase in Net Assets Resulting from Operations:		
Net investment income	$ 61,580,481	$ 57,497,154
Net realized loss	(42,439,614)	(62,738,253)
Net change in unrealized appreciation or depreciation	50,729,885	74,374,686
Net increase in net assets resulting from operations	69,870,752	69,133,587
Dividend Distributions to Stockholders from:		
Net investment income	(61,321,309)	(57,233,372)
Capital Share Transactions:		
Proceeds from shares sold	2,000,000	88,406,250
Less offering costs	—	(4,514,243)
Reinvestment of dividends	6,294,969	3,722,710
Purchases of treasury stock	(3,540,397)	—
Net increase in net assets resulting from capital share transactions	4,754,572	87,614,717
Total Increase in Net Assets	13,304,015	99,514,932
Net assets at beginning of period	698,479,924	539,562,762
Net assets at end of period	$ 711,783,939	$ 639,077,694
Capital Share Activity:		
Shares issued from subscriptions	200,000	8,625,000
Shares issued from reinvestment of dividends	646,298	410,782
Purchases of treasury stock	(400,000)	—
Net increase in shares outstanding	446,298	9,035,782
Undistributed (distributions in excess of) net investment income at end of period	$ (3,770,179)	$ 19,727,731

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

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BlackRock Kelso Capital Corporation

Statements of Cash Flows (Unaudited)

	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Operating Activities:		
Net increase in net assets resulting from operations	$ 69,870,752	$ 69,133,587
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Proceeds from dispositions of short-term investments—net	—	358,276
Purchases of investments	(260,528,598)	(321,716,307)
Purchases of foreign currency contracts—net	(526,385)	171,325
Proceeds from sales/repayments of investments	163,013,170	354,230,907
Net change in unrealized appreciation or depreciation on investments	(49,181,639)	(74,997,763)
Net change in unrealized appreciation or depreciation on foreign currency translation	(1,548,246)	623,077
Net realized loss on investments	41,943,434	62,905,251
Net realized loss (gain) on foreign currency	496,180	(166,998)
Amortization of premium/discount—net	(7,411,408)	(7,788,930)
Amortization of debt issuance costs	1,871,184	1,469,481
Decrease in receivable for investments sold	4,853,918	—
(Increase) decrease in interest receivable	(5,241,224)	6,425,100
Increase in dividends receivable	(2,871,143)	(2,481,418)
Increase in prepaid expenses and other assets	(159,416)	(14,949)
Increase in payable for investments purchased	209,039	45,032,517
Increase (decrease) in interest payable	2,058,726	(810,496)
Increase (decrease) in base management fees payable	769,012	(497,782)
Decrease in incentive management fees payable	(14,614,098)	(16,818,602)
Increase in accrued administrative services	173,837	2,902
Decrease in other accrued expenses and payables	(47,113)	(1,301,912)
Net cash (used in) provided by operating activities	(56,870,018)	113,757,266
Financing Activities:		
Net proceeds from issuance of common stock	2,000,000	83,892,007
Dividend distributions paid	(59,264,457)	(50,619,212)
Proceeds from debt	278,250,000	229,600,000
Repayments of debt	(130,800,000)	(320,100,000)
Deferred debt issuance costs	(1,690,580)	(7,801,398)
Purchases of treasury stock	(3,540,397)	—
Net cash provided by (used in) financing activities	84,954,566	(65,028,603)
Effect of exchange rate changes on cash and cash equivalents	(18,407)	14,671
Net increase in cash	28,066,141	48,743,334
Cash and cash equivalents, beginning of period	2,160,871	5,807,901
Cash and cash equivalents, end of period	$ 30,227,012	$ 54,551,235
Supplemental disclosure of cash flow information and non-cash financing activities:		
Cash paid during period for:		
Interest	$ 8,800,205	$ 4,490,212
Taxes	$ 914,847	$ 1,110,381
Dividend distributions reinvested	$ 6,294,969	$ 3,722,710

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

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BlackRock Kelso Capital Corporation

Schedules of Investments (Unaudited)
September 30, 2011

Portfolio Company	Industry	Principal Amount or Number of Shares/Units	Cost(a)	Fair Value(b)
Senior Secured Notes—16.1%				
AGY Holding Corp., Second Lien, 11.00%, 11/15/14	Glass Yarns/ Fibers	$ 16,200,000	$ 15,940,484	$ 15,147,000
American Residential Services L.L.C. et al., Second Lien, 12.00%, 4/15/15, acquired 4/9/10(c)	HVAC/ Plumbing Services	40,000,000	39,857,915	40,400,000
Sizzling Platter LLC et al., First Lien, 12.25%, 4/15/16, acquired 4/14/11(c)	Restaurants	30,000,000	29,024,593	30,000,000
TriMark USA, Inc., Second Lien, 11.50% (LIBOR + 1.75% cash, 2.00% PIK), 11/30/13	Food Service Equipment	32,457,590	32,457,590	29,082,001
Total Senior Secured Notes			117,280,582	114,629,001
Unsecured Debt—0.8%				
Big Dumpster Acquisition, Inc., 13.50% PIK, 7/5/15	Waste Management Equipment	54,264,611	46,419,028	651,175
Maple Hill Acquisition LLC, 13.50%, 10/1/15	Rigid Packaging	5,000,000	4,874,914	5,000,000
Total Unsecured Debt			51,293,942	5,651,175
Subordinated Debt—23.2%				
A & A Manufacturing Co., Inc., 14.00%, 5/16/16	Protective Enclosures	27,403,430	27,132,430	27,403,430
Conney Safety Products, LLC, 16.00%, 10/1/14(d)	Safety Products	25,582,734	24,779,610	25,582,734
MediMedia USA, Inc., 11.38%, 11/15/14, acquired multiple dates(c)	Information Services	19,950,000	18,827,840	19,112,100
MedQuist Inc. et al., 13.00%, 10/15/16	Medical Transcription	43,000,000	41,917,059	43,860,000
The Pay-O-Matic Corp., 14.00% (12.00% cash, 2.00% PIK), 1/15/15	Financial Services	15,366,867	15,261,099	15,366,867
PGA Holdings, Inc., 12.50%, 3/12/16	Healthcare Services	5,000,000	4,944,718	5,000,000
Sarnova HC, LLC et al., 14.00% (12.00% cash, 2.00% PIK), 4/6/16	Healthcare Products	25,762,284	25,207,769	25,762,284
Wastequip, Inc., 14.50% (10.00% cash, 4.50% PIK), 2/5/15	Waste Management Equipment	8,864,536	8,375,955	3,315,336
Total Subordinated Debt			166,446,480	165,402,751

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

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BlackRock Kelso Capital Corporation

Schedules of Investments (Unaudited)—(Continued)
September 30, 2011

Portfolio Company	Industry	Principal Amount or Number of Shares/Units	Cost(a)	Fair Value(b)
Senior Secured Loans—83.2%(e)				
Advantage Sales & Marketing Inc., Second Lien, 9.25% (LIBOR + 7.75%), 6/17/18	Marketing Services	$ 10,000,000	$ 9,865,478	$ 9,830,000
Airvana Network Solutions Inc., First Lien, 10.00% (LIBOR + 8.00%), 3/25/15	Software	20,561,905	20,202,673	20,561,905
Alpha Media Group Inc., First Lien, 12.00% PIK, 7/15/13	Publishing	4,793,143	3,772,308	1,083,250
American SportWorks LLC, Second Lien, 13.00%, 6/16/15(f)	Utility Vehicles	8,000,000	8,000,000	6,320,000
AmQuip Crane Rental LLC, Second Lien, 6.02% (LIBOR + 5.75%), 6/29/14	Construction Equipment	24,017,329	22,921,002	20,726,955
Arclin US Holdings Inc., Second Lien, 7.75% (LIBOR + 6.00%), 1/15/15(d)(g)	Chemicals	3,532,302	2,944,878	3,451,059
Ascend Learning, LLC, Second Lien, 11.50% (LIBOR + 10.00%), 12/6/17	Education	20,000,000	19,466,614	20,000,000
Ashton Woods USA L.L.C., Second Lien, 11.75%, 7/6/15	Homebuilding	37,500,000	37,217,826	37,500,000
Attachmate Corporation et al., Second Lien, 9.50% (LIBOR + 8.00%), 10/27/17	Software	5,000,000	4,930,903	4,906,250
Bankruptcy Management Solutions, Inc., Term Loan A, First Lien, 7.50% (LIBOR + 6.00%), 8/20/14(f)	Financial Services	2,000,000	1,545,437	1,944,000
Bankruptcy Management Solutions, Inc., Term Loan B, First Lien, 7.50% (LIBOR + 5.00% cash, 1.00% PIK), 8/20/14(f)	Financial Services	18,689,230	10,011,516	15,268,251
Bankruptcy Management Solutions, Inc., Term Loan A, Second Lien, 8.25% (LIBOR + 1.00% cash, 7.00% PIK), 8/20/15(f)	Financial Services	29,880,420	21,175,135	21,244,978
The Bargain! Shop Holdings Inc., Term Loan A, First Lien, 16.00%, 6/29/12(g)	Discount Stores	10,520,640(h)	10,309,000	10,096,099
The Bargain! Shop Holdings Inc., Term Loan B, First Lien, 16.00%, 7/1/12(g)	Discount Stores	14,461,360(h)	13,593,798	13,877,799
Berlin Packaging L.L.C., Second Lien, 6.78% (LIBOR + 6.50%), 8/17/15	Rigid Packaging	24,000,000	23,650,370	23,064,000

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

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BlackRock Kelso Capital Corporation

Schedules of Investments (Unaudited)—(Continued)
September 30, 2011

Portfolio Company	Industry	Principal Amount or Number of Shares/Units	Cost(a)	Fair Value(b)
Event Rentals, Inc., Acquisition Loan, First Lien, 7.75% (LIBOR + 4.25% cash, 2.00% PIK), 12/19/13	Party Rentals	$ 3,011,194	$ 3,011,194	$ 2,439,068
Fitness Together Franchise Corporation, First Lien, 11.50% (9.50% cash, 2.00% PIK), 11/10/13(f)(i)	Personal Fitness	6,647,179	6,647,179	6,424,075
Heartland Automotive Services II, Inc. et al., Term Loan A, First Lien, 7.25% (Base Rate + 4.00%), 1/30/14	Automobile Repair	3,194,307	3,193,529	2,989,871
Heartland Automotive Services II, Inc. et al., Term Loan B, First Lien, 9.25% (Base Rate + 4.00% cash, 2.00% PIK), 1/30/14	Automobile Repair	2,340,288	2,340,186	2,113,280
Henniges Automotive Holdings, Inc., First Lien, 12.00% (LIBOR + 10.00%), 11/30/16	Automotive	38,333,333	37,343,347	38,333,333
Hoffmaster Group, Inc., First Lien, 7.00% (LIBOR + 5.00%), 6/2/16	Consumer Products	4,699,813	4,552,898	4,699,813
Hoffmaster Group, Inc., Second Lien, 13.50%, 6/2/17	Consumer Products	33,000,000	32,331,805	33,000,000
InterMedia Outdoors, Inc., Second Lien, 7.12% (LIBOR + 6.75%), 1/31/14	Printing/ Publishing	10,000,000	10,000,000	8,670,000
MCCI Group Holdings, LLC, Second Lien, 10.75% (LIBOR + 9.00%), 1/29/18	Healthcare Services	40,000,000	40,000,000	40,000,000
Navilyst Medical, Inc., Second Lien, 13.00%, 8/14/15	Healthcare Services	15,000,000	14,864,234	14,685,000
Penton Media, Inc. et al., First Lien, 5.00% (LIBOR + 3.00% cash, 1.00% PIK), 8/1/14(d)	Information Services	11,426,881	8,869,902	8,869,902
Physiotherapy Associates, Inc. et al., Second Lien, 12.00% (Base Rate + 8.75%), 12/31/13	Rehabilitation Centers	17,000,000	17,000,000	16,711,000
Potters Holdings II, L.P., Term Loan B, Second Lien, 10.25%, (LIBOR + 8.50%), 11/6/17	Engineered Glass Beads	15,000,000	14,788,481	14,850,000
Pre-Paid Legal Services, Inc., Term Loan B, First Lien, 11.00% (LIBOR + 9.50%), 12/31/16	Legal Services	15,000,000	14,570,811	15,000,000
Progress Financial Corporation, Second Lien, 12.00%, 7/26/16	Financial Services	25,000,000	24,515,805	24,515,805
SOURCEHOV LLC, Second Lien, 10.50% (LIBOR + 9.25%), 4/29/18	Process Outsourcing	20,000,000	18,001,726	17,860,000
Sur La Table, Inc., Second Lien, 12.00%, 7/28/17	Consumer Products	50,000,000	50,000,000	50,000,000
Total Safety U.S., Inc., Second Lien, 6.77% (LIBOR + 6.50%), 12/8/13	Industrial Safety Equipment	9,000,000	9,000,000	9,000,000

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

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BlackRock Kelso Capital Corporation

Schedules of Investments (Unaudited)—(Continued)
September 30, 2011

Portfolio Company	Industry	Principal Amount or Number of Shares/Units	Cost(a)	Fair Value(b)
United Subcontractors, Inc., First Lien, 4.37% PIK (LIBOR + 4.00%), 6/30/15(d)	Building and Construction	$ 1,862,364	$ 1,807,407	$ 1,538,313
Volume Services America, Inc. et al., Term Loan B, First Lien, 10.50% (LIBOR + 8.50%), 9/16/16	Concession Services	44,550,000	43,071,527	44,550,000
WBS Group LLC et al., Second Lien, 10.50% (LIBOR + 9.00%), 6/7/13	Software	20,000,000	19,880,705	18,700,000
Westward Dough Operating Company, LLC, Term Loan A, First Lien, 4.24% (LIBOR + 4.00%), 10/31/11	Restaurants	6,850,000	6,850,000	2,760,550
Westward Dough Operating Company, LLC, Term Loan B, First Lien, 7.24% (LIBOR + 7.00%), 10/31/11(i)	Restaurants	8,334,656	8,334,656	4,482,926
Total Senior Secured Loans			600,582,330	592,067,482
Preferred Stock—1.1%				
Alpha Media Group Holdings Inc., Series A-2(j)	Publishing	5,000	—	—
Fitness Together Holdings, Inc., Series A(f)(j)	Personal Fitness	187,500	173,326	—
Fitness Together Holdings, Inc., Series A-1(f)(j)	Personal Fitness	49,056	49,056	—
Fitness Together Holdings, Inc., Series B Convertible(f)(j)	Personal Fitness	15,881,325	9,100,000	2,595,644
M & M Tradition Holdings Corp., Series A Convertible, 16.00% PIK(d)	Sheet Metal Fabrication	4,968	4,968,000	5,117,040
Total Preferred Stock			14,290,382	7,712,684
Common Stock—10.1%(j)				
Alpha Media Group Holdings Inc., Class B	Publishing	12,500	—	—
Arclin Cayman Holdings Ltd.(d)(g)	Chemicals	450,532	9,722,203	6,920,000
Bankruptcy Management Solutions, Inc.(f)	Financial Services	325,415	9,600,072	1,416,697
BKC ARS Blocker, Inc. (American Residential)(k)	HVAC/Plumbing Services	1,000	—	637,000
BKC ASW Blocker, Inc. (American SportWorks)(f)(l)	Utility Vehicles	1,000	7,428,827	—
BKC CSP Blocker, Inc. (Conney Safety)(d)(m)	Safety Products	100	952,259	1,101,652

