



BLACKROCK KELSO CAPITAL

Investor Presentation

March 2010

Forward looking statements

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Agenda

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I. BlackRock Kelso Capital Overview

Key Company Strengths

BlackRock Kelso Capital has an experienced investment team, strong sponsorship, and an exemplary investment track record

- ✓ **Experienced, dedicated team with diverse backgrounds in commercial lending, private debt and equity investing, investment banking, and corporate law**
- ✓ **Access to deep resources provided by BlackRock and the Kelso Principals**
 - ✓ **Provides critical competitive advantage in credit sourcing, selection, and portfolio monitoring**
- ✓ **Strong, consistent performance of BKCC**
 - ✓ **Conservatively constructed and seasoned portfolio with unlevered and levered weighted average yields on income-producing securities of 11.2% and 14.9%⁽¹⁾**
 - ✓ **Trailing four quarters net investment income of \$1.36 per share⁽¹⁾**
 - ✓ **Q1 2010 dividend of \$0.32 per share**
- ✓ **Proven transaction sourcing capabilities**
 - ✓ **Sourced and analyzed more than 1,550 investment opportunities, making 107 investments since inception⁽¹⁾**
- ✓ **Demonstrated ability to deploy capital consistent with its investment policies**

⁽¹⁾ As of December 31, 2009

Unique Capabilities Provide Competitive Advantage

BlackRock Kelso Capital seeks the most attractive risk-adjusted rate of return in the capital structure of middle-market companies

- Focused origination strategy that leverages many longstanding relationships with buyout funds, advisory firms, institutional investors, pension funds, and law and accounting firms
- High credit and underwriting standards that are built upon an extensive “hands-on” due diligence process
- Focus on originated transactions which are actively negotiated
- Access to world-class investment partners, BlackRock and the Kelso Principals

Dynamic Origination Strategy

- Extensive relationships with middle market financial sponsors and senior executives
- 14 seasoned investment professionals with longstanding relationships and a proactive direct origination effort
- Direct relationships with transaction principals allow for higher risk-adjusted returns through direct negotiations
- BKCC leads or plays a role in structuring a substantial majority of transactions

Meticulous Approach to Diligence and Risk Management

- Time-tested private equity approach to credit and underwriting with primary focus on capital preservation
- Detailed “hands-on” diligence with focus on business fundamentals and quality management teams
- Well diversified by asset type and industry sector
- Active utilization of BlackRock’s platform for sector, industry, and economic analysis
- Access to the Kelso Principals’ industry and transaction experience

BKCC Underwrites to a “Zero-Loss Tolerance” Performance Hurdle

Longstanding Relationships with World-class Investment Partners

BLACKROCK

Principals of **KELSO**
& COMPANY

- Industry recognized infrastructure and investment management support
- Over 300 investment professionals in traditional fixed income and alternatives portfolios⁽¹⁾
- 100+ portfolio managers and 150+ research analysts⁽¹⁾

- More than 100 private equity investments with total capitalization of more than \$35 billion
- Access to long-standing relationships with management teams and deal flow
- Knowledge of diverse set of industries

Investment Committee Members

Senior Executives of BlackRock, Inc.

- Laurence D. Fink
Chairman & Chief Executive Officer
- Robert S. Kapito
President
- Richard S. Davis
Managing Director
- Sacha M. Bacro
Head of Capital Markets Group
- Rick M. Rieder
*Deputy CIO Fixed Income, Fundamental Portfolios
Head of Corporate Credit Group*
- James E. Keenan, CFA
Head of Leveraged Finance Portfolio Team
- Leland T. Hart
Managing Director

Executives of BKCC

- James R. Maher
Chairman & Chief Executive Officer
- Michael B. Lazar
Chief Operating Officer

Principals of Kelso & Company

- Frank T. Nickell
President & Chief Executive Officer
- Michael B. Goldberg
Managing Director
- Frank J. Loverro
Managing Director
- George E. Matelich
Managing Director

⁽¹⁾ Excludes the impact of the merger between BlackRock and Barclays Global Investors



II. Current Market Opportunity

Current Market Opportunity

Lower leverage multiples of cash flow today are resulting in better loan-to-value coverage

- ✓ Average total debt multiples of newly-issued leveraged loans are lower today than they have been in the last 20 years⁽¹⁾
- ✓ Equity contribution levels to leveraged buyouts have increased substantially
- ✓ Junior debt providers are able to enter the capital structure at substantially lower levels than in previous years

Fewer market participants yield significantly improved all-in return opportunities

- ✓ Pricing across all levels of the capital structure is higher
- ✓ Participants are able to demand higher upfront and commitment fees for providing debt capital
- ✓ Issuers frequently provide an equity stake in the form of warrants or co-investment to enhance returns

The middle market has offered and is expected to continue to offer the most attractive investment profile

- ✓ Relative size of the middle market has historically left it underserved by capital providers
- ✓ Transactions with more conservative capital structures and higher pricing are expected to continue

These factors enable BKCC to invest with lower risk for higher returns

Source: Standard & Poor's LCD Leveraged Lending Review 4Q 2009

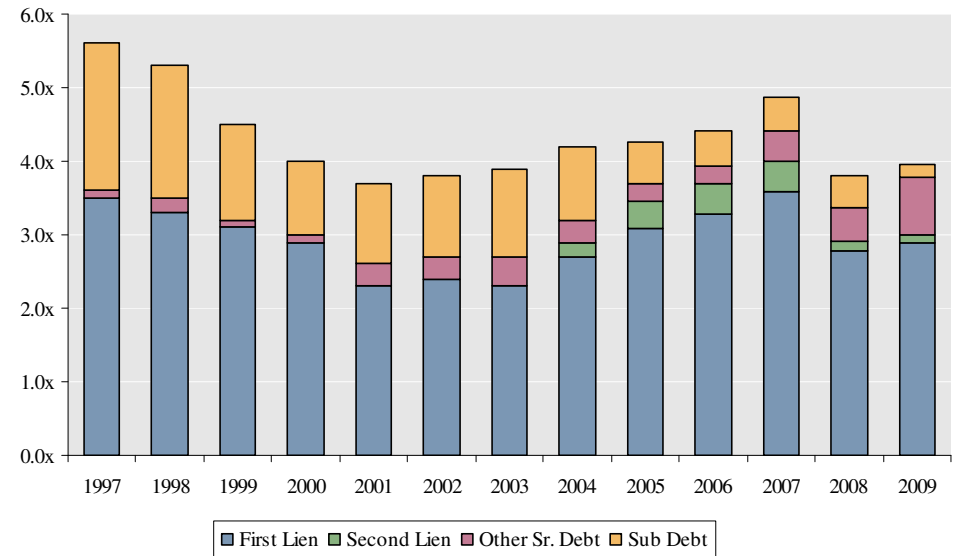
⁽¹⁾ Criteria for newly-issued leveraged loans: Pre 1996: L + 250 and higher, 1996 to date: L + 225 and higher

Improved Risk Profile for Leveraged Loan Investing

Average debt multiples for new-issue leveraged loans are significantly lower in 2009

- Total leverage for new transactions was 3.8x in 2008 and 4.0x in 2009 versus 4.9x in 2007
- First lien lending multiples remained below 3.0x in 2009, allowing other forms of junior secured and subordinated debt to enter the capital structure at lower levels

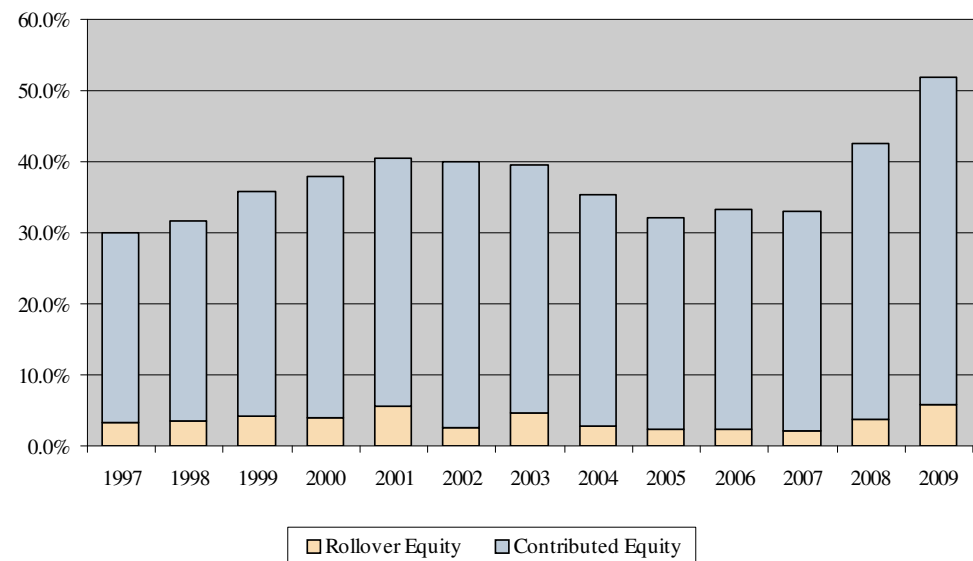
Average Debt Multiples of Leveraged Loans



Equity contribution levels to leveraged buyouts are also increasing, providing a greater capital cushion for debt investors

- Total contributed equity to LBO transactions in 2009 represented 51.9% of capital, the highest in the last decade
- Management and seller rollover equity into new transactions has returned to pre-2002 levels

