

February 10, 2006

Securities and Exchange Commission
Attn: Filing Desk, Stop 1-4
450 Fifth Street, N.W
Washington, DC 20549

RE: Rule 17f-2
BlackRock Kelso Capital Corporation
Registration No. 000-51327, CIK No. 0001326003

Ladies and Gentlemen:

On behalf of our client, BLACKROCK KELSO CAPITAL CORPORATION, we are filing electronically one copy of the EDGARized version of our examination report dated January 13, 2006, submitted pursuant to the requirements of subsections (b) and (c) of Rule 17f-2 under the Investment Company Act of 1940 as of October 31, 2005.

Yours truly,

/s/ Tim Mundy

Tim Mundy
Partner

Enclosure

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of BlackRock Kelso Capital Corporation:

We have examined management's assertion included in the accompanying Management Statement Regarding Compliance with Certain Provisions of the Investment Company Act of 1940 that BlackRock Kelso Capital Corporation (the "Company") complied with the requirements of subsections (b) and (c) of Rule 17f-2 under the Investment Company Act of 1940 ("the Act") as of October 31, 2005. Management is responsible for the Company's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Company's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, as adopted by the Public Company Accounting Oversight Board (United States), and, accordingly, included examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. Included among our procedures were the following tests performed as of October 31, 2005, and with respect to agreement of security purchases and sales, for the period from July 25, 2005 (inception of operations) through October 31, 2005:

- o Confirmation of all securities held by institutions in book entry form for the account of PNC Bank, on behalf of PFPC Trust Company (the "Custodian" of the Company), by The Depository Trust Company and The Federal Reserve System;
- o Confirmation of all securities hypothecated, pledged, placed in escrow, or out for transfer with brokers, pledgees and/or transfer agents;
- o Reconciliation of all such securities to the books and records of the Company and the Custodian; and
- o Agreement of one security purchase since the inception of operations from the books and records of the Company to broker confirmations.

We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's compliance with specified requirements.

In our opinion, management's assertion that the Company complied with the

TN TX UT VT VA WA

WV WI WY PUERTO RICO

Other (specify):

3. Exact name of investment company as specified in registration statement: BLACKROCK KELSO CAPITAL CORPORATION

4. Address of principal executive officer (number, street, city, state, zip code):

40 East 52nd Street, New York, NY 10022