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

BlackRock Kelso Capital Corporation

Schedules of Investments (Unaudited)—(Continued)
September 30, 2011

Portfolio Company	Industry	Principal Amount or Number of Shares/Units	Cost(a)	Fair Value(b)
BKC DVSH Blocker, Inc. (DynaVox Systems)(n)	Augmentative Communication Products	100	$ 758,069	$ 888,502
BKC MTCH Blocker, Inc. (Marquette Transportation)(o)	Transportation	1,000	5,000,000	3,913,111
ECI Holdco, Inc., Class A-1 (Electrical Components)(f)	Electronics	18,848,836	18,848,836	45,255,301
Fitness Together Holdings, Inc.(f)	Personal Fitness	173,547	118,500	—
M & M Tradition Holdings Corp.(d)	Sheet Metal Fabrication	500,000	5,000,000	5,000,000
MGHC Holding Corporation (Mattress Giant)(d)	Bedding—Retail	109,336	1,093,360	88,900
USI Senior Holdings, Inc. (United Subcontractors)(d)	Building and Construction	97,519	7,309,066	6,327,747
Total Common Stock			65,831,192	71,548,910
Limited Partnership/Limited Liability Company Interests—4.2%				
Big Dumpster Coinvestment, LLC(j)	Waste Management Equipment	—	5,333,333	—
Marsico Holdings, LLC, acquired 11/12/10(c)(j)	Financial Services	91,445	1,848,077	292,624
Penton Business Media Holdings LLC(d)(j)	Information Services	—	9,050,000	17,154,827
PG Holdco, LLC (Press Ganey), 15.00% PIK	Healthcare Services	333	280,739	281,020
PG Holdco, LLC (Press Ganey), Class A(j)	Healthcare Services	16,667	166,667	224,996
Sentry Security Systems Holdings, LLC(j)	Security Services	147,271	147,271	3,015
Sentry Security Systems Holdings, LLC, 8.00% PIK	Security Services	602,729	602,729	602,729
VSS-AHC Holdings LLC (Advanstar)(j)	Printing/Publishing	352,941	4,199,161	4,508,313
WBS Group Holdings, LLC, Class B-1, 16.00% PIK	Software	8,000	8,000,000	7,144,690
Total Limited Partnership/Limited Liability Company Interests			29,627,977	30,212,214
Equity Warrants/Options—0.7%(j)				
Arclin Cayman Holdings Ltd., Tranche 1, expire 1/15/14(d)(g)	Chemicals	230,159	403,815	1,110,897
Arclin Cayman Holdings Ltd., Tranche 2, expire 1/15/15(d)(g)	Chemicals	230,159	323,052	1,293,405
Arclin Cayman Holdings Ltd., Tranche 3, expire 1/15/14(d)(g)	Chemicals	230,159	484,578	913,612
Arclin Cayman Holdings Ltd., Tranche 4, expire 1/15/15(d)(g)	Chemicals	230,159	403,815	1,113,459

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

BlackRock Kelso Capital Corporation

Schedules of Investments (Unaudited)—(Continued)
September 30, 2011

Portfolio Company	Industry	Principal Amount or Number of Shares/Units		Cost(a)		Fair Value(b)
Bankruptcy Management Solutions, Inc., expire 10/1/17(f)	Financial Services	23,046	$	365,584	$	3,080
Facet Investment, Inc., expire 1/18/21	Medical Devices	1,978		250,000		96,606
Marsico Superholdco SPV, LLC, expire 12/14/19, acquired 11/28/07(c)	Financial Services	455		444,450		—
MGHC Holding Corporation, expire 1/31/12(d)	Bedding—Retail	75,928		136,297		—
Progress Financial Corporation, expire 7/26/18	Financial Services	429,596		502,627		502,627
Twin River Worldwide Holdings, Inc., Contingent Value Rights, expire 11/5/17	Gaming	1,000		5,000		4,000
Total Equity Warrants/Options				3,319,218		5,037,686
TOTAL INVESTMENTS—139.4%			$	1,048,672,103		992,261,903
OTHER ASSETS & LIABILITIES (NET)—(39.4)%						(280,477,964)
NET ASSETS—100.0%					$	711,783,939

(a) Represents amortized cost for fixed income securities and cost for preferred and common stock, limited partnership/limited liability company interests and equity warrants/options.
(b) Fair value is determined by or under the direction of the Company's Board of Directors (see Note 2).
(c) Security is exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. In the aggregate, these securities represent 12.6% of the Company's net assets at September 30, 2011.
(d) Transaction and other information for "non-controlled, affiliated" investments under the Investment Company Act of 1940, whereby the Company owns 5% or more (but not more than 25%) of the portfolio company's outstanding voting securities, is as follows:

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

Non-controlled, Affiliated Investments	Fair Value at December 31, 2010	Gross Additions (Cost)*	Gross Reductions (Cost)**	Net Unrealized Gain (Loss)	Fair Value at September 30, 2011	Net Realized Gain (Loss)***	Interest Income***	Dividend Income***
Arclin Cayman Holdings Ltd.:								
Common Stock	$ 8,370,000	$ —	$ (8,507,789)	$ 137,789	$ — †	$ —	$ —	$ —
Warrants	5,453,023	—	(4,419,495)	(1,033,528)	— †	—	—	—
Arclin US Holdings Inc.								
Senior Secured Loan	3,459,541	44,416	(3,547,259)	43,302	— †	1,288	113,406	—
BKC CSP Blocker, Inc.								
Common Stock	1,062,247	63,359	—	(23,954)	1,101,652	—	—	—
Conney Safety Products, LLC								
Subordinated Debt	29,665,252	225,971	(4,829,858)	521,369	25,582,734	170,143	3,693,677	—
M&M Tradition Holdings Corp.:								
Preferred Stock	5,117,040	—	—	—	5,117,040	—	—	1,106,309
Common Stock	5,000,000	—	—	—	5,000,000	—	—	—
Mattress Giant Corporation								
Subordinated Debt	1,229,657	102,434	(4,014,328)	2,682,237	— ††	(2,784,672)	94,327	—
MGHC Holding Corporation:								
Common Stock	—	—	(2,285,815)	2,285,815	— ††	(2,285,815)	—	—
Common Stock	—	1,093,360	—	(1,004,460)	88,900	—	—	—
Warrants	—	136,297	—	(136,297)	—	—	—	—
Penton Business Media Holdings LLC								
Limited Liability Co. Interest	9,050,000	—	—	8,104,827	17,154,827	—	110,624	—
Penton Media, Inc. et al.								
Senior Secured Loan	—	8,869,902	—	—	8,869,902	6,658	—	—
United Subcontractors, Inc.								
Senior Secured Loan	1,589,952	26,419	—	(78,058)	1,538,313	—	43,341	—
USI Senior Holdings, Inc.								
Common Stock	7,379,489	—	—	(1,051,742)	6,327,747	—	—	—
Totals	$ 77,376,201	$10,562,158	$(27,604,544)	$10,447,300	$ 70,781,115	$(4,892,398)	$ 4,055,375	$ 1,106,309

* Gross additions include increases in the cost basis of investments resulting from new portfolio investments, payment-in-kind interest or dividends, the amortization of unearned income, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company into this category from a different category.

** Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company out of this category into a different category.

*** For the nine months ended September 30, 2011.

† Investment moved out of the non-controlled, affiliated category into the non-controlled, non-affiliated category during the period.

†† Investment no longer held at September 30, 2011.

The aggregate fair value of non-controlled, affiliated investments at September 30, 2011 represents 9.9% of the Company's net assets.

(e) Approximately 66% of the senior secured loans to the Company's 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. In addition, approximately 51% of such senior secured loans have floors of 1.00% to 3.25% on the LIBOR base rate. The borrower under a senior secured loan generally has the option to select from interest reset periods of one, two, three or six months and may alter that selection at the end of any reset period. The stated interest rate represents the weighted average interest rate at September 30, 2011 of all contracts within the specified loan facility.

(f) Transaction and other information for "controlled" investments under the Investment Company Act of 1940, whereby the Company owns more than 25% of the portfolio company's outstanding voting securities, is as follows:

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

Controlled Investments	Fair Value at December 31, 2010	Gross Additions (Cost)*	Gross Reductions (Cost)**	Net Unrealized Gain (Loss)	Fair Value at September 30, 2011	Net Realized Gain (Loss)***	Interest/Other Income***
Al Solutions, Inc.							
Senior Secured Loan	$ 115,000	$ —	$ (115,000)	$ —	$ — †	$ —	$ 6,738
American SportWorks LLC							
Senior Secured Loan	7,200,000	—	—	(880,000)	6,320,000	—	788,667
Bankruptcy Management Solutions, Inc.:							
Senior Secured Loan, First Lien, A	1,427,700	117,736	—	398,564	1,944,000	—	231,488
Senior Secured Loan, First Lien, B	—	10,011,517	—	5,256,734	15,268,251	22,372	839,790
Senior Secured Loan, Second Lien	21,342,029	2,659,369	—	(2,756,420)	21,244,978	—	3,190,130
Common Stock	4,516,560	60,832	—	(3,160,695)	1,416,697	—	—
Warrants	125,880	—	—	(122,800)	3,080	—	—
BKC ASW Blocker, Inc.							
Common Stock	—	—	—	—	—	—	—
ECI Holdco, Inc.							
Common Stock	51,480,000	—	—	(6,224,699)	45,255,301	—	—
Electrical Components International, Inc.							
Senior Secured Loan	1,641,718	—	(1,641,718)	—	— †	— †	14,730
Fitness Together Franchise Corporation							
Senior Secured Loan	6,119,804	—	(518,868)	823,139	6,424,075	—	(2,289)
Fitness Together Holdings, Inc.:							
Preferred Stock Series A	—	—	—	—	—	—	—
Preferred Stock Series A-1	—	—	—	—	—	—	—
Preferred Stock Series B Convertible	1,478,000	—	—	1,117,644	2,595,644	—	—
Common Stock	—	—	—	—	—	—	—
Totals	$ 95,446,691	$12,849,454	$(2,275,586)	$ (5,548,533)	$ 100,472,026	$ 22,372	$ 5,069,254

* Gross additions include increases in the cost basis of investments resulting from new portfolio investments, payment-in-kind interest or dividends, the amortization of unearned income, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company into this category from a different category.

** Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company out of this category into a different category.

*** For the nine months ended September 30, 2011. There was no dividend income from these securities during the period.

† Investment no longer held at September 30, 2011.

The aggregate fair value of controlled investments at September 30, 2011 represents 14.1% of the Company's net assets.

(g) Non-U.S. company or principal place of business outside the U.S.

(h) Principal amount is denominated in Canadian dollars.

(i) Non-accrual status (in default) at September 30, 2011 and therefore non-income producing. At September 30, 2011, the aggregate fair value and amortized cost of the Company's debt investments on non-accrual status represents 1.2% and 1.6% of total debt investments at fair value and amortized cost, respectively.

(j) Non-income producing equity securities at September 30, 2011.

(k) The Company is the sole stockholder of BKC ARS Blocker, Inc., which is the beneficiary of less than 5% of the voting securities of American Residential Services L.L.C. and thus a non-controlled, non-affiliated investment.

(l) The Company is the sole stockholder of BKC ASW Blocker, Inc., which is the beneficiary of more than 25% of the voting securities of American SportWorks LLC and thus a controlled investment.

(m) The Company is the sole stockholder of BKC CSP Blocker, Inc., which is the beneficiary of more than 5% (but less than 25%) of the voting securities of Conney Prime Holdings, LLC and thus a non-controlled, affiliated investment.

(n) The Company is the sole stockholder of BKC DVSH Blocker, Inc., which is the beneficiary of less than 5% of the voting securities of DynaVox Systems LLC and thus a non-controlled, non-affiliated investment.

(o) The Company is the sole stockholder of BKC MTCH Blocker, Inc., which is the beneficiary of less than 5% of the voting securities of Marquette Transportation Company Holdings, LLC and thus a non-controlled, non-affiliated investment.

PIK Payment-in-kind.

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

BlackRock Kelso Capital Corporation

Schedules of Investments
December 31, 2010

Portfolio Company	Industry(a)	Principal Amount or Number of Shares/Units	Cost(b)	Fair Value(c)
Senior Secured Notes—12.6%				
AGY Holding Corp., Second Lien, 11.00%, 11/15/14	Glass Yarns/ Fibers	$ 23,500,000	$ 23,191,282	$ 21,385,000
American Residential Services L.L.C. et al., Second Lien, 12.00%, 4/15/15, acquired 4/9/10(d)	HVAC/ Plumbing Services	40,000,000	39,836,651	40,400,000
TriMark USA, Inc., Second Lien, 11.50% (LIBOR + 1.75% cash, 2.00% PIK), 11/30/13	Food Service Equipment	32,136,228	32,136,228	26,480,252
Total Senior Secured Notes			95,164,161	88,265,252
Unsecured Debt—1.0%				
Big Dumpster Acquisition, Inc., 13.50% PIK, 7/5/15	Waste Management Equipment	49,067,970	44,935,199	2,046,844
Maple Hill Acquisition LLC, 13.50%, 10/1/15	Rigid Packaging	5,000,000	4,851,541	4,851,541
Total Unsecured Debt			49,786,740	6,898,385
Subordinated Debt—31.7%				
A & A Manufacturing Co., Inc., 14.00%, 5/16/16	Protective Enclosures	27,403,430	27,088,627	27,088,627
Aspen Marketing Holdings, Inc., 13.00%, 8/12/16	Marketing Services	50,000,000	48,830,976	48,830,976
Conney Safety Products, LLC, 16.00%, 10/1/14(e)	Safety Products	30,582,734	29,383,496	29,665,252
Mattress Giant Corporation, 11.00% PIK, 12/31/12(e)	Bedding —Retail	6,404,461	3,911,894	1,229,657
MediMedia USA, Inc., 11.38%, 11/15/14, acquired multiple dates(d)	Information Services	8,000,000	8,048,532	7,528,000
MedQuist Inc. et al., 13.00%, 10/15/16	Medical Transcription	43,000,000	41,756,471	41,756,471
The Pay-O-Matic Corp., 14.00% (12.00% cash, 2.00% PIK), 1/15/15	Financial Services	15,366,867	15,237,076	15,390,745
PGA Holdings, Inc., 12.50%, 3/12/16	Healthcare Services	5,000,000	4,935,425	5,000,000
Sarnova HC, LLC et al., 14.00% (12.00% cash, 2.00% PIK), 4/6/16	Healthcare Products	25,375,474	24,729,156	24,729,156
Sentry Security Systems, LLC, 16.00% (14.00% cash, 2.00% PIK), 8/7/12	Security Services	11,056,053	10,997,828	10,997,828
U.S. Security Holdings, Inc., 13.00% (11.00% cash, 2.00% PIK), 5/8/14, acquired 5/10/06(d)	Security Services	7,000,000	7,000,000	7,000,000
Wastequip, Inc., 13.00% (10.00% cash, 3.00% PIK), 2/5/15	Waste Management Equipment	8,510,274	8,163,533	2,153,099
Total Subordinated Debt			230,083,014	221,369,811

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

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BlackRock Kelso Capital Corporation

Schedules of Investments—(Continued)
December 31, 2010

Portfolio Company	Industry(a)	Principal Amount or Number of Shares/Units	Cost(b)	Fair Value(c)
Senior Secured Loans—63.7%(f)				
Advantage Sales & Marketing Inc., Second Lien, 9.25% (LIBOR + 7.75%), 6/17/18	Marketing Services	$ 10,000,000	$ 9,850,494	$ 10,000,000
Alpha Media Group Inc., First Lien, 12.00% PIK, 7/15/13	Publishing	4,468,967	3,325,429	1,625,395
Al Solutions, Inc., First Lien, 10.00%, 6/28/13(g)	Metals	115,000	115,000	115,000
American SportWorks LLC, Second Lien, 13.00%, 6/16/15(g)	Utility Vehicles	8,000,000	8,000,000	7,200,000
AmQuip Crane Rental LLC, Second Lien, 6.04% (LIBOR + 5.75%), 6/29/14	Construction Equipment	24,017,329	22,622,302	20,871,059
Arclin US Holdings Inc., Second Lien, 7.75% (LIBOR + 6.00%), 1/15/15(e)(h)	Chemicals	3,559,198	2,831,246	3,459,541
Ascend Learning, LLC, Second Lien, 12.25% (Base Rate + 9.00%), 12/6/17	Education	20,000,000	19,402,126	19,402,126
Ashton Woods USA L.L.C., Second Lien, 11.75%, 7/6/15	Homebuilding	37,500,000	37,161,761	37,161,761
Bankruptcy Management Solutions, Inc., Term Loan A, First Lien, 7.50% (LIBOR + 6.00%), 8/20/14(g)	Financial Services	2,000,000	1,427,700	1,427,700
Bankruptcy Management Solutions, Inc., Second Lien, 8.26% (LIBOR + 1.00% cash, 7.00% PIK), 8/20/15(g)	Financial Services	27,221,976	18,515,769	21,342,029
The Bargain! Shop Holdings Inc., Term Loan A, First Lien, 16.00%, 6/29/12(h)	Discount Stores	12,381,187(i)	12,084,951	12,460,310
The Bargain! Shop Holdings Inc., Term Loan B, First Lien, 16.00%, 7/1/12(h)	Discount Stores	17,018,813(i)	15,971,842	17,127,573
Berlin Packaging L.L.C., Second Lien, 6.78% (LIBOR + 6.50%), 8/17/15	Rigid Packaging	24,000,000	23,582,963	23,400,000
Electrical Components International, Inc., Tranche B, First Lien, 9.50% (LIBOR + 6.50%), 5/14/15(g)	Electronics	1,641,718	1,641,718	1,641,718
Event Rentals, Inc., Acquisition Loan, First Lien, 7.75% (LIBOR + 4.25% cash, 2.00% PIK), 12/19/13	Party Rentals	3,123,427	3,123,427	2,529,976
Facet Technologies, LLC, Second Lien, 17.50% PIK, 7/26/12	Medical Devices	40,828,460	36,865,344	—
Facet Technologies, LLC, Guaranty(j)	Medical Devices	—	—	—
Fitness Together Franchise Corporation, First Lien, 11.50% (9.50% cash, 2.00% PIK), 11/10/13(g)(k)	Personal Fitness	7,166,047	7,166,047	6,119,804