Average Equity Contribution to Leveraged Buyouts



Source: Standard & Poor's LCD Leveraged Lending Review 4Q 2009

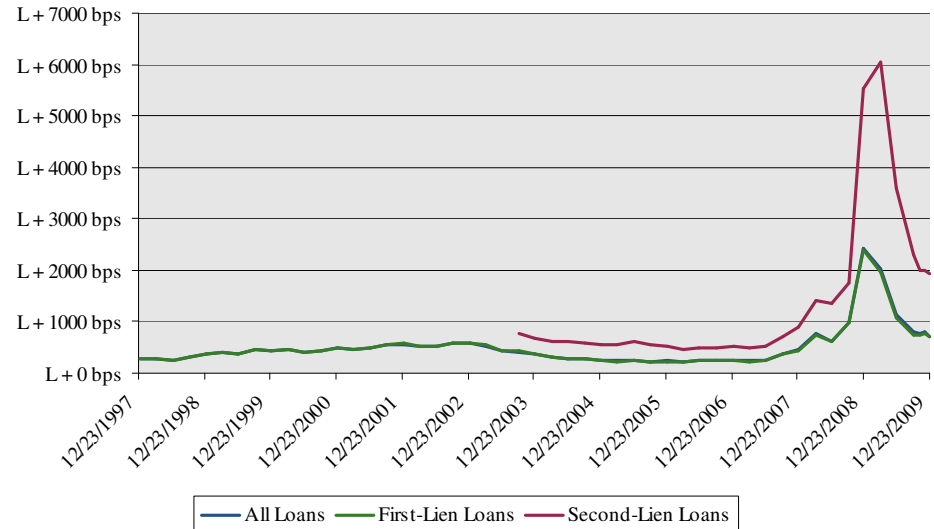
Lenders Are Being Well Compensated Despite Improved Investment Risk Profiles

Pricing on leveraged loans across the capital structure remains attractive despite the considerable improvement witnessed since March 2009

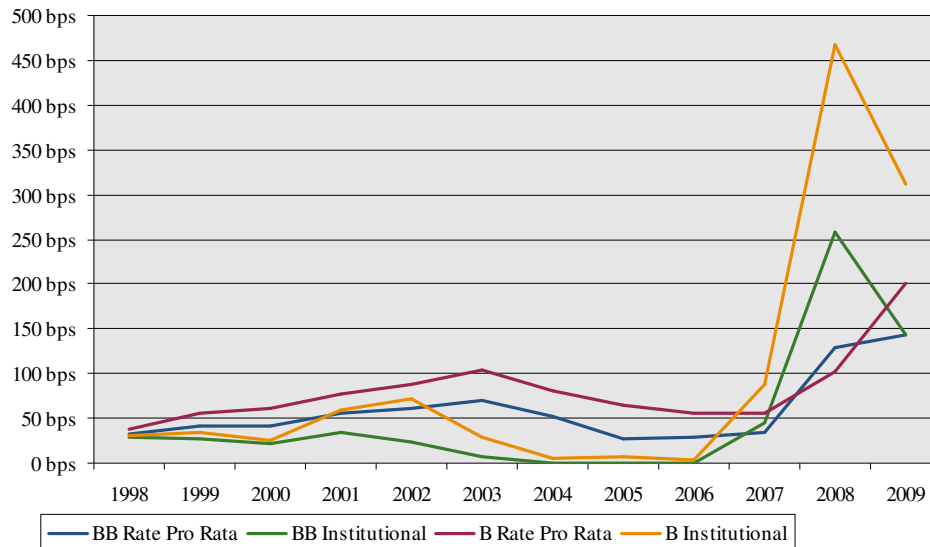
- Market decline of 2008 has redefined the levels of “appropriate risk-adjusted compensation”
- Leveraged loan spreads remain at historically elevated levels despite a significant narrowing versus the market trough in March 2009
- Secondary market spreads continue to drive higher pricing for primary issuances

Financing sources are demanding higher upfront compensation as a means of lowering risk exposure

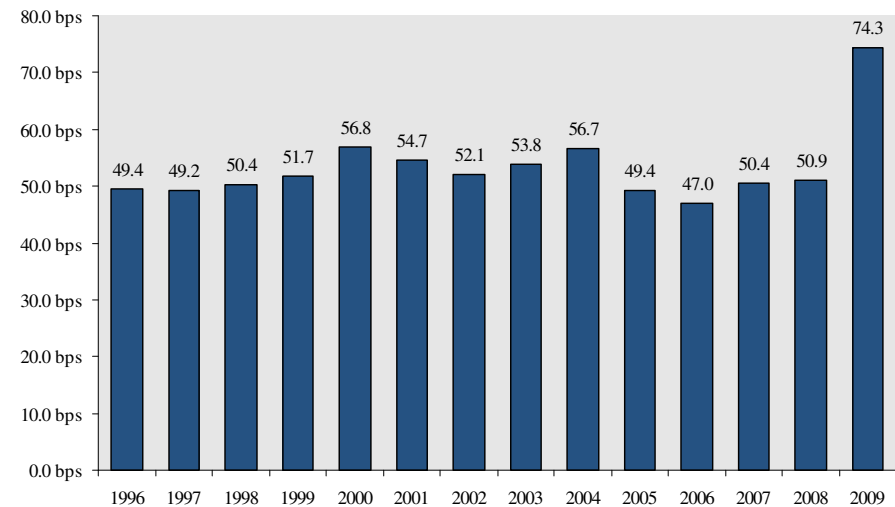
Average Discounted Spread of Leveraged Loans



Average Upfront Fees on New Issue Leveraged Loans by Rating⁽¹⁾



Average Initial Financing Commitment Fee



Source: Standard & Poor's LCD Leveraged Lending Review 4Q 2009

⁽¹⁾Original issue discounts are included in upfront fees, beginning in 2001 period

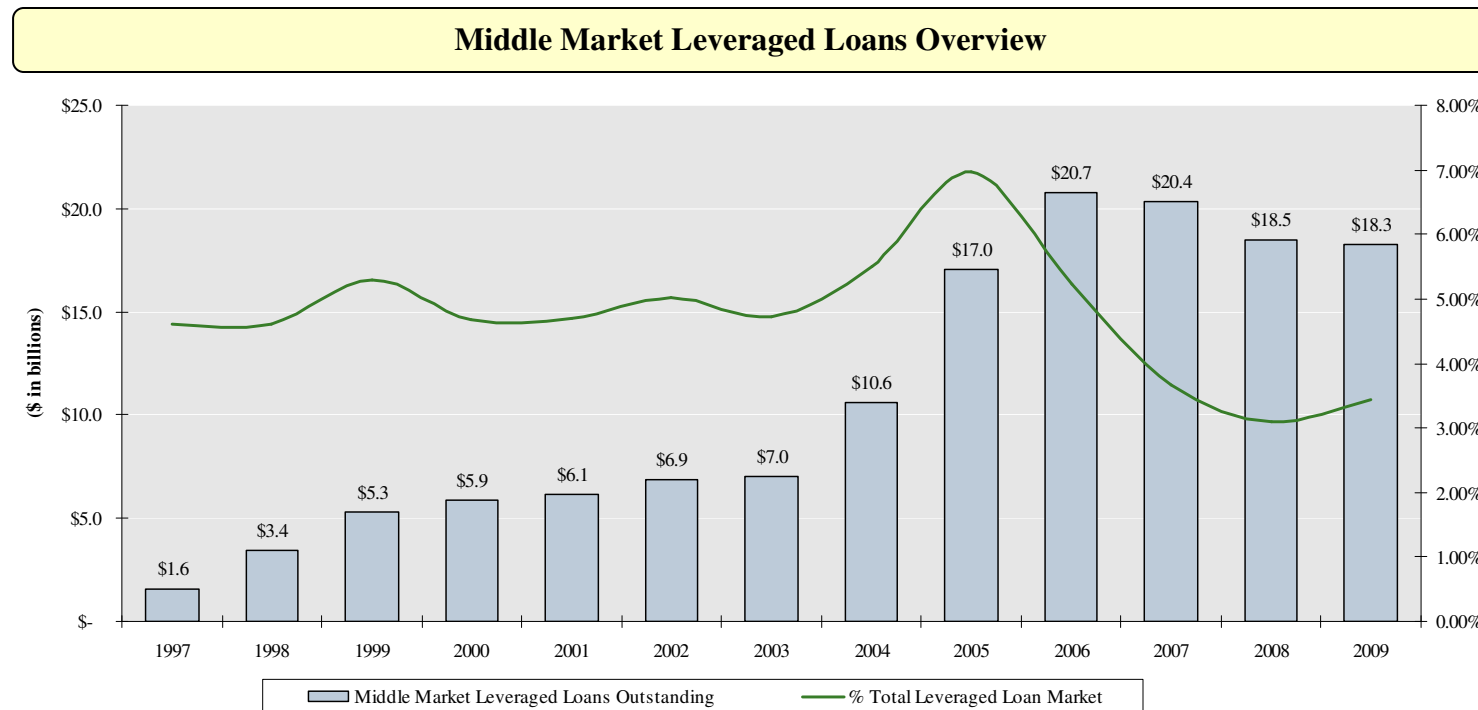
Middle Market Offers Attractive Opportunities For Investors

General Characteristics

- ✓ Typically \$50 million to \$1 billion in revenues
- ✓ Fundamental credit analysis comparatively more important
- ✓ If rated, rating agencies likely assign lower rating
- ✓ Middle-market investments typically include inherent structural and credit protections
- ✓ High level of acquisition activity (realization opportunities)

Benefits

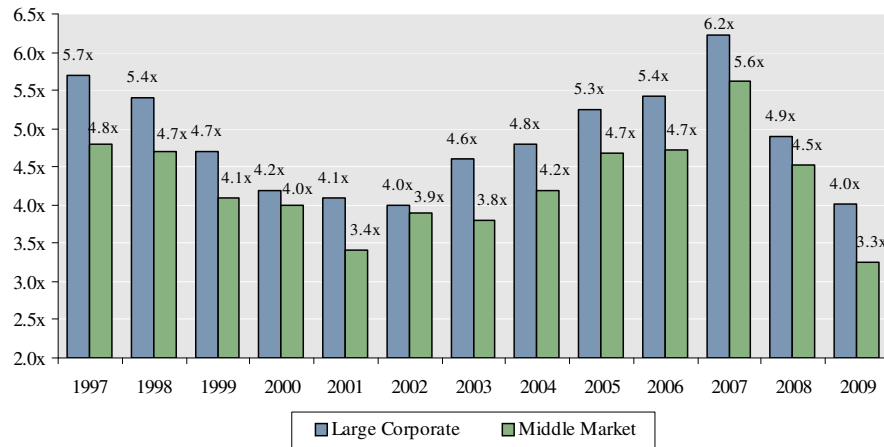
- ✓ Attractive yields
- ✓ Conservative capital structures
- ✓ Strong recovery rates
- ✓ Smaller investor groups and active lender involvement
- ✓ Involvement of equity sponsors
- ✓ Issuer diversification



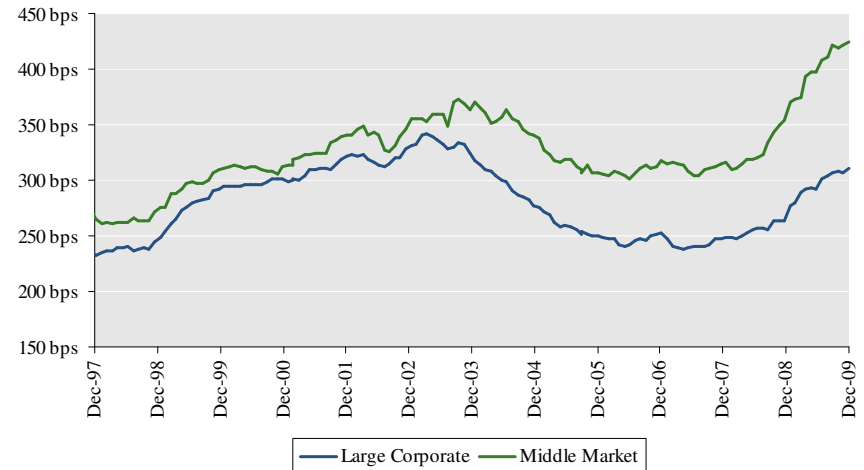
Source: Standard & Poor's LCD High End Middle Market Lending Review 4Q 2009

Middle Market Offers Better Pricing and Protection at Lower Leverage Levels

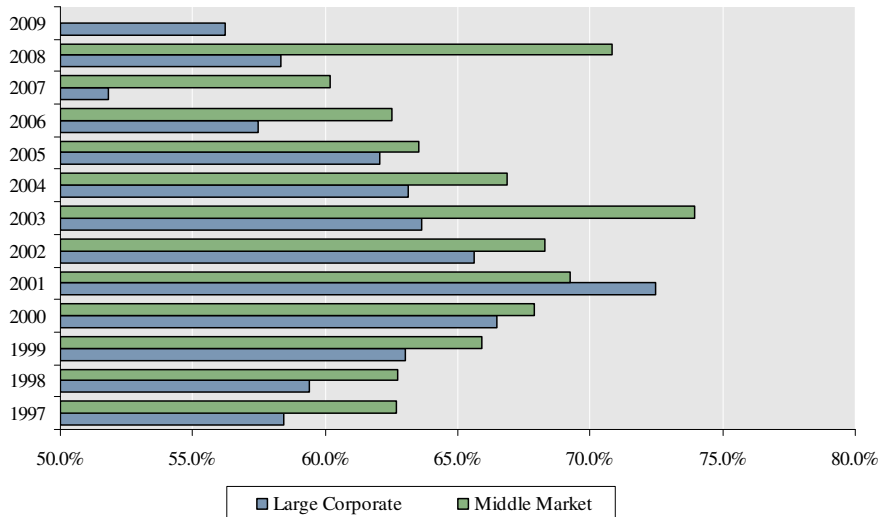
Average Debt Multiples of LBO Loans



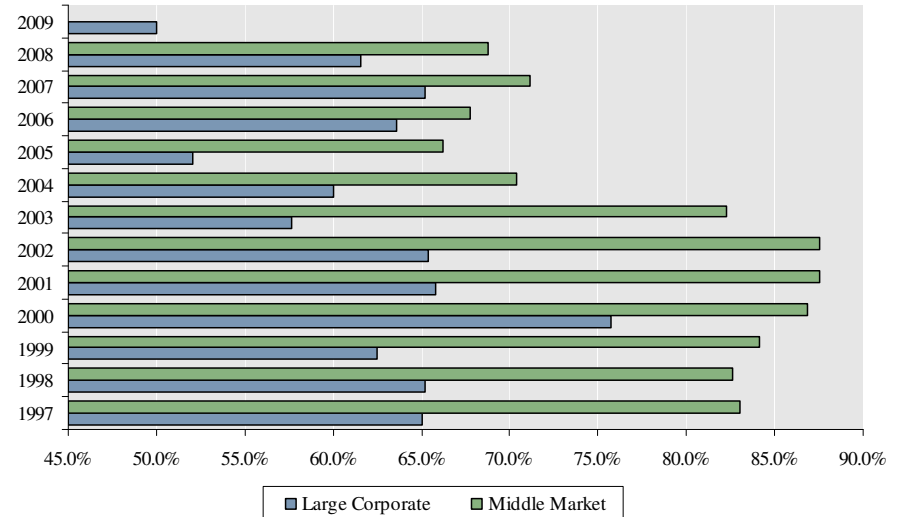
Nominal Spread of Leveraged Loans



Average Mandatory Cashflow Prepayment of LBO Loans⁽¹⁾



Average Mandatory Equity Issuance Prepayment of LBO Loans⁽¹⁾



Lower leverage, better pricing and more protection yield more attractive risk-adjusted returns

Source: Standard & Poor's LCD Leveraged Lending Review 4Q 2009; Large Corporate defined as issuers with greater than \$50 million of EBITDA versus Middle Market as issuers with less than \$50 million EBITDA

⁽¹⁾ Insufficient issuances of qualifying Middle Market loans in 2009

BKCC Offers the Best Platform to Take Advantage of this Market Opportunity

Successful Track Record of Middle Market Investing

- ✓ Dedicated team of investment professionals with long-standing relationships and a proactive direct origination focus
- ✓ Industry-leading, “hands-on” diligence approach focusing on long-term business fundamentals and capital preservation
- ✓ Active support of world-class investment partners in BlackRock, Inc. and the Kelso Principals
- ✓ Completed 107 investments in middle market companies since inception⁽¹⁾
- ✓ Declared \$5.88 per share in dividends to shareholders since inception⁽²⁾

Business Development Company Fund Structure

- ✓ Conservatively structured and highly regulated asset class (maximum one-to-one leverage allowance)
- ✓ Highly visible investment income and dividend generation
- ✓ Mark-to-market accounting requirements ensure accurate and timely valuations for investors
- ✓ Well capitalized with \$242.6 million in excess asset coverage⁽¹⁾

Investor-friendly Fee Structure

- ✓ Shareholder-friendly fee arrangement resulting from performance incentive fee subject to both a hurdle and a high water mark structure
- ✓ 50% catch-up provision favors investors – the Investment Advisor does not earn full incentive fees until investors have received a 13.3% return
- ✓ Lower costs than many finance competitors and internally managed BDCs
- ✓ Transparent payment structure

⁽¹⁾ As of December 31, 2009

⁽²⁾ Dividend amount includes Q1 2010 dividend declared on March 3, 2010 to be paid on April 5, 2010



III. Differentiated Underwriting Process

Unique Investment Approach

BLACKROCK KELSO CAPITAL

- Broad network of Wall Street, commercial banking, private equity, and other sourcing relationships
- Screen for investment opportunities using value-oriented investment philosophy

- Meet with and evaluate capabilities of management
- Review financial statements and forecasts
- Legal and accounting due diligence
- Access to past and present affiliated management teams

- Negotiate final structure of investment with company
- Negotiate financial and other covenants
- Structure appropriate security / guarantee package

- Present opportunities and associated due diligence findings before committee of investment professionals from BKCC, BlackRock and Kelso
- James R. Maher (CEO) and Michael B. Lazar (COO)

- Active weekly / monthly management of all investments
- Monthly / quarterly review of financial performance
- Regularly occurring update meetings with equity sponsors and management teams throughout the investment duration

Sourcing and Screening



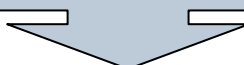
Due Diligence



Structuring



Investment Committee



Portfolio Management

BLACKROCK + Principals of KELSO & COMPANY

- Relationships with regional banks, specialty finance companies, and investment banking sales/trading desks
- Portfolio company relationships and affiliated management teams
- Track record and relevant industry experience

- Collaborate with industry analysts for back-checking
- Experience in private equity due diligence activities
- Evaluate management's capabilities

- Securitization and active CDO issuer with superior portfolio analytics and optimization in BlackRock
- 35+ years of LBO experience; has invested over \$5.0 billion in private equity across over 100 companies
- Leverage relationship in investment negotiations

- Provide industry-best experience and advice in evaluating investment opportunities
- Five senior executives from BlackRock, including Chairman & CEO
- Four senior Principals from Kelso, including President & CEO

- Proprietary risk management systems
- Access to current and past portfolio companies and affiliated management teams

Extensive Sourcing Capabilities

Investment Sourcing

Active Origination

- Investment professionals leverage middle market relationships
- Extensive access to company management and financial sponsors
- Invested in transactions involving more than 65 private equity firms in 107 different portfolio companies⁽¹⁾
- Opportunity to play an active role in transactions

Agency Relationships

- Long-standing relationships with investment banks, commercial banks, specialty finance companies, and others
- Increased deal flow beyond internal network

Proprietary Network and Partnerships

- BlackRock Kelso Capital relationship network
- Relationship network of BlackRock executives and the Kelso Principals
- The Kelso Principals' access to deal flow and management teams
- Leverage the market presence of BlackRock in debt capital markets

⁽¹⁾ As of December 31, 2009

Investment Selection Criteria

Focus on Value and Cash Flow

- ✓ Premium on fundamental analysis and value from an investor's perspective
- ✓ Invest at low multiples of operating cash flow in companies profitable at the time of investment on an operating cash flow basis
- ✓ Typically do not invest in start-up companies or companies having speculative business plans

Competitive Position in Industry

- ✓ Companies that have strong market positions and are well suited to capitalize on growth opportunities
- ✓ Companies that demonstrate significant competitive advantages that aid to protect their market position and profitability

Experienced Management

- ✓ Generally require that portfolio companies have an experienced management team
- ✓ Generally require portfolio companies to have in place proper incentives to induce management to succeed and to act in concert with investor interests, which may include a significant equity stake