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

BlackRock Kelso Capital Corporation

Schedules of Investments—(Continued)
December 31, 2010

Portfolio Company	Industry(a)	Principal Amount or Number of Shares/Units	Cost(b)	Fair Value(c)
Heartland Automotive Services II, Inc. et al., Term Loan A, First Lien, 7.25% (Base Rate + 4.00%), 1/30/14	Automobile Repair	$ 3,263,070	$ 3,262,020	$ 3,073,812
Heartland Automotive Services II, Inc. et al., Term Loan B, First Lien, 9.25% (Base Rate + 4.00% cash, 2.00% PIK), 1/30/14	Automobile Repair	2,305,090	2,304,957	2,076,887
Henniges Automotive Holdings, Inc., First Lien, 12.00% (LIBOR + 10.00%), 11/30/16	Automotive	40,000,000	38,817,518	38,817,518
Hoffmaster Group, Inc., First Lien, 7.00% (LIBOR + 5.00%), 6/2/16	Consumer Products	4,791,367	4,617,622	4,617,622
Hoffmaster Group, Inc., Second Lien, 13.50%, 6/2/17	Consumer Products	33,000,000	32,243,723	32,243,723
InterMedia Outdoors, Inc., Second Lien, 7.05% (LIBOR + 6.75%), 1/31/14	Printing/ Publishing	10,000,000	10,000,000	8,630,000
MCCI Group Holdings, LLC, Second Lien, 7.51% (LIBOR + 7.25%), 6/21/13	Healthcare Services	29,000,000	28,972,454	29,000,000
Navilyst Medical, Inc., Second Lien, 13.00%, 8/14/15	Healthcare Services	15,000,000	14,838,003	14,865,000
Physiotherapy Associates, Inc. et al., Second Lien, 12.00% (Base Rate + 8.75%), 12/31/13	Rehabilitation Centers	17,000,000	17,000,000	17,000,000
Total Safety U.S., Inc., Second Lien, 6.79% (LIBOR + 6.50%), 12/8/13	Industrial Safety Equipment	9,000,000	9,000,000	8,829,000
United Subcontractors, Inc., First Lien, 1.80% (LIBOR + 1.50%), 6/30/15(e)	Building and Construction	1,842,354	1,780,989	1,589,952
Volume Services America, Inc. et al., Term Loan B, First Lien, 10.50% (LIBOR + 8.50%), 9/16/16	Concession Services	44,887,500	43,173,389	43,173,389
Water Pik, Inc., Second Lien, 5.76% (LIBOR + 5.50%), 6/15/14	Consumer Products	30,000,000	30,000,000	30,000,000
WBS Group LLC et al., Second Lien, 10.50% (LIBOR + 9.00%), 6/7/13	Software	20,000,000	19,827,750	17,827,750
Westward Dough Operating Company, LLC, Term Loan A, First Lien, 4.31% (LIBOR + 4.00%), 3/30/11	Restaurants	6,850,000	6,843,398	2,822,448
Westward Dough Operating Company, LLC, Term Loan B, First Lien, 7.31% (LIBOR + 7.00%), 3/30/11(k)	Restaurants	8,334,656	8,326,946	4,372,183
Total Senior Secured Loans			494,696,888	444,823,276
Preferred Stock—0.9%				
Alpha Media Group Holdings Inc., Series A-2(l)	Publishing	5,000	—	—

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

BlackRock Kelso Capital Corporation

Schedules of Investments—(Continued)
December 31, 2010

Portfolio Company	Industry(a)	Principal Amount or Number of Shares/Units	Cost(b)	Fair Value(c)
Facet Holdings Corp., Class A, 12.00% PIK(k)	Medical Devices	$ 900	$ 900,000	$ —
Fitness Together Holdings, Inc., Series A(g)(l)	Personal Fitness	187,500	173,326	—
Fitness Together Holdings, Inc., Series A-1(g)(l)	Personal Fitness	49,056	49,056	—
Fitness Together Holdings, Inc., Series B Convertible(g)(l)	Personal Fitness	15,881,325	9,100,000	1,478,000
M & M Tradition Holdings Corp., Series A Convertible, 16.00% PIK(e)	Sheet Metal Fabrication	4,968	4,968,000	5,117,040
Total Preferred Stock			15,190,382	6,595,040
Common Stock—11.9%(l)				
Alpha Media Group Holdings Inc., Class B	Publishing	12,500	—	—
Arclin Cayman Holdings Ltd.(e)(h)	Chemicals	572,553	11,399,992	8,370,000
Bankruptcy Management Solutions, Inc.(g)	Financial Services	259,229	9,539,238	4,516,560
BKC ARS Blocker, Inc. (American Residential)(m)	HVAC/ Plumbing Services	1,000	20,798	1,118,000
BKC ASW Blocker, Inc. (American SportWorks)(g)(n)	Utility Vehicles	1,000	7,428,827	—
BKC CSP Blocker, Inc. (Conney Safety)(e)(o)	Safety Products	100	888,910	1,062,247
BKC DVSH Blocker, Inc. (DynaVox Systems)(p)	Augmentative Communication Products	100	758,068	723,813
BKC MTCH Blocker, Inc. (Marquette Transportation)(q)	Transportation	1,000	5,000,000	3,511,963
ECI Holdco, Inc., Class A-1 (Electrical Components)(g)	Electronics	18,848,836	18,848,836	51,480,000
Facet Holdings Corp	Medical Devices	10,000	100,000	—
Fitness Together Holdings, Inc.(g)	Personal Fitness	173,547	118,500	—
M & M Tradition Holdings Corp.(e)	Sheet Metal Fabrication	500,000	5,000,000	5,000,000
MGHC Holding Corporation (Mattress Giant)(e)	Bedding—Retail	2,285,815	2,285,815	—
USI Senior Holdings, Inc. (United Subcontractors)(e)	Building and Construction	97,519	7,309,066	7,379,489
Total Common Stock			68,698,050	83,162,072
Limited Partnership/Limited Liability Company Interests —3.3%				
Big Dumpster Coinvestment, LLC(l)	Waste Management Equipment	—	5,333,333	—
Marsico Holdings, LLC, acquired 11/12/10(d)(l)	Financial Services	91,445	1,848,077	424,305

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

BlackRock Kelso Capital Corporation

Schedules of Investments—(Continued)
December 31, 2010

Portfolio Company	Industry(a)	Principal Amount or Number of Shares/Units	Cost(b)	Fair Value(c)
Penton Business Media Holdings LLC(e)(l)	Information Services	—	$ 9,050,000	$ 9,050,000
PG Holdco, LLC (Press Ganey), 15.00% PIK	Healthcare Services	333	280,739	280,739
PG Holdco, LLC (Press Ganey), Class A(l)	Healthcare Services	16,667	166,667	300,000
Sentry Security Systems Holdings, LLC(l)	Security Services	147,271	147,271	3,830
Sentry Security Systems Holdings, LLC, 8.00% PIK	Security Services	602,729	602,729	602,729
VSS-AHC Holdings LLC (Advanstar)(l)	Printing/ Publishing	352,941	4,199,161	6,390,228
WBS Group Holdings, LLC, Class B-1, 16.00% PIK	Software	8,000	8,000,000	6,336,096
Total Limited Partnership/Limited Liability Company Interests			29,627,977	23,387,927
Equity Warrants/Options—0.8%(l)				
Arclin Cayman Holdings Ltd., Tranche 1, expire 1/15/14(e)(h)	Chemicals	230,159	403,815	1,378,850
Arclin Cayman Holdings Ltd., Tranche 2, expire 1/15/15(e)(h)	Chemicals	230,159	323,052	1,553,288
Arclin Cayman Holdings Ltd., Tranche 3, expire 1/15/14(e)(h)	Chemicals	230,159	484,578	1,164,424
Arclin Cayman Holdings Ltd., Tranche 4, expire 1/15/15(e)(h)	Chemicals	230,159	403,815	1,356,461
Bankruptcy Management Solutions, Inc., expire 10/1/17(g)	Financial Services	22,544	365,583	125,880
BLB Worldwide Holdings, Inc., Contingent Value Rights, expire 11/5/17	Gaming	1,000	5,000	5,000
Marsico Superholdco SPV, LLC, expire 12/14/19, acquired 11/28/07(d)	Financial Services	455	444,450	—
Total Equity Warrants/Options			2,430,293	5,583,903
TOTAL INVESTMENTS—126.0%			$ 985,677,505	880,085,666
OTHER ASSETS & LIABILITIES (NET)— (26.0)%				(181,605,742)
NET ASSETS—100.0%				$ 698,479,924

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

BlackRock Kelso Capital Corporation

Schedules of Investments—(Continued)
December 31, 2010

Note regarding change in presentation: The Company revised the Schedules of Investments from the presentation in its Annual Report on Form 10-K for the year ended December 31, 2010 to incorporate the unearned income into the cost and fair value of the associated portfolio company investments. The previously reported Schedules of Investments included a separate line item reporting total unearned income. The amount of total unearned income is $9,392,954 at December 31, 2010. This change in presentation did not impact total investment cost or fair value as reported on the Company's Statements of Assets and Liabilities.

(a) Unaudited

(b) Represents amortized cost for fixed income securities and cost for preferred and common stock, limited partnership/limited liability company interests and equity warrants/options.

(c) Fair value is determined by or under the direction of the Company's Board of Directors (see Note 2).

(d) Security is exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. In the aggregate, these securities represent 7.9% of the Company's net assets at December 31, 2010.

(e) Transaction and other information for "non-controlled, affiliated" investments under the Investment Company Act of 1940, whereby the Company owns 5% or more (but not more than 25%) of the portfolio company's outstanding voting securities, is as follows:

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

Non-controlled, Affiliated Investments	Fair Value at December 31, 2009	Gross Additions (Cost)*	Gross Reductions (Cost)**	Net Unrealized Gain (Loss)	Fair Value at December 31, 2010	Net Realized Gain (Loss)***	Interest Income***	Dividend Income***
Arclin Cayman Holdings Ltd.:								
Common Stock	$ —	$ 7,087,791	$ —	$ 1,282,209	$ 8,370,000	$ —	$ —	$ —
Warrants	—	3,955,050	—	1,497,973	5,453,023	—	—	—
Arclin US Holdings Inc.								
Senior Secured Loan	—	3,437,181	(8,298)	30,658	3,459,541	667	39,137	—
BKC CSP Blocker, Inc.								
Common Stock	—	888,910	—	173,337	1,062,247	—	—	—
Conney Safety Products, LLC								
Subordinated Debt	—	25,366,592	—	4,298,660	29,665,252	—	4,966,138	—
M&M Tradition Holdings Corp.:								
Preferred Stock	5,117,040	—	—	—	5,117,040	—	—	1,284,148
Common Stock	5,000,000	—	—	—	5,000,000	—	—	—
Mattress Giant Corporation								
Subordinated Debt	3,521,162	1,390,692	—	(3,682,197)	1,229,657	—	1,390,894	—
MGHC Holding Corporation								
Common Stock	—	—	—	—	—	—	—	—
Penton Business Media Holdings LLC								
Limited Liability Co. Interest	515,870	9,050,000	(14,943,201)	14,427,331	9,050,000	(14,426,995)	—	—
Penton Media, Inc.								
Senior Secured Loan	4,290,000	14,571	(25,694,870)	21,390,299	— †	(21,794,870)	(25,073)	—
United Subcontractors, Inc.								
Senior Secured Loan	1,447,864	163,319	—	(21,231)	1,589,952	—	32,096	—
USI Senior Holdings, Inc.								
Common Stock	6,902,053	383,057	—	94,379	7,379,489	—	—	—
Totals	$ 26,793,989	$51,737,163	$(40,646,369)	$39,491,418	$ 77,376,201	$(36,221,198)	$ 6,403,192	$ 1,284,148

* Gross additions include increases in the cost basis of investments resulting from new portfolio investments, payment-in-kind interest or dividends, the amortization of unearned income, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company into this category from a different category.

** Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company out of this category into a different category.

*** For the year ended December 31, 2010.

† Investment no longer held at December 31, 2010.

The aggregate fair value of non-controlled, affiliated investments at December 31, 2010 represents 11.1% of the Company’s net assets.

(f) Approximately 71% of the senior secured loans to the Company’s 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. In addition, approximately 35% of such senior secured loans have floors of 1.50% to 3.25% on the LIBOR base rate. The borrower under a senior secured loan generally has the option to select from interest reset periods of one, two, three or six months and may alter that selection at the end of any reset period. The stated interest rate represents the weighted average interest rate at December 31, 2010 of all contracts within the specified loan facility.

(g) Transaction and other information for “controlled” investments under the Investment Company Act of 1940, whereby the Company owns more than 25% of the portfolio company’s outstanding voting securities, is as follows:

Controlled Investments	Fair Value at December 31, 2009	Gross Additions (Cost)*	Gross Reductions (Cost)**	Net Unrealized Gain (Loss)	Fair Value at December 31, 2010	Net Realized Gain (Loss)***	Interest/ Other Income***
Al Solutions, Inc.							
Senior Secured Loan	$ 150,000	$ 221	$ (32,638)	$ (2,583)	$ 115,000	$ 2,362	$ 14,207
American SportWorks LLC							
Senior Secured Loan	3,012,331	1,726,037	(6,879,382)	9,341,014	7,200,000	153	650,218
Bankruptcy Management Solutions, Inc.:							
Senior Secured Loan	—	3,368,715	(1,941,015)	—	1,427,700	—	148,011
Senior Secured Loan	—	18,515,769	—	2,826,260	21,342,029	—	675,666
Common Stock	—	9,539,238	—	(5,022,678)	4,516,560	—	—
Warrant	—	365,583	—	(239,703)	125,880	—	—
BKC ASW Blocker, Inc.							
Common Stock	163,289	7,353,826	(175,000)	(7,342,115)	—	—	—
ECI Holdco, Inc.							
Common Stock	—	18,848,836	—	32,631,164	51,480,000	—	—
Electrical Components International, Inc.:							
Senior Secured Loan	—	1,649,968	(8,250)	—	1,641,718	—	100,913
Senior Secured Loan	—	12,000,000	(12,000,000)	—	— †	—	218,183
Senior Secured Loan	—	12,000,000	(12,000,000)	—	— †	—	218,168
Fitness Together Franchise Corporation							
Senior Secured Loan	5,807,656	143,488	—	168,660	6,119,804	—	825,104
Fitness Together Holdings, Inc.:							
Preferred Stock Series A	—	—	—	—	—	—	—
Preferred Stock Series A-1	—	—	—	—	—	—	—
Preferred Stock Series B Convertible	779,000	2,600,000	—	(1,901,000)	1,478,000	—	—
Common Stock	—	—	—	—	—	—	—
Totals	$ 9,912,276	$88,111,681	$(33,036,285)	$30,459,019	$ 95,446,691	$ 2,515	$ 2,850,470

* Gross additions include increases in the cost basis of investments resulting from new portfolio investments, payment-in-kind interest or dividends, the amortization of unearned income, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company into this category from a different category.

** Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company out of this category into a different category.

*** For the year ended December 31, 2010. There was no dividend income from these securities during the period.

† Investment no longer held at December 31, 2010.

The aggregate fair value of controlled investments at December 31, 2010 represents 13.7% of the Company's net assets.

(h) Non-U.S. company or principal place of business outside the U.S.

(i) Principal amount is denominated in Canadian dollars.

(j) Guaranty by the Company on behalf of portfolio company Facet Technologies, LLC. This guaranty was terminated on January 17, 2011 with no payments having been made thereunder.

(k) Non-accrual status (in default) at December 31, 2010 and therefore non-income producing. At December 31, 2010, the aggregate fair value and amortized cost of the Company's debt investments on non-accrual status represents 1.4% and 1.8% of total debt investments at fair value and amortized cost, respectively.

(l) Non-income producing equity securities at December 31, 2010.

(m) The Company is the sole stockholder of BKC ARS Blocker, Inc., which is the beneficiary of less than 5% of the voting securities of American Residential Services L.L.C. and thus a non-controlled, non-affiliated investment.

(n) The Company is the sole stockholder of BKC ASW Blocker, Inc., which is the beneficiary of more than 25% of the voting securities of American SportWorks LLC and thus a controlled investment.

(o) The Company is the sole stockholder of BKC CSP Blocker, Inc., which is the beneficiary of more than 5% (but less than 25%) of the voting securities of Conney Prime Holdings, LLC and thus a non-controlled, affiliated investment.

(p) The Company is the sole stockholder of BKC DVSH Blocker, Inc., which is the beneficiary of less than 5% of the voting securities of DynaVox Systems LLC and thus a non-controlled, non-affiliated investment.

(q) The Company is the sole stockholder of BKC MTCH Blocker, Inc., which is the beneficiary of less than 5% of the voting securities of Marquette Transportation Company Holdings, LLC and thus a non-controlled, non-affiliated investment.

PIK Payment-in-kind.

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

BlackRock Kelso Capital Corporation

Notes to Financial Statements (Unaudited)

1. Organization

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 elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940 (the “1940 Act”). In addition, for tax purposes the Company has qualified and has elected to be treated as a regulated investment company (“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 invests 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 of 35,366,589 shares of its common stock at a price of $15.00 per share receiving net proceeds of approximately $529 million. On July 2, 2007, the Company completed an initial public offering through which it sold an additional 10,000,000 shares of its common stock at a price of $16.00 per share and listed its shares on The NASDAQ Global Select Market. The Company received net proceeds of approximately $150 million from this offering.

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). 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 periods, have been included. The results of operations for interim periods are not indicative of results to be expected for the full year.

Certain financial information that is normally included in annual financial statements, including certain financial statement footnotes, prepared in accordance with GAAP, is not required for interim reporting purposes and has been condensed or omitted herein. These financial statements should be read in conjunction with the Company’s financial statements and notes related thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2010, which was filed with the Securities and Exchange Commission (“SEC”) on March 8, 2011.

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 and such differences could be material.

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 unless they are deemed not to represent fair value. The Company obtains market quotations, when available, from an independent pricing service or one or more broker-dealers or market makers and may utilize the average of the range of bid and ask quotations as a practical expedient for fair value. Debt and equity securities for which market quotations are not readily available or for which market quotations are deemed not to represent fair value 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 substantially all of the investments in its portfolio, the Company expects to value substantially all 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 and subjectivity 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 may differ materially from the values that the Company may ultimately realize. In addition, changes in the market environment and other events may have differing impacts on the market quotations used to value some of the Company’s investments than on the fair values of the Company’s investments for which market quotations are not readily available. Market quotations may be deemed not to represent fair value in certain circumstances where BlackRock Kelso Capital Advisors LLC (the “Advisor”), the Company’s investment advisor, believes that facts and circumstances applicable to an issuer, a seller or purchaser or the market for a particular security cause current market quotations to not reflect the fair value of the security. Examples of these events could include cases where a security trades infrequently causing a quoted purchase or sale price to become stale, where there is a “forced” sale by a distressed seller, where market quotations vary substantially among market makers, or where there is a wide bid-ask spread or significant increase in the bid-ask spread.

With respect to the Company’s investments for which market quotations are not readily available or for which market quotations are deemed not to represent fair value, the Board of Directors has approved a multi-step valuation process each quarter, as described below:

(i) The quarterly valuation process begins with each portfolio company or investment being initially evaluated and rated by the investment professionals of the Advisor responsible for the portfolio investment;

(ii) The investment professionals provide recent portfolio company financial statements and other reporting materials to independent valuation firms engaged by the Board of Directors, such firms conduct independent appraisals each quarter and their preliminary valuation conclusions are documented and discussed with senior management of the Advisor;

(iii) The audit committee of the Board of Directors reviews the preliminary valuations prepared by the independent valuation firms; and

(iv) 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 Advisor, the respective independent valuation firms and the audit committee.

Those investments for which market quotations are not readily available or for which market quotations are deemed not to represent fair value are valued utilizing a market approach, an income approach, or both approaches, as appropriate. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business). The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that the Company may take into account in determining the fair value of its investments include, as relevant and among other factors: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, information rights, the nature and realizable value of any collateral, the portfolio company’s ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, M&A comparables, the Company’s principal market (as the reporting entity) and enterprise values.

Until the end of the second calendar quarter following its acquisition, each unquoted investment in a new portfolio company generally is valued at cost, which the Advisor believes approximates fair value under the circumstances. As of that date, an independent valuation firm may conduct an initial independent appraisal of the investment.

Accounting Standards Codification (“ASC”) 820-10, *Fair Value Measurements and Disclosures* (“ASC 820-10”), issued by the Financial Accounting Standards Board (“FASB”), defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. ASC 820-10 defines fair value as the price that the Company would receive upon selling an investment or pay to transfer a liability in an orderly transaction to a market participant in the principal or most advantageous market for the investment. ASC 820-10 emphasizes that valuation techniques maximize the use of observable market inputs and minimize the use of unobservable inputs. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company’s assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances.

ASC 820-10 establishes a hierarchy that classifies these inputs into the three broad levels listed below:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 – Valuations based on unadjusted quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The inputs into the determination of fair value may require significant management judgment or estimation. Even if observable market data is available, such information may be the result of consensus pricing information or broker quotes which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimer would result in classification as Level 3 information, assuming no additional corroborating evidence.

Transfers between levels, if any, represent the value as of the beginning of the period of any investment where a change in the pricing level occurred from the beginning to the end of the period.

The Company evaluates the source of inputs, including any markets in which its investments are trading, in determining fair value and categorizes each investment within the fair value hierarchy pursuant to and consistent with ASC 820-10.

(b) Security transactions are accounted for on the trade date unless there are substantial conditions to the purchase.

(c) Gains or losses on the disposition of investments are calculated using the specific identification method.

(d) Interest income is recorded on an accrual basis and includes amortization of premiums and accretion of discounts. Discounts and premiums to par value on securities purchased are accreted/amortized into interest income over the life of the respective security. Premiums and discounts are determined based on the cash flows expected to be collected for a particular investment.

Dividend income is recorded on an accrual basis to the extent that the Company expects to collect such amounts. For loans and securities with payment-in-kind (“PIK”) income, which represents contractual interest or dividends accrued and added to the principal balance and generally due at maturity, PIK income is accrued only to the extent that the portfolio company valuation indicates that the PIK income is likely to be collected.

Structuring service fees, origination, closing, commitment and other upfront fees are generally non-recurring and are recognized as revenue when earned. In instances where the Company does not perform significant services in connection with the related investment, fees paid to the Company in these situations may be deferred and amortized over the estimated life of the loan.

Upon the prepayment of a loan or debt security, any prepayment penalties and unamortized loan origination, structuring, closing, commitment and other upfront fees are recorded as interest income.

Expenses are recorded on an accrual basis.

(e) The Company has elected to be taxed as a RIC under Subchapter M of the Code and operates in a manner so as to qualify for the tax treatment applicable to RICs.

In order to qualify for favorable tax treatment as a RIC, the Company is required to distribute annually to its stockholders at least 90% of its investment company taxable income, as defined by the Code. To avoid federal excise taxes, the Company must distribute annually at least 98% of its income (both ordinary income and net capital gains). The Company, at its discretion, may carry forward taxable income in excess of calendar year distributions and pay a 4% excise tax on this income. If the Company chooses to do so, all other things being equal, this would increase expenses and reduce the amount available to be distributed to stockholders. The Company will accrue excise tax on estimated excess taxable income as required.

The Company holds 100% of the common stock of certain companies as indicated in the accompanying schedules of investments. The Company carries its investments in such wholly owned companies at fair value in the statements of assets and liabilities, net of any applicable income tax liabilities. An income tax provision has been provided at the wholly owned company level on all income of such companies, including realized and unrealized gains. Such wholly owned companies are held in connection with the Company's election to be taxed as a RIC. In general, these wholly owned companies earn income that, if earned directly by the Company, would not be qualifying income for purposes of the Company qualifying as a RIC. Dividends from these wholly owned companies and gains from the sale of their stock are qualifying income for this purpose. The Company makes investments in securities in accordance with its investment policies through these wholly owned companies.

(f) Dividends and distributions to common stockholders are recorded on the ex-dividend date. The amount to be paid out as a dividend is determined by the Board of Directors. Net realized capital gains, if any, generally are distributed at least annually, although the Company may decide to retain such capital gains for investment.

(g) Loans or debt securities are placed on non-accrual status, as a general matter, when principal or interest payments are past due 30 days or more or when there is reasonable doubt that principal or interest will be collected. Accrued interest generally is reversed when a loan or debt security is placed on non-accrual status. Interest payments received on non-accrual loans or debt securities may be recognized as income or applied to principal depending upon management's judgment. Non-accrual loans and debt securities are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current. The Company may make exceptions to this treatment if the loan or debt security has sufficient collateral value and is in the process of collection.

(h) Recently Issued Accounting Pronouncements:

In January 2010, the FASB issued Accounting Standards Update 2010-06, *Fair Value Measurements and Disclosures* ("ASU 2010-06"). ASU 2010-06 amends ASC 820-10 to require new disclosures with regard to transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements within the Level 3 fair value rollforward. ASU 2010-06 also clarifies existing fair value disclosures about the appropriate level of disaggregation and about inputs and valuation techniques for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3. The new disclosures and clarifications of existing disclosures were effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the rollforward of activity in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption on January 1, 2010 and January 1, 2011 of the respective additional disclosure requirements of ASU 2010-06 did not materially impact the Company's financial statements.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement*: *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* ("ASU 2011-04"), which amends the existing fair value guidance within ASC 820-10. The amendments include: (1) application of the concepts of highest and best use and valuation premise only to measuring the fair value of nonfinancial assets (that is, it does not apply to financial assets or any liabilities), (2) an exception to fair value measurement principles for financial assets and financial liabilities (and derivatives) with offsetting positions in market risks or counterparty credit risk, which allows an entity to measure the fair value of the net risk position, when several criteria are met, (3) extension of the prohibition of a blockage factor application to all fair value measurements, (4) a model for the fair value measurement of instruments classified within an entity's shareholders' equity which is consistent with the guidance of measuring the fair value for liabilities, (5) additional disclosures for fair value measurements categorized in Level 3 of the fair value hierarchy: (i) quantitative information about unobservable inputs used, (ii) a description of the valuation processes used by the entity and (iii) a qualitative discussion about the sensitivity of the measurements, (6) disclosure of the level in the fair value hierarchy of assets and liabilities not recorded at fair value but where fair value is disclosed and (7) disclosure of any transfers between Levels 1 and 2 of the fair value hierarchy, not just significant transfers. The provisions of ASU 2011-04 are effective for the Company on January 1, 2012. The adoption of ASU 2011-04 is not expected to materially impact the Company's financial statements.

3. Agreements and related party transactions

The Company has entered into an Investment Management Agreement (the "Management Agreement") with the Advisor, under which the Advisor, subject to the overall supervision of the Company's Board of Directors, manages the day-to-day operations of, and provides investment advisory services to, the Company. For providing these services, the Advisor receives a base management fee (the "Management Fee") from the Company quarterly in arrears at an annual rate of 2.0% of the Company's total assets, including any assets acquired with the proceeds of leverage.

For the three and nine months ended September 30, 2011, the Advisor earned $5,124,033 and $14,547,503, respectively, in Management Fees under the Management Agreement. For the three and nine months ended September 30, 2010, the Advisor earned $4,049,347 and $12,522,832, respectively, in such fees from the Company.

The Management Agreement provides that the Advisor or its affiliates may be entitled to an incentive management fee (the "Incentive Fee") under certain circumstances. The determination of the Incentive Fee, as described in more detail below, will result in the Advisor or its affiliates receiving no Incentive Fee payments if returns to Company stockholders do not meet an 8.0% annualized rate of return during the applicable fee measurement period and will result in the Advisor or its affiliates receiving less than the full amount of the Incentive Fee percentage until returns to stockholders exceed an approximate 13.3% annualized rate of return during such period. Annualized rate of return in this context is computed by reference to the Company's net asset value and does not take into account changes in the market price of the Company's common stock.

The Advisor will be entitled to receive the Incentive Fee if the Company's performance exceeds a "hurdle rate" during different measurement periods: trailing four quarters' periods (which applies only to the portion of the Incentive Fee based on income) and annual periods (which applies only to the portion of the Incentive Fee based on capital gains). The "trailing four quarters' periods" for purposes of determining the income portion of the Incentive Fee payable for the three months ended September 30, 2011 and 2010 was determined by reference to the four quarter periods ended on September 30, 2011 and 2010, respectively. The term "annual period" means the period beginning on July 1 of each calendar year and ending on June 30 of the next calendar year.

The hurdle rate for each measurement period is 2.0% multiplied by the Company's net asset values at the beginning of each calendar quarter during the measurement period, calculated after giving effect to any distributions that occurred during the measurement period. A portion of the Incentive Fee is based on the Company's income and a portion is based on capital gains. Each portion of the Incentive Fee is described below.

Quarterly Incentive Fee Based on Income. For each trailing four quarters' period, the Company pays the Advisor an Incentive Fee based on the amount by which (A) aggregate distributions and amounts distributable out of taxable net income (excluding any capital gain and loss) during the period less the amount, if any, by which net unrealized capital depreciation exceeds net realized capital gains during the period exceeds (B) the hurdle rate for the period. The amount of the excess of (A) over (B) described in this paragraph for each period is referred to as the excess income amount.

The portion of the Incentive Fee based on income for each period will equal 50% of the period's excess income amount, until the cumulative Incentive Fee payments for the period equal 20% of the period's income amount distributed or distributable to stockholders as described in clause (A) of the preceding paragraph. Thereafter, the portion of the Incentive Fee based on income for the period will equal 20% of the period's remaining excess income amount.

Annual Incentive Fee Based on Capital Gains. The portion of the Incentive Fee based on capital gains is calculated on an annual basis. For each annual period, the Company pays the Advisor an Incentive Fee based on the amount by which (A) net realized capital gains, if any, to the extent they exceed gross unrealized capital depreciation, if any, occurring during the period exceeds (B) the amount, if any, by which the period's hurdle rate exceeds the amount of income used in the determination of the Incentive Fee based on income for the period. The amount of the excess of (A) over (B) described in this paragraph is referred to as the excess gain amount.

The portion of the Incentive Fee based on capital gains for each period will equal 50% of the period's excess gain amount, until such payments equal 20% of the period's capital gain amount distributed or distributable to stockholders. Thereafter, the portion of the Incentive Fee based on capital gains for the period equals an amount such that the portion of the Incentive Fee payments to the Advisor based on capital gains for the period equals 20% of the period's remaining excess gain amount. The result of this formula is that, if the portion of the Incentive Fee based on income for the period exceeds the period's hurdle, then the portion of the Incentive Fee based on capital gains will be capped at 20% of the capital gain amount.