Investment Exit Strategy

- ✓ Internally generated cash flow for debt repayment
- ✓ Strategic acquisition by other industry participants
- ✓ Initial public offering of common stock or another capital market transaction
- ✓ Exit equity investments via repurchases by the company and sales pursuant to M&A

Liquidation Value of Assets

- ✓ Prospective liquidation value of the assets, if any, that collateralize loans
- ✓ Emphasize both tangible assets, such as accounts receivable, inventory, equipment and real estate, as well as intangible assets, such as intellectual property, customer lists, networks, and databases
- ✓ Enterprise value focus

Investment Structuring Characteristics

Investment focus

- ✓ Positive and sustainable free cash flow
- ✓ Defensible market positions and strong management team
- ✓ Underserved by traditional lending sources
- ✓ Strong tangible and intangible collateral
- ✓ Established exit strategy
- ✓ Revenue of \$50 million to \$1 billion

Investment size

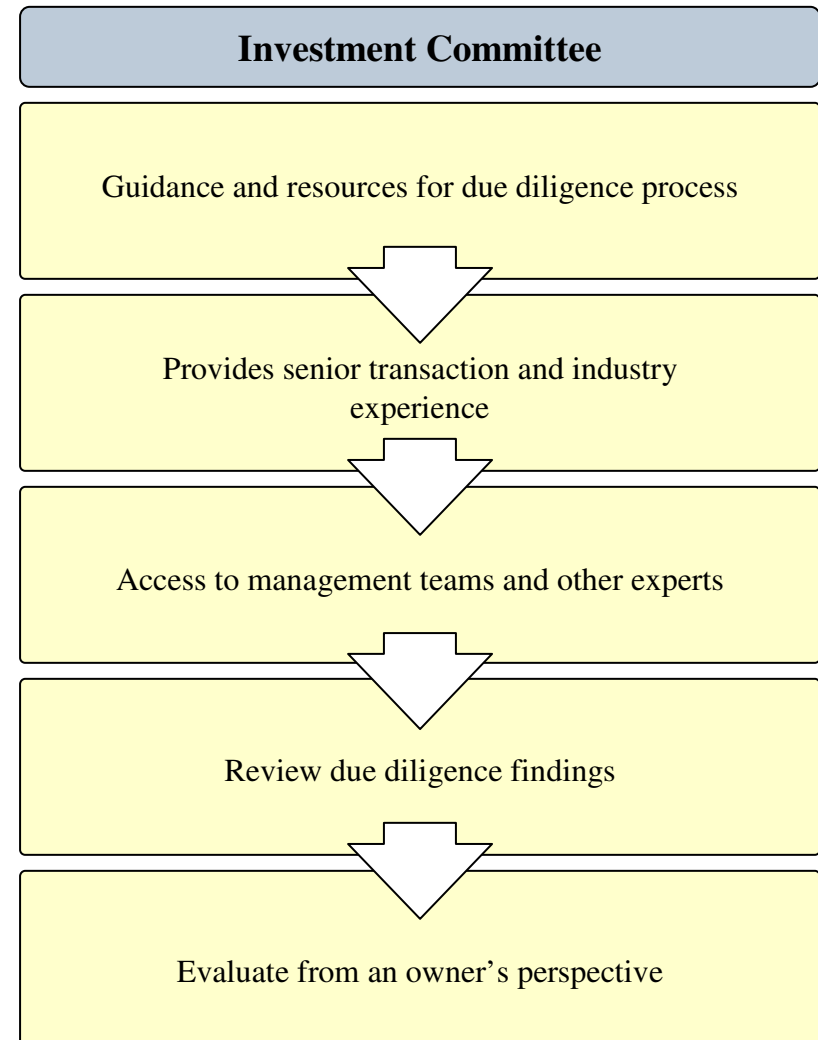
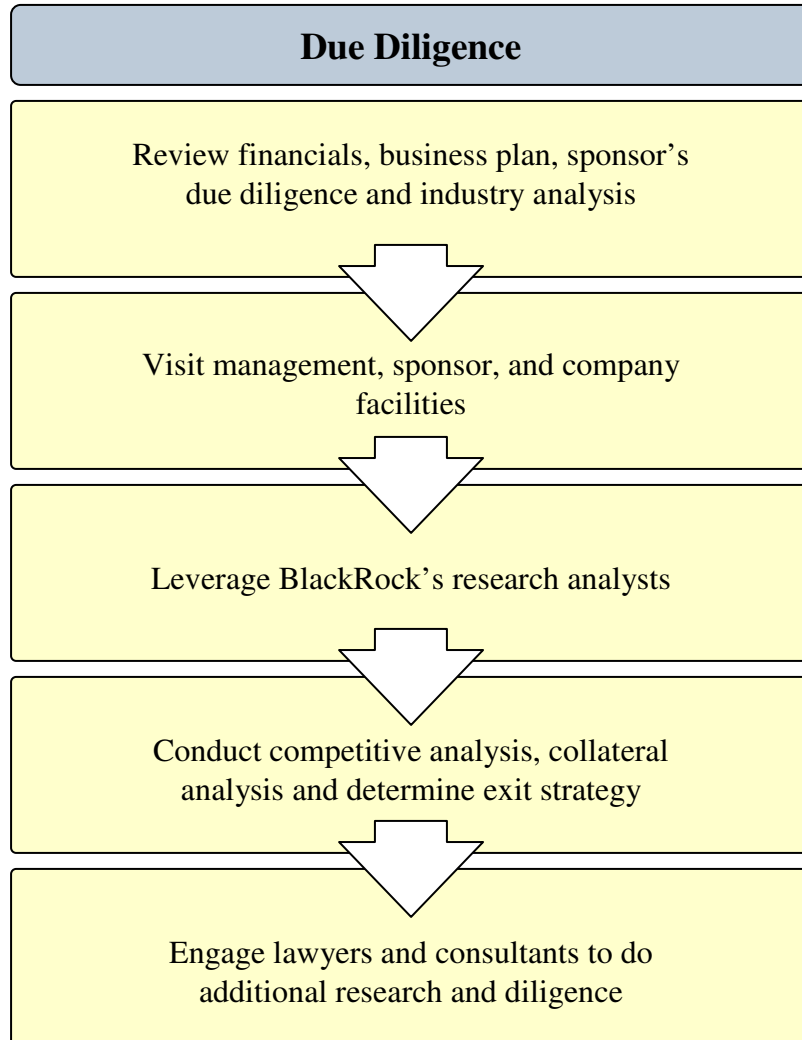
- ✓ Typically hold \$10 to \$50 million
- ✓ Flexible about partnering with more traditional capital providers
- ✓ Well diversified across 57 portfolio companies as of December 31, 2009

Return structure

- ✓ Principally current cash income
- ✓ Non-cash income through PIK feature
- ✓ Origination and exit fees
- ✓ Potential equity upside

BKCC has a fundamental, value-oriented strategy with a focus on conservative loan-to-value investing

Thorough Investment Process



Post approval, BlackRock Kelso Capital works to structure investments quickly and effectively

Comprehensive Portfolio Management

Detailed review and rating process

- Review financial statements and reports
- Evaluate adherence to business plan and covenants
- Compare to other industry participants

Financial performance of existing portfolio companies is evaluated by the deal team on at least a quarterly basis

- Monthly and/or quarterly financials are analyzed by the deal team
- Discussions with management are conducted to review the performance of the businesses
- In many cases, BKCC maintains observation rights or seats on the portfolio companies' boards of directors

Update memos are prepared for each portfolio company by the respective deal team at least quarterly

- Memos are reviewed at the weekly investment professionals' meeting

A separate investment rating meeting is held and attended by all transaction professionals each quarter

- Each investment is reviewed by its primary deal team and given a suggested rating level to be discussed among all transaction professionals
- At the conclusion of discussion, and subject to the approval of senior management, the chief financial officer records the internal investment ratings for review by the Board of Directors

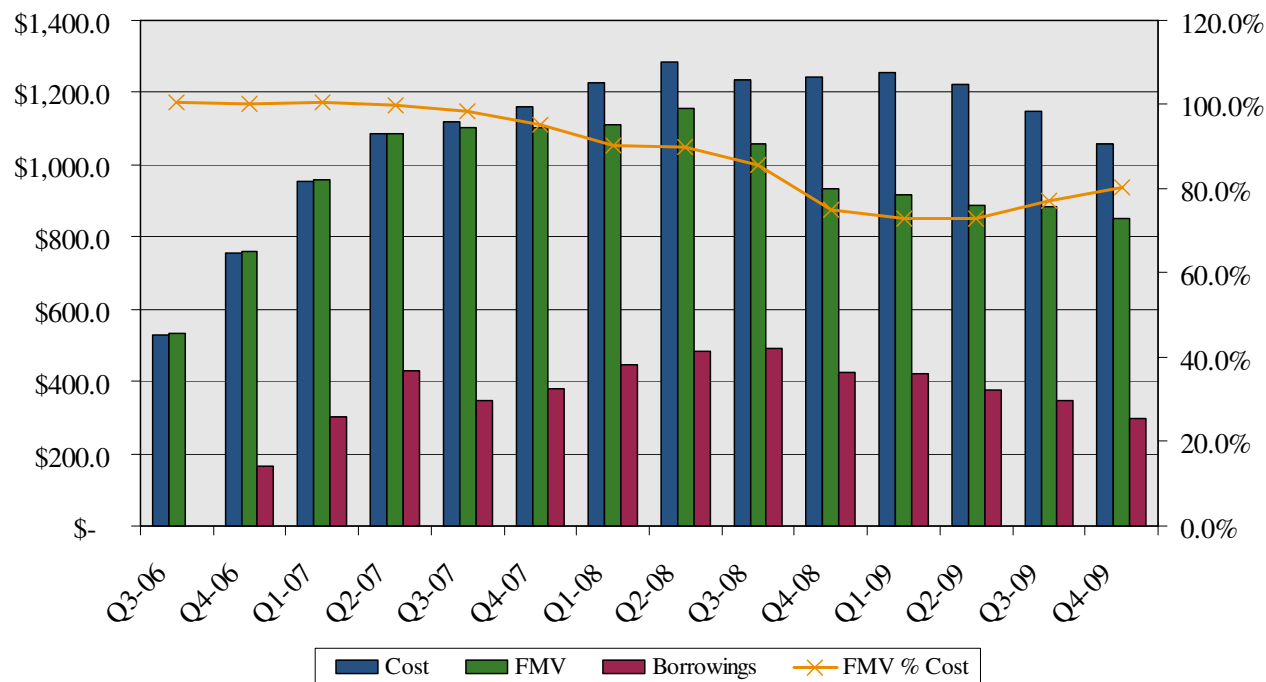
All investments that are rated at levels other than the highest rating are reviewed on a weekly basis by the transaction professionals and management



IV. Portfolio Overview and Performance Record

Portfolio Evolution

Quarterly Cost/FMV/Borrowings⁽¹⁾



	Q3-06	Q4-06	Q1-07	Q2-07	Q3-07	Q4-07	Q1-08	Q2-08	Q3-08	Q4-08	Q1-09	Q2-09	Q3-09	Q4-09
Cost	\$ 529.4	\$ 756.3	\$ 954.8	\$ 1,087.9	\$ 1,120.7	\$ 1,161.0	\$ 1,228.1	\$ 1,286.4	\$ 1,235.1	\$ 1,241.1	\$ 1,256.2	\$ 1,220.8	\$ 1,149.2	\$ 1,058.7
FMV	531.6	758.2	959.8	1,087.3	1,101.3	1,103.8	1,109.0	1,155.8	1,057.1	932.1	917.9	889.5	884.9	850.7
Borrowings	-	180.3	364.6	476.2	355.0	381.3	444.9	484.0	491.0	426.0	421.5	376.0	347.5	296.0
FMV % Cost	100.4%	100.3%	100.5%	99.9%	98.3%	95.1%	90.3%	89.8%	85.6%	75.1%	73.1%	72.9%	77.0%	80.3%
Borrowings % FMV	0.0%	23.8%	38.0%	43.8%	32.2%	34.5%	40.1%	41.9%	46.4%	45.7%	45.9%	42.3%	39.3%	34.8%

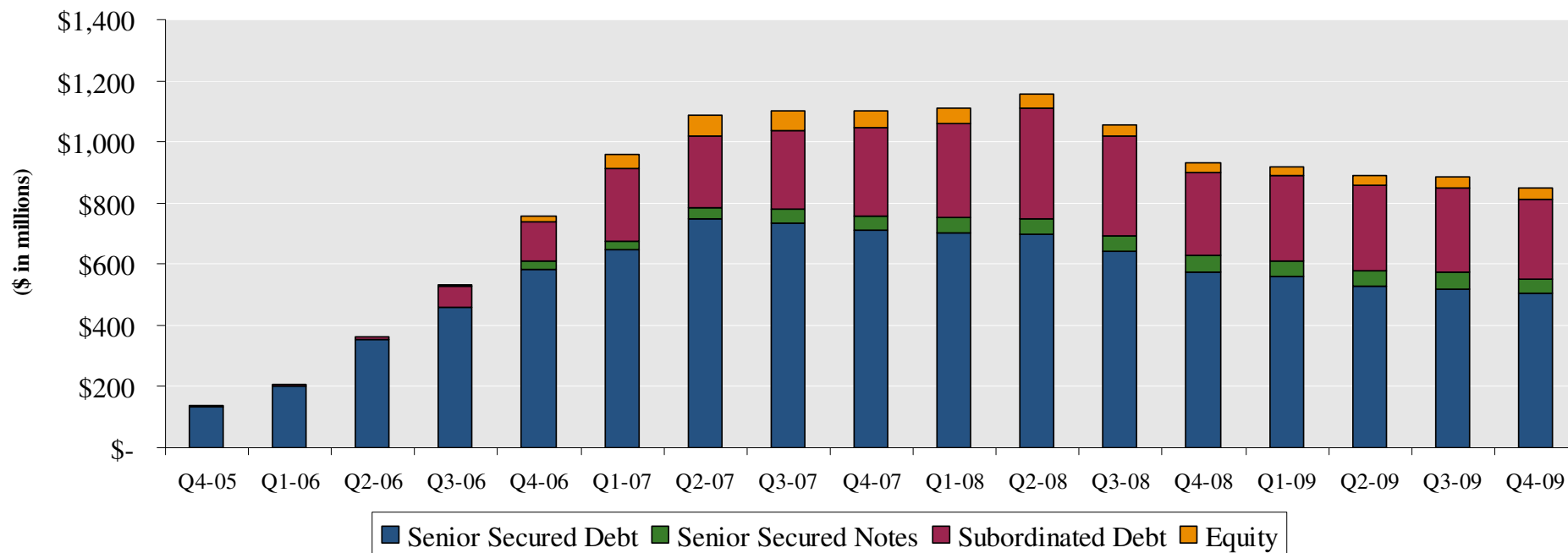
⁽¹⁾ Cost, FMV and borrowings as reported in public filings; cost basis does not include unearned income

Defensive Portfolio Composition

BKCC's senior debt focus and conservative investment composition have helped its portfolio performance during the current recession

- As of December 31, 2009, senior debt comprised 64.8% of the total portfolio at fair market value

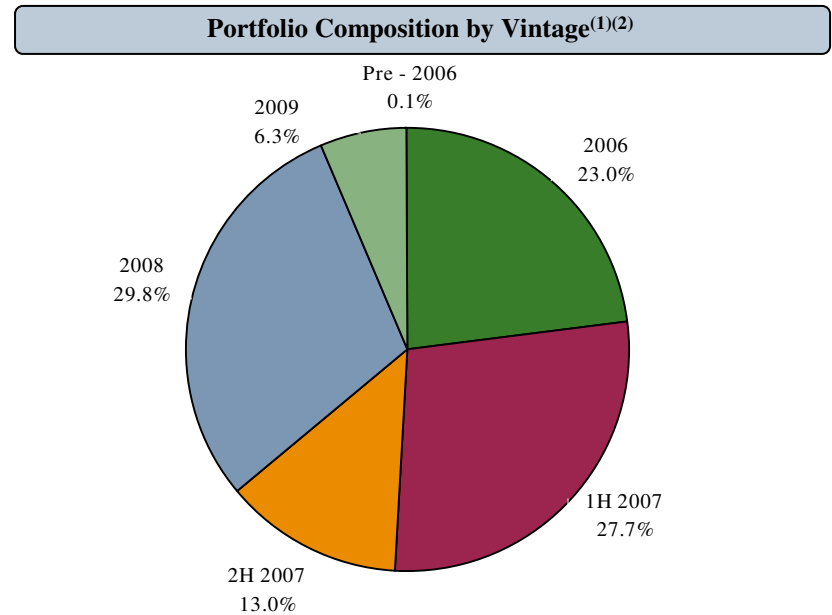
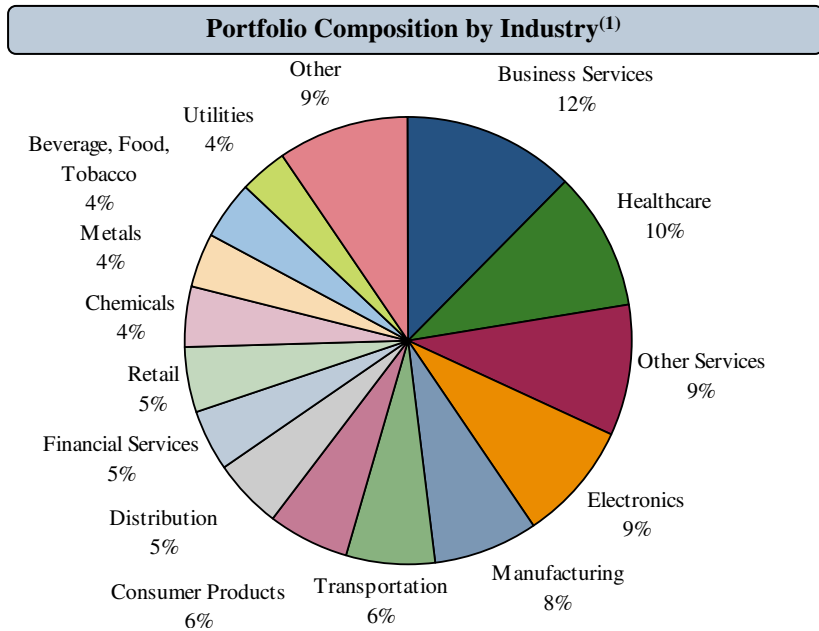
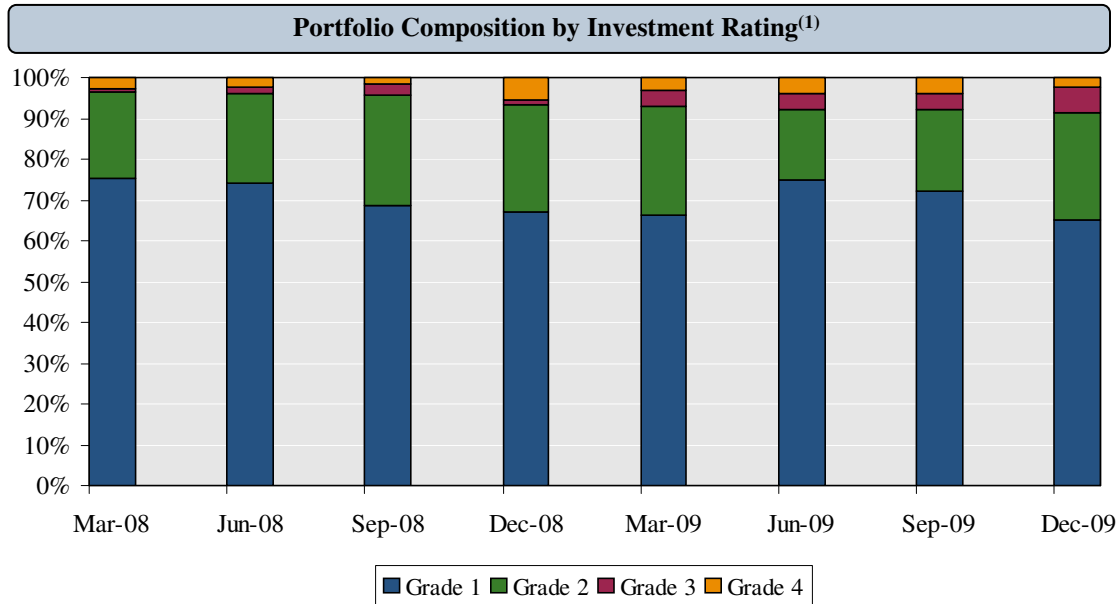
Portfolio Composition by Investment Type⁽¹⁾