In calculating whether the portion of the Incentive Fee based on capital gains is payable with respect to any period, the Company accounts for its assets on a security-by-security basis. In addition, the Company uses the "period-to-period" method pursuant to which the portion of the Incentive Fee based on capital gains for any period is based on realized capital gains for the period reduced by realized capital losses and gross unrealized capital depreciation for the period. Based on current interpretations of Section 205(b)(3) of the Investment Advisers Act of 1940 by the SEC and its staff, the calculation of unrealized depreciation for each portfolio security over a period is based on the fair value of the security at the end of the period compared to the fair value at the beginning of the period. Incentive Fees earned in any of the periods described above are not subject to modification or repayment based upon performance in a subsequent period.

For the three and nine months ended September 30, 2011, the Advisor earned no incentive fees from the Company. For the three and nine months ended September 30, 2010, the Advisor earned zero and $493,951, respectively, in incentive fees from the Company.

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 Advisor 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 three and nine months ended September 30, 2011, the Company incurred $315,435 and $1,176,450, respectively, for such investment advisor expenses under the Management Agreement. Reimbursements to the Advisor for such investment advisor expenses for the three and nine months ended September 30, 2010 were $394,306 and $1,178,267, respectively.

From time to time, the Advisor may pay amounts owed by the Company to third party providers of goods or services. The Company will subsequently reimburse the Advisor for such amounts paid on its behalf. Reimbursements to the Advisor for such purposes during the three and nine months ended September 30, 2011 were $816,130 and $1,583,453, respectively. Reimbursements to the Advisor for such purposes during the three and nine months ended September 30, 2010 were $377,773 and $2,092,971, respectively.

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 also has entered into an administration agreement with BlackRock Financial Management, Inc. (the “Administrator”) 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 certain of the Company’s officers and their respective staffs. For the three and nine months ended September 30, 2011, the Company incurred $268,303 and $713,528, respectively, for administrative services expenses payable to the Administrator under the administration agreement. For the three and nine months ended September 30, 2010, the Company incurred $161,284 and $552,651, respectively, in such expenses.

At September 30, 2011 and December 31, 2010, cash equivalents of $30,223,195 and $1,344,159, respectively, consisted of short term liquid investments in a money market fund managed by an affiliate of the Administrator.

In March 2011, the Company’s Board of Directors authorized the purchase in a private placement of up to 1,000,000 shares of the Company’s common stock, by the Advisor in its discretion, subject to compliance with the Company’s and the Advisor’s applicable policies and requirements of law. Pursuant to this authorization, on March 16, 2011, the Company issued and sold to the Advisor in a private placement 200,000 shares of common stock for $2,000,000 or $10.00 per share, which was the closing price of the Company’s common stock on The NASDAQ Global Select Market on that date.

At September 30, 2011 and December 31, 2010, the Advisor owned and had the right to vote approximately 276,000 and 47,000 shares, respectively, of the Company’s common stock, representing less than 1.0% of the total shares outstanding. On such dates, under compensation arrangements for its officers and employees the Advisor owned of record, but did not have the right to vote, an additional 242,000 and 426,000 shares, respectively, of the Company’s common stock. At September 30, 2011 and December 31, 2010, other entities affiliated with the Administrator beneficially owned approximately 4,697,000 and 4,181,000 shares, respectively, of the Company’s common stock, representing approximately 6.4% and 5.8% of the total shares outstanding. An entity affiliated with the Administrator has ownership and financial interests in the Advisor.

4. Earnings per share

The following information sets forth the computation of basic and diluted net increase in net assets from operations per share (earnings per share) for the three and nine months ended September 30, 2011 and 2010.

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Numerator for basic and diluted net increase in net assets per share	$ 12,937,484	$ 16,315,704	$ 69,870,752	$ 69,133,587
Denominator for basic and diluted net increase in net assets per share	73,101,398	65,509,414	72,966,076	59,898,128
Basic/diluted net increase in net assets per share from operations	$ 0.18	$ 0.25	$ 0.96	$ 1.15

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

5. Investments

Purchases of investments for the three months ended September 30, 2011 and 2010 totaled $139,401,945 and $177,428,077, respectively, and for the nine months ended September 30, 2011 and 2010 totaled $260,528,598 and $321,716,307, respectively. Sales/repayments of investments for the three months ended September 30, 2011 and 2010 totaled $87,591,684 and $100,205,621, respectively, and for nine months ended September 30, 2011 and 2010 totaled $163,013,170 and $354,230,907, respectively.

Under the 1940 Act, the Company is required to separately identify non-controlled investments where it owns 5% or more of a portfolio company's outstanding voting securities as investments in "affiliated" companies. In addition, under the 1940 Act, the Company is required to separately identify investments where it owns more than 25% of a portfolio company's outstanding voting securities as investments in "controlled" companies. Detailed information with respect to the Company's non-controlled non-affiliated, non-controlled affiliated and controlled investments is contained in the accompanying schedules of investments and other financial statements. The information in the tables below is presented on an aggregate portfolio basis, without segregating the non-controlled non-affiliated, non-controlled affiliated and controlled investment categories.

At September 30, 2011, investments consisted of the following:

	Cost	Fair Value
Senior secured notes	$ 117,280,582	$ 114,629,001
Unsecured debt	51,293,942	5,651,175
Subordinated debt	166,446,480	165,402,751
Senior secured loans:		
First lien	200,027,366	197,032,435
Second/other priority lien	400,554,964	395,035,047
Total senior secured loans	600,582,330	592,067,482
Preferred stock	14,290,382	7,712,684
Common stock	65,831,192	71,548,910
Limited partnership/limited liability company interests	29,627,977	30,212,214
Equity warrants/options	3,319,218	5,037,686
Total investments	$ 1,048,672,103	$ 992,261,903

At December 31, 2010, investments consisted of the following:

	Cost*	Fair Value*
Senior secured notes	$ 95,164,161	$ 88,265,252
Unsecured debt	49,786,740	6,898,385
Subordinated debt	230,083,014	221,369,811
Senior secured loans:		
First lien	153,982,953	143,591,287
Second/other priority lien	340,713,935	301,231,989
Total senior secured loans	494,696,888	444,823,276
Preferred stock	15,190,382	6,595,040
Common stock	68,698,050	83,162,072
Limited partnership/limited liability company interests	29,627,977	23,387,927
Equity warrants/options	2,430,293	5,583,903
Total investments	$ 985,677,505	$ 880,085,666

* As indicated in the accompanying schedules of investments, the Company revised its previous presentation of its schedule of investments to incorporate the unearned income into the cost and fair value of the associated portfolio company investments.

The industry composition of the portfolio at fair value at September 30, 2011 and December 31, 2010 was as follows:

Industry	September 30, 2011	December 31, 2010
Personal and Other Services	14.2%	13.8%
Healthcare	11.7	10.6
Business Services	11.3	11.8
Consumer Products	8.7	7.6
Financial Services	8.1	4.9
Manufacturing	6.3	7.1
Distribution	5.3	6.3
Electronics	4.7	6.1
Building and Real Estate	4.6	5.2
Chemicals	4.5	4.4
Printing, Publishing and Media	4.1	8.5
Automotive	3.9	4.5
Beverage, Food and Tobacco	3.8	0.8
Retail	2.9	4.0
Containers and Packaging	2.8	3.2
Telecommunications	2.1	—
Entertainment and Leisure	0.6	0.8
Transportation	0.4	0.4
Total	100.0%	100.0%

The geographic composition of the portfolio at fair value at September 30, 2011 was United States 96.2% and Canada 3.8%, and at December 31, 2010 was United States 94.7% and Canada 5.3%. The geographic composition is determined by the location of the corporate headquarters of the portfolio company.

In the normal course of business, the Company invests in securities and enters into transactions where risks exist due to fluctuations in the market (market risk) or failure of the issuer of a security to meet all its obligations (issuer credit risk). The value of securities held by the Company may decline in response to certain events, including those directly involving the issuers whose securities are owned by the Company; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency and interest rate and price fluctuations. Similar to issuer credit risk, the Company may be exposed to counterparty credit risk, or the risk that an entity with which the Company has unsettled or open transactions may fail to or be unable to perform on its commitments. The Company manages counterparty risk by entering into transactions only with counterparties that they believe have the financial resources to honor their obligations and by monitoring the financial stability of those counterparties. Financial assets, which potentially expose the Company to market, issuer and counterparty credit risks, consist principally of investments in portfolio companies. The extent of the Company's exposure to market, issuer and counterparty credit risks with respect to these financial assets is generally approximated by their value recorded in the statements of assets and liabilities. The Company is also exposed to credit risk related to maintaining all of its cash at a major financial institution and in short-term liquid investments in a money market fund.

The Company has investments in lower rated and comparable quality unrated senior and junior secured, unsecured and subordinated debt securities and loans, which are subject to a greater degree of credit risk than more highly rated investments. The risk of loss due to default by the issuer is significantly greater for holders of such securities and loans, particularly in cases where the investment is unsecured or subordinated to other creditors of the issuer.

6. Derivatives

The Company may enter into forward foreign currency contracts from time to time to facilitate settlement of purchases and sales of investments denominated in foreign currencies or to help mitigate the impact that an adverse change in foreign exchange rates would have on the value of the Company's investments denominated in foreign currencies. A forward foreign currency contract is a commitment to purchase or sell a foreign currency at a future date (usually the security transaction settlement date) at a negotiated forward rate. These contracts are marked-to-market by recognizing the difference between the contract exchange rate and the current market rate as unrealized appreciation or depreciation. Realized gains or losses are recognized when contracts are settled. The Company's forward foreign currency contracts generally have terms of approximately three months. The volume of open contracts at the end of each reporting period is reflective of the typical volume of transactions during each calendar quarter. Risks may arise as a result of the potential inability of the counterparties to meet the terms of their contracts. The Company attempts to limit this risk by dealing with only creditworthy counterparties.

At September 30, 2011, details of open forward foreign currency contracts were as follows:

Foreign Currency	Settlement Date	Amount and Transaction	US$ Value at Settlement Date	US$ Value at September 30, 2011	Unrealized Appreciation/ (Depreciation)
Canadian dollar	October 7, 2011	2,927,000 Purchased	$ (2,955,768)	$ (2,812,871)	$ (142,897)
Canadian dollar	October 7, 2011	380,000 Purchased	(381,986)	(365,183)	(16,803)
Canadian dollar	October 7, 2011	27,407,000 Sold	27,707,376	26,338,349	1,369,027
Canadian dollar	October 7, 2011	99,500 Sold	103,486	95,620	7,866
			$ 24,473,108	$ 23,255,915	$ 1,217,193

At December 31, 2010, details of open forward foreign currency contracts were as follows:

Foreign Currency	Settlement Date	Amount and Transaction	US$ Value at Settlement Date	US$ Value at December 31, 2010	Unrealized Depreciation
Canadian dollar	January 19, 2011	29,400,000 Sold	$ 29,166,667	$ 29,535,112	$ (368,445)

All realized and unrealized gains and losses on forward foreign currency contracts are included in earnings (changes in net assets) and are reported as separate line items within the Company’s statements of operations. Unrealized gains and losses on forward foreign currency contracts are also reported as separate line items within the Company’s statements of assets and liabilities.

The Company holds warrants and options in certain portfolio companies in an effort to achieve additional investment return. In purchasing warrants and options, the Company bears the risk of an unfavorable change in the value of the underlying equity interest. The aggregate fair value of warrants and options as of September 30, 2011 and December 31, 2010 represents 0.7% and 0.8%, respectively, of the Company’s net assets.

The Company may enter into other derivative instruments and incur other exposures with other counterparties in the future.

7. Debt

Under the terms of the Company’s amended and restated Senior Secured, Multi-Currency Credit Agreement (the “Credit Facility”), as amended on April 20, 2010, certain lenders agreed to extend credit to the Company in an aggregate principal amount not to exceed $375,000,000 outstanding, at any one time, consisting of $275,000,000 of revolving loan commitments and $100,000,000 of term loan commitments. The Credit Facility is secured by substantially all of the assets in the Company’s portfolio, including cash and cash equivalents. Subject to certain exceptions, pricing for outstanding borrowings is at LIBOR plus an applicable spread of either 3.00% or 3.25% for revolving loans, based on a pricing grid using the Company’s credit rating, and LIBOR plus 3.00% for term loans. The Credit Facility does not contain a LIBOR floor requirement. At September 30, 2011, the effective LIBOR spread under the Credit Facility was 2.80%. Term loan commitments under the Credit Facility have been fully drawn and, once repaid, may not be reborrowed. The Credit Facility also includes an “accordion” feature that allows the Company, under certain circumstances, to increase the size of the Credit Facility by up to an additional $275,000,000 of revolving loan commitments and $250,000,000 of term loan commitments. The Credit Facility is used to supplement the Company’s equity capital to make additional portfolio investments and for other general corporate purposes.

At September 30, 2011, the Company had $142,450,000 drawn on the Credit Facility versus $170,000,000 at December 31, 2010. Subject to compliance with applicable covenants and borrowing base limitations, the remaining amount available under the Credit Facility was $232,550,000 at September 30, 2011.

On January 18, 2011, the Company closed a private placement issuance of $158,000,000 in aggregate principal amount of five-year, senior secured notes with a fixed interest rate of 6.50% and a maturity date of January 18, 2016 and $17,000,000 million in aggregate principal amount of seven-year, senior secured notes with a fixed interest rate of 6.60% and a maturity date of January 18, 2018 (collectively, the “Senior Secured Notes”). The Senior Secured Notes were sold to certain institutional accredited investors pursuant to an exemption from registration under the Securities Act of 1933, as amended. Interest on the Senior Secured Notes is due semi-annually on January 18 and July 18, commencing on July 18, 2011.

The Company’s average outstanding debt balance during the three and nine months ended September 30, 2011 was $294,000,543 and $276,577,106, respectively. The maximum amounts borrowed during the three and nine months ended September 30, 2011 were $320,000,000 and $363,000,000, respectively, and during the three and nine months ended September 30, 2010 were $205,500,000 and $314,000,000. The weighted average annual interest cost for the three and nine months ended September 30, 2011 was 5.21% and 5.25%, respectively, and for the three and nine months ended September 30, 2010 was 2.96% and 2.25%, exclusive of commitment fees and of other prepaid expenses related to establishing the Credit Facility and the Senior Secured Notes. With respect to any unused portion of the commitments under the Credit Facility, the Company incurs an annual commitment fee of 0.50%. Commitment fees incurred for the three and nine months ended September 30, 2011 were $329,677 and $995,649, respectively, and for the three and nine months ended September 30, 2010 were $417,243 and $843,784.

At September 30, 2011, the Company was in compliance with all covenants required under the Credit Facility and the Senior Secured Notes.

8. Capital stock

As a closed-end investment company regulated as a BDC under the 1940 Act, the Company is prohibited from selling shares of its common stock at a price below the current net asset value of the stock, or NAV, unless the Company's stockholders approve such a sale and its Board of Directors makes certain determinations. On May 26, 2011, subject to certain Board of Director determinations, the Company's stockholders approved the ability to sell or otherwise issue shares of the Company's common stock at a price below its then current net asset value per share for a twelve month period expiring on the anniversary of the date of stockholder approval. In any such case, the price at which the Company's common stock would be issued and sold may not be less than a price that, in the determination of the Company's Board of Directors, closely approximates the market value of such common stock. Any sale of the Company's common stock at a price below NAV would have a dilutive effect on NAV.

In 2008, the Company's Board of Directors approved a share repurchase plan under which the Company may repurchase up to 2.5 percent of its outstanding shares of common stock from time to time in open market or privately negotiated transactions. In 2009, the Board of Directors approved an extension and increase to the plan which authorized the Company to repurchase up to an additional 2.5 percent of its outstanding shares of common stock. In May 2011, the repurchase plan was further extended through the earlier of June 30, 2012 or until the approved number of shares has been repurchased. During the nine months ended September 30, 2011, the Company purchased a total of 400,000 shares of its common stock on the open market for $3,540,397, including brokerage commissions. There were no such purchases during the nine months ended September 30, 2010. Since inception of the repurchase plan through September 30, 2011, the Company has purchased 1,361,679 shares of its common stock on the open market for $8,966,297, including brokerage commissions. At September 30, 2011, the total number of remaining shares authorized for repurchase was 1,394,971. The Company currently holds the shares it repurchased in treasury.

9. Guarantees and commitments

In the normal course of business, the Company may enter into guarantees on behalf of portfolio companies. Under these arrangements, the Company would be required to make payments to third parties if the portfolio companies were to default on their related payment obligations. The Company has no such guarantees outstanding at September 30, 2011. The Company's only such guarantee outstanding at December 31, 2010 was terminated on January 17, 2011 with no payments having been made thereunder.

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.

From time to time, the Company may be a party to certain legal proceedings incidental to the normal course of its business, including the enforcement of the Company's rights under contracts with its portfolio companies. While the Company cannot predict the outcome of these legal proceedings with certainty, it does not expect that these proceedings will have a material effect on its financial statements.

10. Fair value of financial instruments

The carrying values of the Company's financial instruments approximate fair value. The carrying values of receivables, other assets, accounts payable and accrued expenses approximate fair value due to their short maturities. The carrying and fair values of the Company's Credit Facility borrowings were $142,450,000 and $131,054,000 at September 30, 2011 and $170,000,000 and $169,150,000 at December 31, 2010, respectively. The carrying and fair values of the Company's Secured Senior Notes were $175,000,000 and $174,830,000 at September 30, 2011. The carrying and fair values of the Company's total debt outstanding were therefore $317,450,000 and $305,884,000 at September 30, 2011 and $170,000,000 and $169,150,000 at December 31, 2010, respectively.

The following tables summarize the fair values of the Company's investments, forward foreign currency contracts and cash and cash equivalents based on the inputs used at September 30, 2011 and December 31, 2010 in determining such fair values:

		Fair Value Inputs at September 30, 2011		
	Fair Value at September 30, 2011	Price Quotations (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Senior secured notes	$ 114,629,001	$ —	$ —	$ 114,629,001
Unsecured debt	5,651,175	—	—	5,651,175
Subordinated debt	165,402,751	—	—	165,402,751
Senior secured loans	592,067,482	—	—	592,067,482
Preferred stock	7,712,684	—	—	7,712,684
Common stock	71,548,910	—	—	71,548,910
Limited partnership/limited liability company interests	30,212,214	—	—	30,212,214
Equity warrants/options	5,037,686	—	—	5,037,686
Total investments	992,261,903	—	—	992,261,903
Forward foreign currency contracts	1,217,193	—	1,217,193	—
Cash and cash equivalents	30,227,012	30,227,012	—	—
Total	$ 1,023,706,108	$ 30,227,012	$ 1,217,193	$ 992,261,903

		Fair Value Inputs at December 31, 2010		
	Fair Value at December 31, 2010	Price Quotations (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Senior secured notes	$ 88,265,252	$ —	$ —	$ 88,265,252
Unsecured debt	6,898,385	—	—	6,898,385
Subordinated debt	221,369,811	—	—	221,369,811
Senior secured loans	444,823,276	—	—	444,823,276
Preferred stock	6,595,040	—	—	6,595,040
Common stock	83,162,072	—	—	83,162,072
Limited partnership/limited liability company interests	23,387,927	—	—	23,387,927
Equity warrants/options	5,583,903	—	—	5,583,903
Total investments	880,085,666	—	—	880,085,666
Forward foreign currency contracts	(368,445)	—	(368,445)	—
Cash and cash equivalents	2,160,871	2,160,871	—	—
Total	$ 881,878,092	$ 2,160,871	$ (368,445)	$ 880,085,666

In determining the fair values of the Company's forward foreign currency contracts at September 30, 2011 and at December 31, 2010, the Company used unadjusted indicative price quotations for similar assets (Level 2). The following tables summarize the valuation techniques used at September 30, 2011 and December 31, 2010 in determining the fair values of the Company's investments for which significant unobservable inputs (Level 3) were used:

		Valuation Techniques at September 30, 2011	
	Fair Value at September 30, 2011	**Broker Quote(s) for Identical or Similar Assets**	**Market Approach, Income Approach or Both, Utilizing Third-Party Valuation Firms**
Senior secured notes	$ 114,629,001	$ —	$ 114,629,001
Unsecured debt	5,651,175	—	5,651,175
Subordinated debt	165,402,751	—	165,402,751
Senior secured loans	592,067,482	7,345,318	584,722,164
Preferred stock	7,712,684	—	7,712,684
Common stock	71,548,910	888,502	70,660,408
Limited partnership/limited liability company interests	30,212,214	—	30,212,214
Equity warrants/options	5,037,686	4,000	5,033,686
Total investments	$ 992,261,903	$ 8,237,820	$ 984,024,083

		Valuation Techniques at December 31, 2010	
	Fair Value at December 31, 2010	**Broker Quote(s) for Identical or Similar Assets**	**Market Approach, Income Approach or Both, Utilizing Third-Party Valuation Firms**
Senior secured notes	$ 88,265,252	$ —	$ 88,265,252
Unsecured debt	6,898,385	—	6,898,385
Subordinated debt	221,369,811	—	221,369,811
Senior secured loans	444,823,276	2,529,976	442,293,300
Preferred stock	6,595,040	—	6,595,040
Common stock	83,162,072	—	83,162,072
Limited partnership/limited liability company interests	23,387,927	—	23,387,927
Equity warrants/options	5,583,903	5,000	5,578,903
Total investments	$ 880,085,666	$ 2,534,976	$ 877,550,690

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The following is a reconciliation for the three months ended September 30, 2011 of investments for which Level 3 inputs were used in determining fair value:

	Fair Value at June 30, 2011	Amortization of Premium/ Discount - Net	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation or Depreciation	Purchases	Sales or Redemptions	Net Transfers in and/ or out of Level 3	Fair Value at September 30, 2011
Senior secured notes	$ 112,640,527	$ 78,217	$ —	$ 1,910,257	$ —	$ —	$ —	$ 114,629,001
Unsecured debt	7,046,484	533,581	—	(2,005,889)	76,999	—	—	5,651,175
Subordinated debt	177,102,396	233,729	206,435	126,823	10,900,878	(23,167,510)	—	165,402,751
Senior secured loans	532,635,156	1,916,575	242,333	(6,228,848)	127,921,440	(64,419,174)	—	592,067,482
Preferred stock	6,060,073	—	—	1,652,611	—	—	—	7,712,684
Common stock	78,192,892	—	—	(6,643,982)	—	—	—	71,548,910
Limited partnership /limited liability company interests	29,523,080	—	—	689,134	—	—	—	30,212,214
Equity warrants/ options	4,454,931	—	5,000	80,127	502,628	(5,000)	—	5,037,686
Total investments	$ 947,655,539	$ 2,762,102	$ 453,768	$ (10,419,767)	$ 139,401,945	$ (87,591,684)	$ —	$ 992,261,903

The following is a reconciliation for the nine months ended September 30, 2011 of investments for which Level 3 inputs were used in determining fair value:

	Fair Value at December 31, 2010	Amortization of Premium/ Discount - Net	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation or Depreciation	Purchases	Sales or Redemptions	Net Transfers in and/or out of Level 3	Fair Value at September 30, 2011
Senior secured notes	$ 88,265,252	$ 166,358	$ (237,750)	$ 4,247,329	$ 29,250,062	$ (7,062,250)	$ —	$ 114,629,001
Unsecured debt	6,898,385	1,276,828	—	(2,754,412)	230,374	—	—	5,651,175
Subordinated debt	221,369,811	1,949,924	(2,578,239)	7,669,476	11,388,943	(74,397,164)	—	165,402,751
Senior secured loans	444,823,276	4,018,298	(35,710,100)	41,358,760	220,710,197	(83,132,949)	—	592,067,482
Preferred stock	6,595,040	—	(899,995)	2,017,644	—	(5)	—	7,712,684
Common stock	83,162,072	—	(2,385,754)	(8,746,303)	(460,246)	(20,859)	—	71,548,910
Limited partnership /limited liability company interest	23,387,927	—	—	6,824,287	—	—	—	30,212,214
Equity warrants/ options	5,583,903	—	5,000	(1,435,142)	888,925	(5,000)	—	5,037,686
Total investments	$ 880,085,666	$ 7,411,408	$ (41,806,838)	$ 49,181,639	$ 262,008,255	$ (164,618,227)	$ —	$ 992,261,903

The following are reconciliations for the three months ended September 30, 2010 of investments for which Level 3 inputs were used in determining fair value:

	Fair Value at June 30, 2010	Amortization of Premium/ Discount - Net	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation or Depreciation	Net Purchases, Sales or Redemptions	Net Transfers in and/or out of Level 3	Fair Value at September 30, 2010
Senior secured notes	$ 86,944,431	$ 22,203	$ —	$ (473,473)	$ —	$ —	$ 86,493,161
Unsecured debt	8,260,675	149,082	—	(4,262,668)	138,125	—	4,285,214
Subordinated debt	122,465,964	458,612	—	(960,325)	91,090,144	—	213,054,395
Senior secured loans	441,466,981	1,929,519	382,107	(5,823,079)	(14,005,813)	—	423,949,715
Preferred stock	5,314,040	—	—	41,000	—	—	5,355,040
Common stock	62,672,266	—	—	8,986,348	—	—	71,658,614
Limited partnership/limited liability company interests	21,901,394	—	—	1,813,753	—	—	23,715,147
Equity warrants/options	4,565,206	—	—	670,602	—	—	5,235,808
Total investments	$ 753,590,957	$ 2,559,416	$ 382,107	$ (7,842)	$ 77,222,456	$ —	$ 833,747,094

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The following are reconciliations for the nine months ended September 30, 2010 of investments for which Level 3 inputs were used in determining fair value:

	Fair Value at December 31, 2009	Amortization of Premium/ Discount - Net	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation or Depreciation	Net Purchases, Sales or Redemptions	Net Transfers in and/or out of Level 3	Fair Value at September 30, 2010
Senior secured notes	$ 48,407,746	$ 56,789	$ 111,657	$ (2,102,804)	$ 40,019,773	$ —	$ 86,493,161
Unsecured debt	126,312,042	717,070	—	(15,651,628)	(107,092,270)	—	4,285,214
Subordinated debt	131,337,094	2,101,268	358	3,066,297	76,549,378	—	213,054,395
Senior secured loans	501,811,506	4,555,527	(49,661,903)	55,915,017	(88,670,432)	—	423,949,715
Preferred stock	5,896,040	—	—	(1,641,000)	1,100,000	—	5,355,040
Common stock	18,870,342	—	1,061,929	16,290,260	35,436,083	—	71,658,614
Limited partnership/limited liability company interests	13,082,528	—	(14,426,995)	16,525,820	8,533,794	—	23,715,147
Equity warrants/options	1,024,747	—	—	2,595,801	1,615,260	—	5,235,808
Total investments	$ 846,742,045	$ 7,430,654	$ (62,914,954)	$ 74,997,763	$ (32,508,414)	$ —	$ 833,747,094

There were no transfers between Levels during the three and nine months ended September 30, 2011 and 2010. All realized and unrealized gains and losses are included in earnings (changes in net assets) and are reported as separate line items within the Company's statements of operations.

The following table contains information with respect to net unrealized appreciation or depreciation on investments for which Level 3 inputs were used in determining fair value that are still held by the Company at September 30, 2011.

	Net Change in Unrealized Appreciation or Depreciation for the Nine Months Ended September 30, 2011 on Investments Held at September 30, 2011	Net Unrealized Appreciation or Depreciation on Investments Held at September 30, 2011
Senior secured notes	$ 3,686,228	$ (2,651,581)
Unsecured debt	(2,754,412)	(45,642,767)
Subordinated debt	4,987,238	(1,043,729)
Senior secured loans	4,710,265	(8,514,848)
Preferred stock	1,117,643	(6,577,698)
Common stock	(11,026,113)	5,717,718
Limited partnership/limited liability company interests	6,824,284	584,237
Equity warrants/options	(1,435,142)	1,718,468
Total investments	$ 6,109,991	$ (56,410,200)

The following table contains information with respect to net unrealized appreciation or depreciation on investments for which Level 3 inputs were used in determining fair value that were still held by the Company at September 30, 2010.

	Net Change in Unrealized Appreciation or Depreciation for the Nine Months Ended September 30, 2010 on Investments Held at September 30, 2010	Net Unrealized Appreciation or Depreciation on Investments Held at September 30, 2010
Senior secured notes	$ (2,102,804)	$ (8,330,012)
Unsecured debt	(17,802,778)	(59,974,931)
Subordinated debt	4,016,295	(10,217,740)
Senior secured loans	5,881,653	(57,309,776)
Preferred stock	(1,641,000)	(8,335,342)
Common stock	16,667,673	14,287,860
Limited partnership/limited liability company interests	2,098,825	(5,767,352)
Equity warrants/options	2,595,801	2,567,098
Total investments	$ 9,713,665	$ (133,080,195)

11. Financial highlights

The following per share data and ratios have been derived from information provided in the financial statements. The following is a schedule of financial highlights for a common share outstanding during the nine months ended September 30, 2011 and 2010.

	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Per Share Data:		
Net asset value, beginning of period	$ 9.62	$ 9.55
Net investment income	0.84	0.96
Net realized and unrealized gain	0.12	0.19
Total from investment operations	0.96	1.15
Dividend distributions to stockholders from net investment income	(0.84)	(0.96)
Issuance of stock at prices above net asset value	0.01	0.09
Offering costs	—	(0.07)
Net increase in net assets	0.13	0.21
Net asset value, end of period	$ 9.75	$ 9.76
Market price, end of period	$ 7.30	$ 11.50
Total return(1)(2)	(27.69)%	49.95%
Ratios / Supplemental Data:		
Ratio of operating expenses to average net assets(3)	3.78%	3.92%
Ratio of interest and other debt related expenses to average net assets(3)	2.59%	1.37%
Ratio of total expenses to average net assets(3)	6.37%	5.29%
Ratio of net investment income to average net assets(3)	11.56%	13.05%
Net assets, end of period	$ 711,783,939	$ 639,077,694
Average debt outstanding	$ 276,577,106	$ 219,033,333
Weighted average shares outstanding	72,966,076	59,898,128
Average debt per share(4)	$ 3.79	$ 3.66
Portfolio turnover(2)	17%	45%

(1) Total return is based on the change in market price per share during the respective periods. Total return calculations take into account dividends and distributions, if any, reinvested in accordance with the Company's dividend reinvestment plan and do not reflect brokerage commissions.
(2) Not annualized.
(3) Annualized.
(4) Average debt per share is calculated as average debt outstanding divided by the weighted average shares outstanding during the applicable period.

12. Subsequent events

On November 2, 2011, the Company's Board of Directors declared a dividend of $0.26 per share, payable on January 4, 2012 to stockholders of record at the close of business on December 21, 2011.

In addition to the subsequent events included in these notes to the financial statements, the Company conducted a review for additional subsequent events and determined that no additional subsequent events had occurred that would require accrual or additional disclosures.

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

The information contained in this section should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report.

Overview

We were incorporated in Delaware on April 13, 2005 and were 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 and certain public U.S. middle-market companies.

We are externally managed and have elected to be regulated as a BDC under 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 or thinly traded public U.S. companies, cash, cash equivalents, U.S. Government securities and high-quality debt investments that mature in one year or less.

Investments

Our level of investment activity can and does vary substantially from period to period depending on many factors, including the amount of debt and equity capital available to middle-market companies, the level of merger and acquisition activity, the general economic environment and the competitive environment for the types of investments we make.

As a BDC, we must not acquire any assets other than "qualifying assets" specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets (with certain limited exceptions). Qualifying assets include investments in "eligible portfolio companies." Under the relevant SEC rules, the term "eligible portfolio company" includes all private companies, companies whose securities are not listed on a national securities exchange, and certain public companies that have listed their securities on a national securities exchange and have a market capitalization of less than $250 million. These rules also permit us to include as qualifying assets certain follow-on investments in companies that were eligible portfolio companies at the time of initial investment but that no longer meet the definition.