% Senior Debt	95.1%	98.2%	97.5%	86.6%	80.6%	70.5%	72.2%	70.8%	68.7%	68.0%	64.7%	65.6%	67.4%	66.4%	65.3%	64.6%	64.8%
% Sub Debt	4.9%	1.8%	2.4%	12.7%	16.9%	24.7%	21.4%	23.4%	26.2%	27.7%	31.5%	30.6%	29.1%	30.5%	31.1%	31.1%	30.6%
% Equity	0.1%	0.0%	0.1%	0.8%	2.5%	4.8%	6.4%	5.8%	5.1%	4.3%	3.8%	3.7%	3.4%	3.1%	3.6%	4.2%	4.6%

⁽¹⁾ Based on fair market value of investments, as reported in public filings

Conservatively Positioned Portfolio



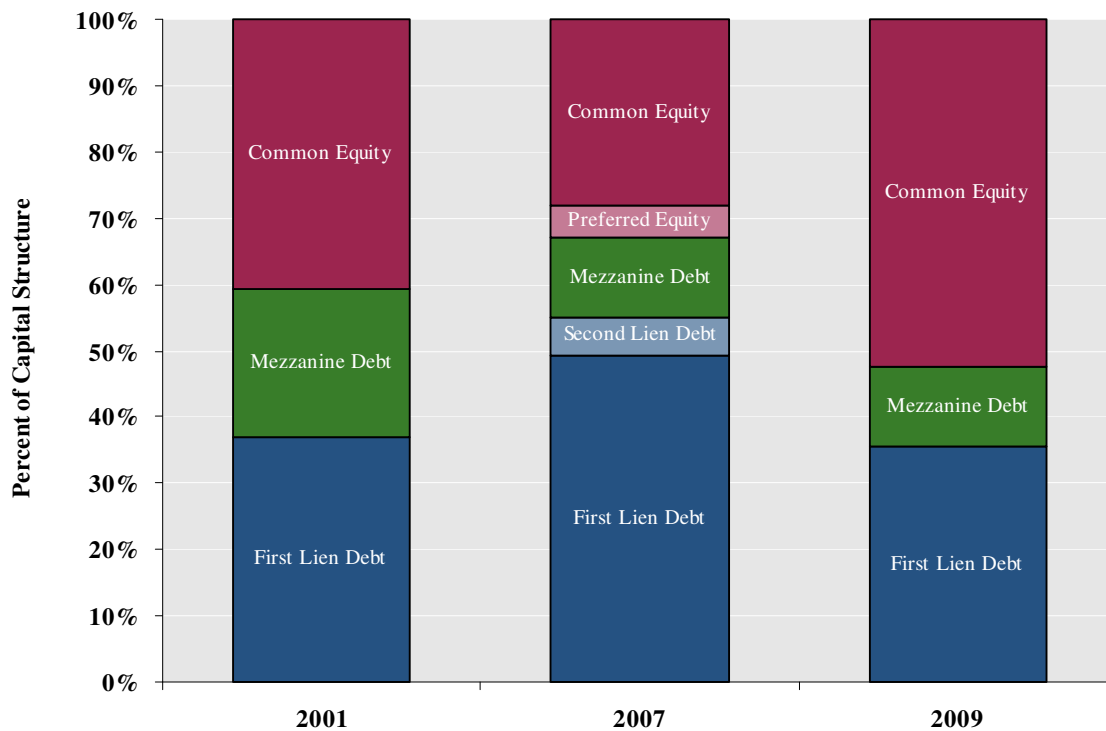
⁽¹⁾ Based on fair market value of investments as of December 31, 2009

⁽²⁾ Represents date of original investment or date of subsequent amendment if amendment resulted in a re-pricing of the original investment terms

Capital Structure Evolution and Current Target Returns

Typical capitalization of private equity / leveraged buyout transactions now includes greater usage of mezzanine capital at a more senior position in the capital structure

Capital Structure Composition



Return Profile

Common Equity

- 25%+ All-in return target
- Comprises 40% - 50% capital structure
- Average purchase multiples < 7.0x

Mezzanine Debt

- 15% - 20% all-in return target (w/ warrants)
- Meaningful call protection and covenants
- Average leverage multiples < 4.0x

First Lien Debt

- 6% - 9% all-in return target (LIBOR floor)
- Significantly less availability than in the past
- Average leverage multiples < 3.0x

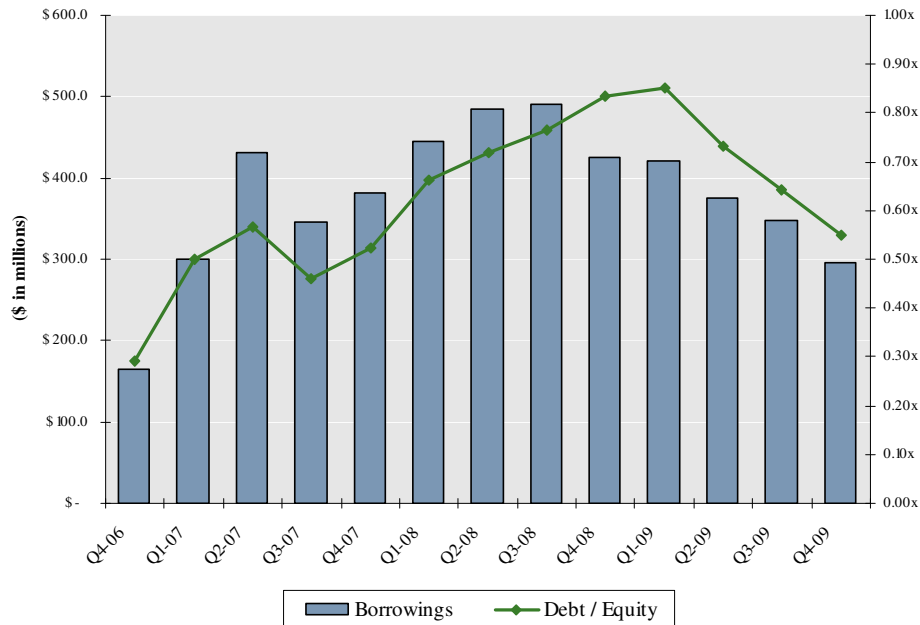
Source: Standard & Poor's LCD Leveraged Lending Review 4Q 2009; BKCC management estimates

Increased Liquidity and Investment Capacity

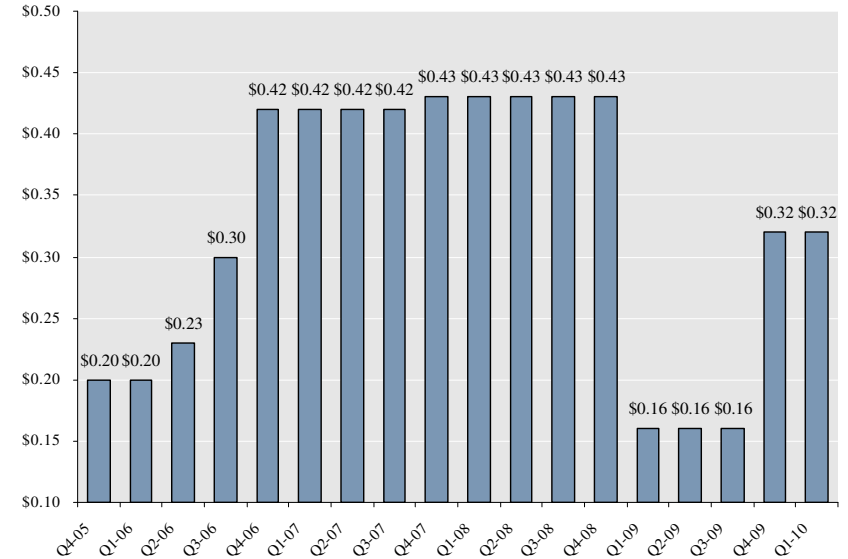
BKCC has pursued a conservative strategy of capital preservation since Q4 2008

- Significant reduction in new investments
- Conservative dividend distribution policy
- \$242.6 million in excess asset coverage (1:1 test) and \$230.0 million in borrowing base availability as of December 31, 2009

Quarterly Borrowings



Quarterly Dividends (\$ Per Share)