Revenues

We generate revenues primarily in the form of interest on the debt we hold, dividends on our equity interests and capital gains on the sale of warrants and other debt or equity interests that we acquire in portfolio companies. Our investments in fixed income instruments generally have an expected maturity of three to ten years, although we have no lower or upper constraint on maturity, and typically bear interest at a fixed or floating rate. Interest on our debt securities is generally payable quarterly or semi-annually. Payments of principal of our debt investments may be amortized over the stated term of the investment, deferred for several years or due entirely at maturity. In some cases, our debt instruments and preferred stock investments may defer payments of cash interest or dividends or pay interest or dividends in-kind. Any outstanding principal amount of our debt securities and any accrued but unpaid interest will generally become due at the maturity date. In addition, we may generate revenue in the form of prepayment fees, commitment, origination, structuring or due diligence fees, fees for providing significant managerial assistance and consulting fees.

Expenses

Our primary operating expenses include the payment of a base management fee and, depending on our operating results, an incentive management fee, expenses reimbursable under the management agreement, administration fees and the allocable portion of overhead under the administration agreement. The base management fee and incentive management fee compensate the Advisor for work in identifying, evaluating, negotiating, closing and monitoring our investments. Our management agreement with the Advisor provides that we will reimburse the Advisor for costs and expenses incurred by the Advisor for office space rental, office equipment and utilities allocable to the Advisor 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 us. We bear all other costs and expenses of our operations and transactions.

Critical accounting policies

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 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. Our critical accounting policies, including those relating to the valuation of our investment portfolio, are further described in the notes to the financial statements and in Note 2 to the financial statements in the Company’s Annual Report on Form 10-K for the year ended December 31, 2010, which was filed with the SEC on March 8, 2011. See Note 2 to the financial statements in this Quarterly Report for a description of recently issued accounting pronouncements.

Financial and operating highlights

At September 30, 2011:
- Investment Portfolio: $1,022.5 million
- Net Assets: $711.8 million
- Indebtedness (borrowings under Credit Facility and Senior Secured Notes): $317.5 million
- Net Asset Value per share: $9.75

Portfolio Activity for the Three Months Ended September 30, 2011:
- Cost of investments during period: $139.4 million
- Sales, repayments and other exits during period: $87.6 million
- Number of portfolio companies at end of period: 54

Operating Results for the Three Months Ended September 30, 2011:
- Net investment income before Incentive Fees per share: $0.29
- Net investment income per share: $0.29
- Dividends declared per share: $0.26
- Earnings per share: $0.18
- Net investment income before Incentive Fees: $21.0 million
- Net investment income: $21.0 million
- Net realized and unrealized losses: $8.0 million
- Net increase in net assets from operations: $12.9 million

Portfolio and investment activity

During the three months ended September 30, 2011, we invested approximately $139.4 million across three new and several existing portfolio companies. The new investments consisted primarily of senior loans secured by first liens ($8.8 million, or 6% of the total invested) or second liens ($119.2 million, or 85%), senior secured notes ($10.9 million, or 8%) and unsecured or subordinated debt securities and equity securities ($0.5 million, or 1%). Additionally, we received proceeds from sales/repayments and other exits of approximately $87.6 million during the three months ended September 30, 2011.

At September 30, 2011, our net portfolio of $1,022.5 million (at fair value) consisted of 54 portfolio companies and was invested 57.9% in senior secured loans, 16.7% in unsecured or subordinated debt securities, 11.2% in equity investments, 11.2% in senior secured notes and 3% in cash and cash equivalents. Our average portfolio company investment at amortized cost was approximately $19.4 million at September 30, 2011. Our largest portfolio company investment by value was approximately $50.0 million and our five largest portfolio company investments by value comprised approximately 22% of our portfolio at September 30, 2011. At December 31, 2010, our net portfolio of $882 million (at fair value) consisted of 50 portfolio companies and was invested 50% in senior secured loans, 26% in unsecured or subordinated debt securities, 14% in equity investments, 10% in senior secured notes and less than 1% in cash and cash equivalents. Our average portfolio company investment at amortized cost was approximately $19.7 million at December 31, 2010. Our largest portfolio company investment by value was approximately $53.1 million and our five largest portfolio company investments by value comprised approximately 26% of our portfolio at December 31, 2010.

The weighted average yield of the debt and income producing equity securities in our portfolio at fair value was 12.7% at September 30, 2011 and 12.4% at December 31, 2010. The weighted average yields on our senior secured loans and other debt securities at fair value were 11.9% and 14.1%, respectively, at September 30, 2011, versus 11.3% and 14.3%, respectively at December 31, 2010. The weighted average yield of the debt and income producing equity securities in our portfolio at their current cost basis was 11.9% at September 30, 2011 and 10.9% at December 31, 2010. The weighted average yields on our senior secured loans and other debt securities at their current cost basis were 11.7% and 12.1%, respectively, at September 30, 2011, versus 10.1% and 12.1%, respectively at December 31, 2010. Yields are computed using interest rates and dividend yields as of the balance sheet date and include amortization of loan origination and commitment fees, original issue discount and market premium or discount based in the expected cash flows of the respective portfolio investment. Yields exclude common equity investments, preferred equity investments with no stated dividend rate, short-term investments, cash and cash equivalents.

At September 30, 2011, 48% of our debt investments bore interest based on floating rates, such as LIBOR, the Federal Funds Rate or the Prime Rate, and 52% bore interest at fixed rates. The percentage of our total debt investments that bore floating rate interest based on an interest rate floor was 38% at September 30, 2011. At December 31, 2010, 45% of our debt investments bore interest based on floating rates and 55% bore interest at fixed rates. The percentage of our total debt investments that bore floating rate interest based on an interest rate floor was 25% at December 31, 2010.

The Advisor employs a grading system for our portfolio. The Advisor grades all loans on a scale of 1 to 4. This system is intended to reflect the performance of the borrower’s business, the collateral coverage of the loans and other factors considered relevant. Generally, the Advisor assigns only one loan grade to each portfolio company for all loan investments in that portfolio company; however, the Advisor will assign multiple ratings when appropriate for different investments in one portfolio company. The following is a description of the conditions associated with each investment rating:

Grade 1: Investments in portfolio companies whose performance is substantially within the Advisor’s expectations and whose risk factors are neutral to favorable to those at the time of the original investment.

Grade 2: Investments in portfolio companies whose performance is below the Advisor’s expectations and that require closer monitoring; however, no loss of investment return (interest and/or dividends) or principal is expected.

Grade 3: Investments in portfolio companies whose performance is below the Advisor’s expectations and for which risk has increased materially since origination. Some loss of investment return is expected, but no loss of principal is expected. Companies graded 3 generally will be out of compliance with debt covenants and will be unlikely to make debt repayments on their original schedule.

Grade 4: Investments in portfolio companies whose performance is materially below the Advisor’s expectations where business trends have deteriorated and risk factors have increased substantially since the original investment. Investments graded 4 are those for which some loss of principal is expected.

The Advisor monitors and, when appropriate, changes the investment ratings assigned to each investment in our portfolio. In connection with our valuation process, the Advisor and Board of Directors review these investment ratings on a quarterly basis. Our average investment rating was 1.26 at September 30, 2011 versus 1.32 at December 31, 2010. The following is a distribution of the investment ratings of our portfolio companies at September 30, 2011 and December 31, 2010:

	September 30, 2011	December 31, 2010
Grade 1	$ 782,966,019	$ 640,463,981
Grade 2	177,586,154	211,899,165
Grade 3	10,337,186	9,631,767
Grade 4	21,271,938	18,090,753
Not rated	100,606	—
Total investments	$ 992,261,903	$ 880,085,666

Results of operations

Results comparisons for the three months ended September 30, 2011 and 2010.

Investment income

Investment income totaled $33,247,245 and $24,818,170, respectively, for the three months ended September 30, 2011 and 2010, of which $20,969,719 and $14,846,614 were attributable to interest and fees on senior secured loans, $11,282,828 and $9,098,750 to interest earned on other debt securities, $993,689 and $870,182 to dividends from preferred equity securities and $1,009 and $2,624 to interest on cash equivalents, respectively. The increase in investment income for the three months reflects the growth of our portfolio as a result of the deployment of debt capital under our Credit Facility.

Expenses

Expenses for the three months ended September 30, 2011 and 2010 were $12,282,632 and $8,006,918, respectively, which consisted of $5,124,033 and $4,049,347 in base management fees, $4,208,359 and $1,748,712 in interest expense and fees related to the Credit Facility, $683,095 and $394,589 in professional fees, $634,678 and $713,305 in amortization of debt issuance costs, $319,500 and $203,182 in administrative services, $315,435 and $394,306 in Advisor expenses, $108,186 and $123,409 in insurance expenses, $97,000 and $93,500 in director fees and $792,346 and $286,568 in other expenses, respectively. The increase in base management fees reflects the overall growth of our portfolio. The increase in interest expense and fees related to the Credit Facility primarily reflect the issuance of our Senior Secured Notes in January 2011. The increase in professional fees is due to nonrecurring legal and other professional expenditures incurred.

Net investment income

Net investment income was $20,964,613 and $16,811,252 for the three months ended September 30, 2011 and 2010, respectively. The increase is primarily a result of an increase in interest and capital structuring fees, partially offset by an increase in interest and Credit Facility related expenses.

Net realized gain or loss

Net realized gain of $1,135,851 for the three months ended September 30, 2011 was the result of $453,768 in net gains realized from the disposition of our investments and $682,083 in net gains realized on foreign currency transactions. Foreign currency gains mainly represent net gains on forward currency contracts used to mitigate the impact that changes in foreign exchange rates would have on our investments denominated in foreign currencies. For the three months ended September 30, 2010, net realized gain was $1,275,938, which was comprised of $400,317 in net gains realized from the disposition or restructuring of our investments and $875,621 in net gains realized on foreign currency transactions.

Net unrealized appreciation or depreciation

For the three months ended September 30, 2011 and 2010, the change in net unrealized appreciation or depreciation was an increase in net unrealized depreciation of $(9,162,980) and $(1,771,486), respectively. The increase in net unrealized depreciation for the three months ended September 30, 2011 was comprised of an increase in net unrealized depreciation on investments of $(10,419,767) and a net unrealized foreign currency translation gain of $1,256,787. The valuations of our investments were impacted by the underperformance of certain portfolio companies, as well as a reduction in the multiples used to estimate the fair value of some of our investments. Market-wide movements and trading multiples are not necessarily indicative of any fundamental change in the condition or prospects of our portfolio companies. The increase in net unrealized depreciation for the three months ended September 30, 2010 was comprised of an increase in net unrealized depreciation on investments of ($7,842) and a net unrealized foreign currency translation loss of ($1,763,644).

Net increase or decrease in net assets resulting from operations

The net increase or decrease in net assets resulting from operations for the three months ended September 30, 2011 and 2010 was an increase of $12,937,484 and $16,315,704, respectively. As compared to the prior period, the lower net increase in net assets from operations primarily reflects the increase in net investment income as well as the increase in net unrealized depreciation on investments, net of realized gains, for the three months ended September 30, 2011.

Results of operations

Results comparisons for the nine months ended September 30, 2011 and 2010.

Investment income

Investment income totaled $95,513,943 and $80,828,224, respectively, for the nine months ended September 30, 2011 and 2010, of which $47,411,616 and $45,417,080 were attributable to interest and fees on senior secured loans, $44,655,342 and $32,835,665 to interest earned on other debt securities, $3,385,077 and $2,532,011 to dividends from preferred equity securities, $24,408 and $5,968 to interest on cash equivalents, and $37,500 and $37,500 to other income, respectively. The increase in investment income for the nine months ended September 30, 2011 is primarily attributable to an increase in interest, capital structuring fees and one-time fees collected from the early repayment of one of our largest portfolio companies.

Expenses

Expenses for the nine months ended September 30, 2011 and 2010 were $33,933,462 and $23,331,070, respectively, which consisted of $14,547,503 and $12,522,832 in base management fees, zero and $493,951 in incentive management fees, $11,902,630 and $4,570,476 in interest expense and fees related to the Credit Facility, $1,871,184 and $1,469,481 in amortization of debt issuance costs, $1,345,608 and $790,820 In professional fees, $1,176,450, and $1,178,267 in Advisor expenses, $866,121 and $681,892 in administrative services, $350,606 and $458,020 in insurance expenses, $309,269 and $281,169 in director fees and $1,564,091 and $884,162 in other expenses, respectively. The increase in base management fees reflects the overall growth of our portfolio. The increase in interest expense and fees related to the Credit Facility primarily reflect the issuance of our Senior Secured Notes in January 2011. The increase in professional fees is due to nonrecurring legal and other professional expenditures incurred during the current period.

Net investment income

Net investment income was $61,580,481 and $57,497,154 for the nine months ended September 30, 2011 and 2010, respectively. The increase is primarily a result of an increase in interest, capital structuring fees, and one time fees collected from the early repayment of one of our largest portfolio companies, partially offset by an increase in interest and Credit Facility related expenses.

Net realized gain or loss

Net realized loss of $(42,439,614) for the nine months ended September 30, 2011 was the result of $(41,943,434) in net losses realized from the disposition of our investments and $(496,180) in net losses realized on foreign currency transactions. Foreign currency losses mainly represent net losses on forward currency contracts used to mitigate the impact that changes in foreign exchange rates would have on our investments denominated in foreign currencies. For the nine months ended September 30, 2010, net realized loss was $(62,738,253), which was comprised of $(62,905,251) in net losses realized from the disposition or restructuring of our investments and $166,998 in net gains realized on foreign currency transactions.

Net unrealized appreciation or depreciation

For the nine months ended September 30, 2011 and 2010, the change in net unrealized appreciation or depreciation was a decrease in net unrealized depreciation of $50,729,885 and $74,374,686, respectively. The decrease in net unrealized depreciation for the nine months ended September 30, 2011 was comprised of a decrease in net unrealized depreciation on investments of $49,181,639 and a net unrealized foreign currency translation gain of $1,548,246. The valuations of our investments were favorably impacted by the performance in certain portfolio companies, as well as increased multiples used to estimate the fair value of some of our investments. Market-wide movements and trading multiples are not necessarily indicative of any fundamental change in the condition or prospects of our portfolio companies. The decrease in net unrealized depreciation for the nine months ended September 30, 2010 was comprised of a decrease in net unrealized depreciation on investments of $74,997,763 and a net unrealized foreign currency translation loss of $(623,077).

Net increase or decrease in net assets resulting from operations

The net increase or decrease in net assets resulting from operations for the nine months ended September 30, 2011 and 2010 was an increase of $69,870,752 and $69,133,587, respectively. As compared to the prior period, the net increase in net assets from operations primarily reflects the increase in net investment income as well as the decrease in net unrealized depreciation on investments, net of realized losses, for the nine months ended September 30, 2011.

Supplemental information

We report our financial results on a GAAP basis; however, management believes that evaluating our ongoing operating results may be enhanced if investors have additional non-GAAP basis financial measures. Management reviews non-GAAP financial measures to assess ongoing operations and, for the reasons described below, considers them to be effective indicators, for both management and investors, of our financial performance over time. Management does not advocate that investors consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

We record our liability for Incentive Fees as we become legally obligated to pay them, based on a hypothetical liquidation at the end of each reporting period. Our obligation to pay Incentive Fees with respect to any fiscal quarter is based on a formula that reflects our results over a trailing four-fiscal quarter period ending with the current fiscal quarter. We are legally obligated to pay the amount resulting from the formula less any cash payments of Incentive Fees during the prior three quarters. The formula’s requirement to reduce the Incentive Fees by amounts paid with respect to Incentive Fees in the prior three quarters has caused our Incentive Fees expense to become, and currently is expected to be, concentrated in the fourth quarter of each year.

Management believes that reflecting Incentive Fees throughout the year, as the related investment income is earned, is an effective measure of our profitability and financial performance that facilitates comparison of current results with historical results and with those of our peers. Our "as adjusted" results reflect Incentive Fees based on the formula we utilize for each trailing four-fiscal quarter period, with the formula applied to the current quarter's incremental earnings and without any reduction for Incentive Fees paid during the prior three quarters. The resulting amount represents an upper limit of each quarter's incremental Incentive Fees that we may become legally obligated to pay. However, amounts calculated on a cumulative basis may yield amounts higher than the prior quarterly periods as presented. Prior year amounts are estimated in the same manner. These estimates represent upper limits because, in any calendar year, subsequent quarters' investment underperformance could reduce the Incentive Fees payable with respect to prior quarters' operating results. Changes in the economic environment, financial markets and other parameters used in determining such estimates could cause actual results to differ and such differences could be material. See Note 3 to the financial statements in this Quarterly Report for a more detailed description of the Company's incentive management fee.

Computations for all periods are derived from our financial statements as follows:

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
GAAP Basis:				
Net Investment Income	$ 20,964,613	$ 16,811,252	$ 61,580,481	$ 57,497,154
Net Increase in Net Assets from Operations	12,937,484	16,315,704	69,870,752	69,133,587
Net Asset Value at end of period	711,783,939	639,077,694	711,783,939	639,077,694
Less: Incremental Incentive Fee expense using existing formula as applied to current period operating results	(2,956,399)	(3,791,636)	(8,070,524)	(11,423,444)
As Adjusted:				
Net Investment Income	$ 18,008,214	$ 13,019,616	$ 53,509,957	$ 46,073,710
Net Increase in Net Assets from Operations	9,981,085	12,524,068	61,800,228	57,710,143
Net Asset Value at end of period	703,713,415	627,654,250	703,713,415	627,654,250
Per Share Amounts, GAAP Basis:				
Net Investment Income	$ 0.29	$ 0.26	$ 0.84	$ 0.96
Net Increase in Net Assets from Operations	0.18	0.25	0.96	1.15
Net Asset Value at end of period	9.75	9.76	9.75	9.76
Per Share Amounts, As Adjusted:				
Net Investment Income	$ 0.25	$ 0.20	$ 0.73	$ 0.77
Net Increase in Net Assets from Operations	0.14	0.19	0.85	0.96
Net Asset Value at end of period	9.64	9.58	9.64	9.58

Financial condition, liquidity and capital resources

During the nine months ended September 30, 2011, we generated operating cash flows primarily from interest earned and fees received on senior secured loans and other debt securities, as well as from sales and unsettled purchases of selected portfolio company investments or repayments of principal.

Net cash used in operating activities during the nine months ended September 30, 2011 was $56,870,018. Our primary use of cash in operating activities during the period was purchases of investments in portfolio companies (net of sales and repayments) of $97,515,428.

Net cash provided by financing activities during the nine months ended September 30, 2011 was $84,954,566. Our primary source of cash for financing activities was $175,000,000 in proceeds from the issuance of our Senior Secured Notes in January. Our primary source of cash for financing activities was a use of $59,264,457 of dividend distributions and a source of $27,550,000 of net repayments under our Credit Facility.

Our senior secured, multi-currency Credit Facility provides us with $375,000,000 in total availability, consisting of $275,000,000 of revolving loan commitments and $100,000,000 of term loan commitments. The Credit Facility is secured by substantially all of the assets in our portfolio, including cash and cash equivalents. The Credit Facility has a stated maturity date of December 6, 2013 and the interest rate applicable to borrowings thereunder is generally LIBOR plus an applicable spread of either 3.00% or 3.25% for revolving loans, based on a pricing grid depending on the Company's credit rating, and LIBOR plus 3.00% for term loans. The Credit Facility does not contain a LIBOR floor requirement. At September 30, 2011, the effective LIBOR spread under the Credit Facility was 2.80%. Term loan commitments under the Credit Facility have been fully drawn and, once repaid, may not be reborrowed. The Credit Facility also includes an "accordion" feature that allows the Company, under certain circumstances, to increase the size of the Credit Facility by up to an additional $275,000,000 of revolving loan commitments and $250,000,000 of term loan commitments. The Credit Facility is used to supplement the Company's equity capital to make additional portfolio investments and for other general corporate purposes. At September 30, 2011, we had $142,450,000 drawn and outstanding under the Credit Facility, with $232,550,000 available to us, subject to compliance with customary affirmative and negative covenants, including the maintenance of a minimum stockholders' equity, the maintenance of a ratio of not less than 200% of total assets (less total liabilities not represented by senior securities) to the aggregate amount of senior securities representing indebtedness, and restrictions on certain payments and issuance of debt. At September 30, 2011, the Company was in compliance with regulatory coverage requirements with an asset coverage ratio of approximately 323% and was in compliance with all financial covenants under our debt agreements. In addition, borrowings under the Credit Facility (and the incurrence of certain other permitted debt) are subject to compliance with a borrowing base that applies different advance rates to different types of assets in the Company's portfolio.

On January 18, 2011, the Company closed a private placement issuance of $158,000,000 in aggregate principal amount of Senior Secured Notes with a fixed interest rate of 6.50% and a maturity date of January 18, 2016 and $17,000,000 million in aggregate principal amount of Senior Secured Notes with a fixed interest rate of 6.60% and a maturity date of January 18, 2018. Interest on the Senior Secured Notes is due semi-annually on January 18 and July 18, commencing on July 18, 2011. The proceeds from the issuance of the Senior Secured Notes were used to fund new portfolio investments, reduce outstanding borrowings under the Credit Facility and for general corporate purposes. The Senior Secured Notes contain customary affirmative and negative covenants substantially similar to those in our Credit Facility. At September 30, 2011, we were in compliance with all financial and operational covenants required by the Credit Facility and Senior Secured Notes.

At September 30, 2011, we had $30,227,012 in cash and cash equivalents.

The primary use of existing funds is expected to be purchases of investments in portfolio companies, cash distributions to our stockholders, repayment of indebtedness and other general corporate purposes.

Our shelf registration permits us to offer, from time to time, up to approximately $830 million of our common stock, preferred stock, debt securities, warrants representing rights to purchase shares of our common stock, preferred stock or debt securities and subscription rights. As a closed-end investment company regulated as a BDC under the 1940 Act, we are prohibited from selling shares of our common stock at a price below the current net asset value of the stock, or NAV, unless our stockholders approve such a sale and our Board of Directors makes certain determinations. On May 26, 2011, subject to certain Board of Director determinations, our stockholders approved our ability to sell or otherwise issue shares of our common stock at a price below its then current net asset value per share for a twelve month period expiring on the anniversary of the date of stockholder approval. In any such case, the price at which our common stock would be issued and sold may not be less than a price that, in the determination of our Board of Directors, closely approximates the market value of such common stock. Any sale of the Company's common stock at a price below NAV would have a dilutive effect on our NAV.

Contractual obligations

A summary of our significant contractual payment obligations for the repayment of outstanding borrowings at September 30, 2011 is as follows:

	Payments Due By Period (dollars in millions)				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Credit Facility(1)	$142.5	$ —	$ 142.5	$ —	$ —
Senior Secured Notes	175.0	—	—	158.0	17.0
Interest and Credit Facility Fees Payable	2.3	2.3	—	—	—

(1) At September 30, 2011, $232.5 million remained unused under our Credit Facility.

Off-balance sheet arrangements

In the normal course of business, the Company may enter into guarantees on behalf of portfolio companies. Under these arrangements, the Company would be required to make payments to third parties if the portfolio companies were to default on their related payment obligations. The Company has no such guarantees outstanding at September 30, 2011. The Company's only such guarantee outstanding at December 31, 2010 was terminated on January 17, 2011 with no payments having been made thereunder.

Dividends

Our quarterly dividends, if any, are determined by our Board of Directors. Dividends are declared considering our estimate of annual taxable income available for distribution to stockholders and the amount of taxable income carried over from the prior year for distribution in the current year. We cannot assure stockholders that they will receive any dividends and distributions at all or dividends and distributions at a particular level. Dividends declared by the Company since July 25, 2005 (inception of operations) have been as follows:

Dividend Amount Per Share Outstanding	Record Date	Payment Date
$0.20	December 31, 2005	January 31, 2006
$0.20	March 15, 2006	March 31, 2006
$0.23	June 15, 2006	June 30, 2006
$0.30	September 15, 2006	September 29, 2006
$0.42	December 31, 2006	January 31, 2007
$0.42	March 15, 2007	March 30, 2007
$0.42	May 15, 2007	May 31, 2007
$0.42	September 14, 2007	September 28, 2007
$0.43	December 14, 2007	December 31, 2007
$0.43	March 17, 2008	March 31, 2008
$0.43	June 16, 2008	June 30, 2008
$0.43	September 15, 2008	September 30, 2008
$0.43	December 15, 2008	December 31, 2008
$0.16	March 20, 2009	April 3, 2009
$0.16	June 19, 2009	July 2, 2009
$0.16	September 18, 2009	October 2, 2009
$0.32	December 21, 2009	January 4, 2010
$0.32	March 22, 2010	April 5, 2010
$0.32	May 17, 2010	July 2, 2010
$0.32	September 17, 2010	October 1, 2010
$0.32	December 20, 2010	January 3, 2011
$0.32	March 18, 2011	April 1, 2011
$0.26	June 17, 2011	July 1, 2011
$0.26	September 19, 2011	October 3, 2011
$0.26	December 21, 2011	January 4, 2012

Tax characteristics of all dividends are reported to stockholders on Form 1099 after the end of the calendar year.

We have qualified and elected and intend to continue to qualify for the tax treatment applicable to regulated investment companies under Subchapter M of the Code, and, among other things, have made and intend to continue to make the requisite distributions to our stockholders which will relieve us from federal income taxes. Therefore, no provision has been recorded for federal income taxes. We may, at our discretion, carry forward taxable income in excess of calendar year distributions and pay a 4% excise tax on this income. We will accrue excise tax on estimated undistributed taxable income as required.

In order to qualify for favorable tax treatment as a RIC, we are required to distribute annually to our stockholders at least 90% of investment company taxable income, as defined by the Code. To avoid federal excise taxes, we must distribute annually at least 98% of our income (both ordinary income and net capital gains).

A portion of amounts we have paid or will pay as dividends to stockholders during 2011 may consist of taxable income carried forward from the prior year. Taxable income carried forward from the prior year to 2011 totaled approximately $8,900,000 or $0.12 per share.

We maintain an “opt out” dividend reinvestment plan for our common stockholders. As a result, except as discussed below, if we declare a dividend, stockholders’ cash dividends will be automatically reinvested in additional shares of our common stock, unless they specifically “opt out” of the dividend reinvestment plan so as to receive cash dividends. With respect to our dividends and distributions paid to stockholders during the nine months ended September 30, 2011 and 2010, dividends reinvested pursuant to our dividend reinvestment plan totaled $6,294,969 and $3,722,710, respectively.

Under the terms of our amended and restated dividend reinvestment plan adopted on March 4, 2009, dividends may be paid in newly issued or treasury shares of our common stock at a price equal to 95% of the market price on the dividend payment date. This feature of the plan means that, under certain circumstances, we may issue shares of our common stock at a price below net asset value per share, which could cause our stockholders to experience dilution.

Income we receive from origination, structuring, closing, commitment and other upfront fees associated with investments in portfolio companies are generally non-recurring and are recognized as revenue when earned. These income items are generally treated as taxable income when received and accordingly, distributed to stockholders. For the three and nine months ended September 30, 2011, these fees totaled $3,600,000. For the three and nine months ended September 30, 2010, these fees totaled $4,835,000 and $7,235,962, respectively.

In order to satisfy the annual distribution requirement applicable to RICs, we have the ability to declare a large portion of a dividend in shares of our common stock instead of in cash. As long as a sufficient portion of such dividend is paid in cash (which portion can be as low as 10% for our taxable years ending prior to 2012) and certain requirements are met, the entire distribution would be treated as a taxable dividend for U.S. federal income tax purposes.

Recent developments

On November 2, 2011, our Board of Directors declared a dividend of $0.26 per share, payable on January 4, 2012 to stockholders of record at the close of business on December 21, 2011.

Notice is hereby given in accordance with Section 23 of the 1940 Act that from time to time we may purchase shares of our common stock in the open market at prevailing market prices.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in interest rates. At September 30, 2011, 48% of our debt investments bore interest based on floating rates, such as LIBOR, the Federal Funds Rate or the Prime Rate. The interest rates on such investments generally reset by reference to the current market index after one to six months. At September 30, 2011, the percentage of our total debt investments that bore floating rate interest based on an interest rate floor was 38%. Floating rate investments subject to a floor generally reset by reference to the current market index after one to six months only if the index exceeds the floor.

To illustrate the potential impact of changes in interest rates, we have performed the following analysis based on our September 30, 2011 balance sheet and assuming no changes in our investment structure. Net asset value is analyzed using the assumptions that interest rates, as defined by the LIBOR and U.S. Treasury yield curves, increase or decrease and that the yield curves of the rate shocks will be parallel to each other. Under this analysis, an instantaneous 100 basis point increase in LIBOR and U.S. Treasury yields would cause a decline of approximately $9,300,000 or $0.13 per share, in the value of our net assets at September 30, 2011 and a corresponding 100 basis point decrease in LIBOR and U.S. Treasury yields would cause an increase of approximately $9,700,000, or $0.13 per share, in the value of our net assets on that date.

While hedging activities may help to insulate us against adverse changes in interest rates, they also may limit our ability to participate in the benefits of lower interest rates with respect to our portfolio of investments. During the three and nine months ended September 30, 2011 and 2010, we did not engage in any interest rate hedging activity.

Item 4. Controls and Procedures

As of the end of the period covered by this report, we 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 us 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 our most recently completed fiscal quarter 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

From time to time, we and the Advisor may be a party to certain legal proceedings incidental to the normal course of our business, including the enforcement of our rights under contracts with our portfolio companies. While we cannot predict the outcome of these legal proceedings with certainty, we do not expect that these proceedings will have a material effect on our financial statements.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in our most recent Form 10-K filing.

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

Sales of unregistered securities

None.

Issuer purchases of equity securities

The following table provides information regarding our purchases of our common stock for each month in the three month period ended September 30, 2011.

Period	Average Price Paid per Share	Total Number of Shares Purchased	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
July 2011	$ —	—	—	1,394,971
August 2011	7.65	200,000	200,000	—
September 2011	—	—	—	—
Total	$ 7.65	200,000	200,000	1,394,971

In 2008, our Board of Directors approved a share repurchase plan under which we may repurchase up to 2.5 percent of our outstanding shares of common stock from time to time in open market or privately negotiated transactions. In 2009, our Board of Directors approved an extension and increase to the share repurchase plan which authorized us to repurchase up to an additional 2.5 percent of our outstanding shares of common stock from time to time. In May 2011, the repurchase plan was further extended through the earlier of June 30, 2012 or until the approved number of shares has been repurchased. After giving effect to the Board's most recent action, the total number of additional shares authorized for repurchase is 1,394,971. The repurchase plan does not obligate us to acquire any specific number of shares and may be discontinued at any time. We intend to fund any repurchases with available cash.

Advisor purchases of equity securities

There were no purchases of common stock by the Advisor for the three month period ended September 30, 2011.

Item 3. Defaults Upon Senior Securities

None.

Item 4. [Reserved]

Item 5. Other Information

None.

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Item 6. Exhibits.

(a) Exhibits.

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 3, 2011	By: /s/ James R. Maher **James R. Maher** **Chief Executive Officer**
Date: November 3, 2011	By: /s/ Corinne Pankovcin **Corinne Pankovcin** **Chief Financial Officer**

EXHIBIT 31.1

CEO CERTIFICATION

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 periods 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(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure 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 3, 2011

By: /s/ James R. Maher
James R. Maher
Chairman of the Board and Chief Executive Officer

EXHIBIT 31.2

CFO CERTIFICATION

I, Corinne Pankovcin, 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 periods 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(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure 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 3, 2011

By: /s/ Corinne Pankovcin
Corinne Pankovcin
Chief Financial Officer and Treasurer

EXHIBIT 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

In connection with the Quarterly Report on Form 10-Q of BlackRock Kelso Capital Corporation (the "Company") for the quarter ended September 30, 2011 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 Corinne Pankovcin, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(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 3, 2011

/s/ Corinne Pankovcin

Name:	Corinne Pankovcin
Title:	Chief Financial Officer
Date:	November 3, 2011