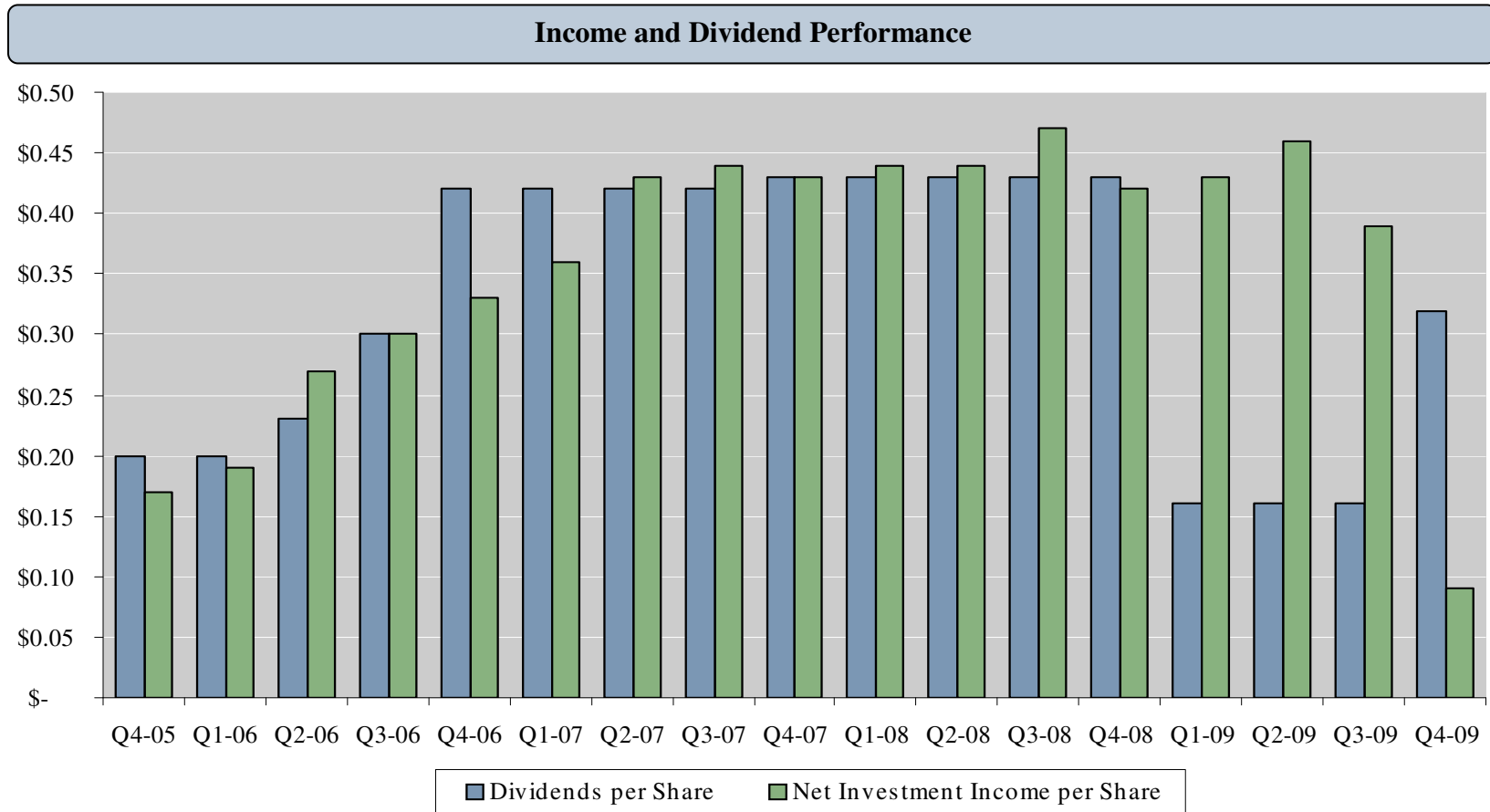
BKCC has significant capacity to take advantage of new investment opportunities in today's market

Source: Public filings

Conservative Dividend Management

BKCC resumed paying a normalized dividend in Q4 2009

- Net investment income has exceeded dividends paid by \$0.56 per share in 2009
 - 2009 net investment income and dividends paid of \$1.36 and \$0.80, respectively



Net investment income distribution requirement of 90% implies significant current embedded value in BKCC



V. Appendix

Executive Team

Executive / Administrative Team

Name	Role	Previous experience
James R. Maher	Chairman and Chief Executive Officer	<ul style="list-style-type: none"> • Co-founder of BlackRock Kelso Capital, has served as Chairman and CEO since its inception • Partner at Park Avenue Equity Partners • Vice Chairman and member of the Operating Committee, Operating Officer responsible for Global M&A Activities, Head of the Investment Banking Group, and other positions for 16 years at First Boston • B.A. from Boston College and an M.B.A. from Columbia University
Michael B. Lazar	Chief Operating Officer	<ul style="list-style-type: none"> • Co-founder of BlackRock Kelso Capital, has served as COO since its inception • Managing Director and Principal, and other positions for 12 years at Kelso & Company • Member of the Acquisition Finance and Structured Finance Groups at Chemical Securities, Inc. (J.P. Morgan Securities) • B.A. from Dartmouth College
Frank D. Gordon	Chief Financial Officer and Treasurer	<ul style="list-style-type: none"> • Member of BlackRock's high yield team • Controller of Anthracite Capital, Inc. (NYSE:AHR) • Attorney in the Structured Finance Department of Skadden, Arps, Slate, Meagher & Flom • B.S. from the Wharton School of the University of Pennsylvania and an M.B.A. and J.D. from the University of Chicago
John H. Blevins	Chief Compliance Officer	<ul style="list-style-type: none"> • Director and Senior Compliance Officer at BlackRock • Chief Compliance Officer of Lazard Asset Management LLC • B.S. from Oklahoma State University

Investment Committee

Investment Committee provides substantial transaction and industry expertise

Name	Role	Previous experience
James R. Maher	Chairman and Chief Executive Officer, BlackRock Kelso Capital	<ul style="list-style-type: none"> Co-founder of BlackRock Kelso Capital, has served as Chairman and CEO since its inception Partner at Park Avenue Equity Partners Vice Chairman and member of the Operating Committee, Operating Officer responsible for Global M&A Activities, Head of the Investment Banking Group, and other positions for 16 years at First Boston B.A. from Boston College and an M.B.A. from Columbia University
Michael B. Lazar	Chief Operating Officer, BlackRock Kelso Capital	<ul style="list-style-type: none"> Co-founder of BlackRock Kelso Capital, has served as COO since its inception Managing Director and Principal, and other positions for 12 years at Kelso & Company Member of the Acquisition Finance and Structured Finance Groups at Chemical Securities, Inc. (J.P. Morgan Securities) B.A. from Dartmouth College
Laurence D. Fink	Chairman and Chief Executive Officer, BlackRock	<ul style="list-style-type: none"> Co-founder of BlackRock Managing Director and member of the Management Committee, co-Head of the Taxable Fixed Income Division, Head of the Mortgage and Real Estate Products Group, and other positions at First Boston B.A. and M.B.A. from the University of California at Los Angeles
Robert S. Kapito	President and Director, BlackRock	<ul style="list-style-type: none"> Co-founder of BlackRock Vice President in the Mortgage Products Group, Head of Mortgage Capital Markets, and other positions in his tenure at First Boston B.S. from the Wharton School of the University of Pennsylvania and an M.B.A. from Harvard Business School
Richard S. Davis	Managing Director, BlackRock	<ul style="list-style-type: none"> President and CEO of State Street Research & Management Senior Vice President in charge of the \$110 billion fixed income portfolio at MetLife, Inc. Spent 19 years in successive management positions and was ultimately a member of the Management Committee at First Boston B.A. from Georgetown University and an M.B.A. from Columbia University
Sacha M. Bacro	Managing Director and Head of Capital Markets Group, BlackRock	<ul style="list-style-type: none"> Founding member, Head of Product Development and Investment Management, and a member of the Board of Directors of Nomura BlackRock Asset Management in Japan B.A. from Bowdoin College
Rick M. Rieder⁽¹⁾	Deputy CIO Fixed Income, Fundamental Portfolios and Head of Corporate Credit Group, BlackRock	<ul style="list-style-type: none"> President and Chief Executive Officer of R3 Capital Partners Global head of Credit Businesses at Lehman Brothers M.B.A. from the Wharton School at the University of Pennsylvania
James E. Keenan, CFA⁽¹⁾	Head of Leveraged Finance Portfolio Team, BlackRock	<ul style="list-style-type: none"> Joined BlackRock in 2004 Senior high yield trader at Columbia Management Group B.B.A. from the University of Notre Dame
Leland T. Hart⁽¹⁾	Managing Director BlackRock	<ul style="list-style-type: none"> Partner and head of Europe Leveraged Loans at R3 Capital Partners Managing Director in Leveraged Capital Markets at Lehman Brothers M.B.A. from the University of Chicago Graduate School of Business

⁽¹⁾ Designee awaiting formal appointment to the Investment Committee

Investment Committee

Investment Committee provides substantial transaction and industry expertise

Name	Role	Previous experience
Frank T. Nickell	Chairman, President and Chief Executive Officer, Kelso & Company	<ul style="list-style-type: none">• Joined Kelso in 1977• CPA and member of the American Institute of Certified Public Accountants• B.S. from the University of North Carolina at Chapel Hill
Michael B. Goldberg	Managing Director, Kelso & Company	<ul style="list-style-type: none">• Joined Kelso in 1991• Managing Director and co-Head of the Mergers and Acquisitions Department at First Boston• Partner in the Mergers and Acquisitions Department of Skadden, Arps• B.S. from the University of Florida and a J.D. from the University of Virginia
Frank J. Loverro	Managing Director, Kelso & Company	<ul style="list-style-type: none">• Joined Kelso in 1993• Worked in the private equity and high yield finance groups at CS First Boston• B.A. from the University of Virginia
George E. Matelich	Managing Director, Kelso & Company	<ul style="list-style-type: none">• Joined Kelso in 1985• Prior Experience in the Mergers and Acquisitions and Corporate Finance departments at Lehman Brothers Kuhn Loeb• Certified Public Accountant and holds a Certificate in Management Consulting• M.B.A. from the Stanford Graduate School of Business

Investment Team

Experienced and diverse team of senior investment professionals

Name	Role	Previous experience
Jason A. Mehring	Managing Director	<ul style="list-style-type: none"> • Principal, Banc of America Capital Investors • Member of the Commercial Banking Group at Firststar Bank • B.B.A. from the University of Wisconsin – Eau Claire and an M.B.A. from the Kellogg School of Management at Northwestern University
R. Marshall Merriman, Jr.	Managing Director	<ul style="list-style-type: none"> • Managing Director with Harris Williams & Company where he last headed the firm’s Corporate Finance and Restructuring Group • Partner with McGuireWoods LLP • B.A. from Washington & Lee University and a J.D. from the University of Virginia
Basil Palmeri	Managing Director	<ul style="list-style-type: none"> • Managing Director at GMAC Commercial Finance • Member of Structured Corporate Finance Group of Deutsche Banc Alex Brown • Commenced his career in the asset-based lending division of Manufacturers Hanover Trust • B.S. from the University of Scranton and an M.B.A. from Adelphi University
Stephen N. Sachman	Managing Director	<ul style="list-style-type: none"> • Managing Director in the Industrials investment banking group at Deutsche Bank Securities • Member of investment banking divisions of Smith Barney and Kidder Peabody & Co. • B.A. from the University of Chicago and an M.B.A. from the Stern School of Business at New York University
Albert Sun	Managing Director	<ul style="list-style-type: none"> • Director and Team Leader of Sponsor Coverage at Merrill Lynch Capital • Member of Structured Corporate Finance Group of Deutsche Bank Securities • Manager of Corporate Banking Group at Glenfield Capital Corp. • B.S. from the Marshall School of Business at the University of Southern California

Portfolio Evolution

For the quarters ending

	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09
Origination	\$ 137.8	\$ 72.7	\$ 188.3	\$ 190.9	\$ 293.9	\$ 213.9	\$ 297.2	\$ 124.0	\$ 76.2	\$ 94.6	\$ 80.0	\$ 8.7	\$ 13.9	\$ 15.3	\$ 11.9	\$ 11.0	\$ 8.6
Senior Secured Loans	131.0	200.9	355.2	460.1	581.8	647.2	748.1	734.9	713.2	702.9	695.4	642.3	576.0	558.2	528.1	520.1	503.2
Senior Secured Notes	-	-	-	-	29.0	29.6	37.4	45.0	44.8	51.4	52.5	51.5	52.3	51.3	52.3	51.7	48.4
Subordinated Debt	6.7	3.6	8.9	67.4	128.3	236.9	232.5	257.5	289.1	306.9	363.9	324.0	271.7	280.1	276.6	275.7	260.2
Equity Warrants	0.1	0.1	0.4	0.4	1.0	1.4	2.0	0.9	1.1	1.2	1.3	1.1	0.0	0.0	0.1	0.2	1.0
Preferred Equity	-	-	-	1.1	11.9	11.9	25.4	18.1	14.2	9.0	5.7	5.7	10.2	8.4	7.7	6.8	5.9
Common Equity	-	-	-	2.2	5.8	10.9	12.4	12.6	12.3	11.6	11.2	10.6	9.3	9.2	16.2	18.0	18.9
LP/LLC Interests	-	-	-	0.3	0.3	22.0	29.6	32.4	29.0	26.0	25.8	21.9	12.5	10.8	8.3	12.4	13.1
Total Invested Assets⁽¹⁾	\$ 137.8	\$ 204.5	\$ 364.4	\$ 531.6	\$ 758.2	\$ 959.8	\$ 1,087.3	\$ 1,101.3	\$ 1,103.8	\$ 1,109.0	\$ 1,155.8	\$ 1,057.1	\$ 932.1	\$ 917.9	\$ 889.5	\$ 884.9	\$ 850.7
<i>Weighted Average Yield⁽²⁾</i>	<i>10.7%</i>	<i>10.9%</i>	<i>11.4%</i>	<i>12.0%</i>	<i>12.5%</i>	<i>12.6%</i>	<i>12.5%</i>	<i>12.5%</i>	<i>12.4%</i>	<i>11.3%</i>	<i>11.3%</i>	<i>11.9%</i>	<i>11.0%</i>	<i>10.4%</i>	<i>10.4%</i>	<i>10.9%</i>	<i>11.2%</i>
<i>3-Month LIBOR</i>	<i>4.5%</i>	<i>5.3%</i>	<i>5.5%</i>	<i>5.4%</i>	<i>5.4%</i>	<i>5.3%</i>	<i>5.4%</i>	<i>5.2%</i>	<i>4.7%</i>	<i>2.7%</i>	<i>2.8%</i>	<i>3.9%</i>	<i>1.4%</i>	<i>1.2%</i>	<i>0.6%</i>	<i>0.3%</i>	<i>0.2%</i>
<i>Spread</i>	<i>6.2%</i>	<i>5.6%</i>	<i>5.9%</i>	<i>6.6%</i>	<i>7.1%</i>	<i>7.3%</i>	<i>7.1%</i>	<i>7.3%</i>	<i>7.7%</i>	<i>8.6%</i>	<i>8.5%</i>	<i>8.0%</i>	<i>9.6%</i>	<i>9.2%</i>	<i>9.8%</i>	<i>10.7%</i>	<i>11.0%</i>
Total Net Assets	\$ 528.7	\$ 542.4	\$ 554.4	\$ 565.8	\$ 561.8	\$ 598.7	\$ 761.2	\$ 754.2	\$ 728.2	\$ 671.1	\$ 672.2	\$ 641.2	\$ 510.3	\$ 495.5	\$ 514.0	\$ 540.4	\$ 539.6
Total Net Assets and Liabilities	\$ 542.2	\$ 550.0	\$ 580.6	\$ 581.4	\$ 766.3	\$ 975.0	\$ 1,261.5	\$ 1,122.0	\$ 1,121.8	\$ 1,125.0	\$ 1,172.4	\$ 1,142.1	\$ 966.2	\$ 935.5	\$ 908.7	\$ 905.8	\$ 879.6
Leverage	\$ -	\$ -	\$ -	\$ -	\$ 180.3	\$ 364.6	\$ 476.2	\$ 355.0	\$ 381.3	\$ 444.9	\$ 492.7	\$ 492.1	\$ 427.0	\$ 422.9	\$ 379.2	\$ 347.5	\$ 296.0
Investment Income	10.0	8.7	12.1	15.1	17.9	25.1	33.2	34.2	35.4	35.7	34.9	37.4	35.2	31.8	33.4	29.4	30.3
Interest Expense	-	-	-	-	0.3	3.7	5.4	5.3	5.8	5.2	4.3	4.3	4.8	1.8	1.7	1.5	1.4
Other Expenses	1.5	0.7	0.7	0.9	0.1	0.9	1.2	1.4	1.8	1.7	1.7	1.7	1.1	1.5	1.5	1.5	2.5
Management Fee	2.3	1.3	1.4	1.9	2.2	2.8	3.4	5.3	5.6	5.6	5.6	5.8	5.7	4.7	4.6	4.6	4.6
Incentive Fee	-	-	-	1.3	3.1	3.7	5.8	(0.1)	-	-	-	-	-	-	-	-	16.8
Net Investment Income	\$ 6.2	\$ 6.7	\$ 10.0	\$ 11.0	\$ 12.2	\$ 14.0	\$ 17.4	\$ 22.4	\$ 22.1	\$ 23.2	\$ 23.3	\$ 25.6	\$ 23.5	\$ 23.8	\$ 25.5	\$ 21.9	\$ 5.0
Net Investment Income per share	\$ 0.17	\$ 0.19	\$ 0.27	\$ 0.30	\$ 0.33	\$ 0.36	\$ 0.43	\$ 0.44	\$ 0.43	\$ 0.44	\$ 0.44	\$ 0.47	\$ 0.42	\$ 0.43	\$ 0.46	\$ 0.39	\$ 0.09
Net Investment Income per share before incentive fees	\$ 0.17	\$ 0.19	\$ 0.27	\$ 0.33	\$ 0.41	\$ 0.46	\$ 0.57	\$ 0.44	\$ 0.43	\$ 0.44	\$ 0.44	\$ 0.47	\$ 0.42	\$ 0.43	\$ 0.46	\$ 0.39	\$ 0.39
Earnings per share	\$ 0.18	\$ 0.20	\$ 0.31	\$ 0.31	\$ 0.31	\$ 0.44	\$ 0.31	\$ 0.05	\$ (0.31)	\$ (0.75)	\$ 0.22	\$ (0.34)	\$ (1.88)	\$ (0.07)	\$ 0.43	\$ 0.55	\$ 0.29
Dividends per share	\$ 0.20	\$ 0.20	\$ 0.23	\$ 0.30	\$ 0.42	\$ 0.42	\$ 0.42	\$ 0.42	\$ 0.43	\$ 0.43	\$ 0.43	\$ 0.43	\$ 0.43	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.32
Net Asset Value per share	\$ 14.50	\$ 15.38	\$ 15.03	\$ 15.04	\$ 14.93	\$ 14.95	\$ 14.88	\$ 14.51	\$ 13.78	\$ 12.60	\$ 12.31	\$ 11.52	\$ 9.23	\$ 9.04	\$ 9.24	\$ 9.59	\$ 9.55

Source: Company filings

⁽¹⁾ On a fair market value basis, as reported in public filings

⁽²⁾ Yield on invested capital for all debt or income-producing securities on a cost basis

Internal Investment Rating System

BlackRock Kelso Capital employs a grading system for the entire portfolio 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 relevant factors

Generally, BKCC's Investment Advisor assigns only one loan grade to each portfolio company for all loan investments in that portfolio company. The Advisor, however, 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	Grade 2	Grade 3	Grade 4
<ul style="list-style-type: none"> ✓ Performance is substantially within expectations ✓ Risk factors are neutral to favorable to those at the time of the original investment 	<ul style="list-style-type: none"> ✓ Performance is below expectations ✓ Require closer monitoring ✓ No loss of investment <u>return</u> (interest and/or dividends) is expected ✓ No loss of investment <u>principal</u> is expected 	<ul style="list-style-type: none"> ✓ Performance is below expectations ✓ Risk has increased materially since origination ✓ Some loss of investment <u>return</u> is expected ✓ No loss of <u>principal</u> is expected <p><i>Companies graded 3 will generally be out of compliance with debt covenants and will be unlikely to make debt repayments on their original schedule</i></p>	<ul style="list-style-type: none"> ✓ Performance is materially below expectations ✓ Business trends have deteriorated ✓ Risk factors have increased substantially since the original investment ✓ Some loss of investment <u>principal</u> is expected

BlackRock Kelso Capital monitors and, when appropriate, revises the investment ratings assigned to each investment

- BlackRock Kelso Capital reviews these investment ratings on a quarterly basis, in connection with the valuation process

Appendix – Sample Portfolio Investments

Healthcare



**DYNAVOX
SYSTEMS**



Consumer Products & Services



Business Services



Infrastructure & Transportation

