

PART 2A OF FORM ADV: FIRM BROCHURE

BLACKROCK KELSO CAPITAL ADVISORS LLC

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This brochure provides information about the qualifications and business practices of BlackRock Kelso Capital Advisors LLC (“BKCA”). If you have any questions about the contents of this brochure, please contact BKCA at the number and mailing address provided above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or any state securities authority.

BKCA is registered as an investment adviser with the SEC. Registration as an investment adviser does not imply any certain level of skill or training.

Additional information about BKCA also is available on the SEC website at www.adviserinfo.sec.gov.

ITEM 2. MATERIAL CHANGES

As this is the initial Form ADV Part 2A for BlackRock Kelso Capital Advisors LLC, there are no material changes to report.

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ITEM 4. ADVISORY BUSINESS

A. General Description of BlackRock Kelso Capital Advisors LLC

BlackRock Kelso Capital Advisors LLC (“BKCA” or the “Adviser”) is a Delaware limited liability company that was organized on February 15, 2005. BKCA’s sole managing members are James R. Maher and Michael B. Lazar. An LLC interest in the Adviser is owned by BlackRock Advisors, LLC, which is ultimately owned by BlackRock Inc., a publicly-traded company. The Adviser is led by James R. Maher, Chairman of the Board of Managers and Chief Executive Officer, and Michael B. Lazar, Chief Operating Officer and Managing Director. They are supported by the Adviser’s team of investment professionals who have extensive experience in commercial and mezzanine lending, investment banking, accounting, corporate law and private equity investing. Additionally, the Adviser has an investment committee that includes Messrs. Maher and Lazar.

BKCA serves as the investment adviser to two investment vehicles (the “Clients”). As of the date of this Brochure, BKCA provides advisory services to one collateralized loan obligation, the BKC CLO 2014-1, LTD. (the “CLO”), which is incorporated with limited liability under the laws of the Cayman Islands. BKCA also serves as the adviser to BlackRock Kelso Capital Corporation (“BKCC”, and together with the CLO, the “Clients”), a publicly-traded investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended (the “1940 Act”).

B. Description of Advisory Services, Investment Strategies & Types of Investments

BKCA provides discretionary investment management services to the Clients. BKCA generally provides advisory services to Clients regarding companies that operate in a broad variety of industries and are expected to generate positive cash flows.

For BKCC, BKCA generally provides advisory services regarding middle market debt, equity and equity-related securities. Although the term “middle-market” refers to companies with annual revenues typically between \$50 million and \$1 billion, BKCA’s targeted BKCC investment typically ranges between \$10 million and \$50 million. Although the investment sizes may be more or less than the targeted range and the size of our investments may grow with our capital availability.

Although most investments made for BKCC are in senior and junior secured, unsecured and subordinated loans to U.S. private and certain public middle-market companies, BKCA seeks to invest throughout the capital structure, which may include common and preferred equity, options and warrants, credit derivatives, high-yield bonds, distressed debt and other structured securities.

To service the Clients' objectives and strategies, Messrs. Maher and Lazar and the other members of BKCA's investment team utilize BKCA's investment committee, which includes Messrs. Maher and Lazar and several executives of BlackRock, Inc. ("BlackRock") and certain principals at Kelso & Company, L.P. (the "Kelso Principals"). BKCA's investment professionals, as well as members of the investment committee, have extensive experience in fixed income, public equity and private equity investing, and possess a broad range of transaction, financial, managerial and investment skills. Although the BlackRock executives and Kelso Principals who serve on the investment committee bring the benefit of expertise they have gained at BlackRock, Kelso & Company, L.P. and elsewhere, neither of those organizations provides the Clients with investment advice or otherwise serves as an investment adviser to the Clients, as such term is defined under the Investment Advisers Act of 1940, as amended (the "Advisers Act").

The investment strategy of the CLO, as advised by BKCA, is to acquire and trade a diversified portfolio of first lien, senior secured syndicated loans in accordance with rules and guidelines typical in securitized transactions. The loans in the CLO portfolio carry ratings from major ratings agencies and are traded by multiple dealers and thus have market liquidity. Issuers of loans suitable for inclusion in the CLO are often companies large enough to have public debt or equity in other parts of their capital structures. The returns on such first lien loans typically do not fit the yield requirements of middle market vehicles like BKCC.

C. Tailoring to Individual Needs and Investment Restrictions

BKCA neither tailors its advisory services to the individual needs of investors in the Clients nor accepts investor-imposed investment restrictions. BKCA provides investment advisory services to the Clients pursuant to investment advisory arrangements. Investment advice is provided by BKCA directly to the Clients.

D. Wrap Fee Programs

BKCA does not participate in wrap fee programs.

E. Assets Under Management

As of September 30, 2014, BKCA managed approximately \$1,264,161,399 of Client total assets on a discretionary basis.

ITEM 5. FEES AND COMPENSATION

A. Fees and Compensation & Payment of Fees

BKCC pays a management fee to BKCA (the "Management Fee") at an annual rate of 2.0% of its total assets, including any assets acquired with the proceeds of

leverage, payable quarterly in arrears. BKCC also pays BKCA an incentive fee (“Incentive Fee”) as described in “Item 6.” below. Fees paid to BKCA by BKCC are deducted from its account. At the time of this filing, the CLO has not paid any compensation or other fees to BKCA. The CLO closed its initial warehouse funding and may accept additional new investors. The CLO was only offered to “qualified purchasers” as defined in Section 2(a)(51)(A) of the 1940 Act.

B. Additional Fees and Expenses

All investment professionals and clerical support staff, when and to the extent engaged in providing investment advisory and management services to the Clients, and the compensation and routine overhead expenses of such personnel allocable to such services, are provided by BKCA. Each Client bears all other costs and expenses of its operations and transactions, including overhead, legal, accounting and due diligence related expenses. BKCA may also enter into arrangements on the Clients’ behalf with third-party service providers, including BlackRock Financial Management, Inc., which is the administrator of BKCC (the “Administrator”), to provide book-keeping, compliance and other administrative support services to the Clients. BKCC has entered into an administration agreement with the Administrator, a subsidiary of BlackRock, under which the Administrator provides certain administrative services to BKCC, for which BKCC reimburses the Administrator for its allocable portion of overhead and other expenses incurred by the Administrator. To the extent the Clients enter into brokerage arrangements, the Clients bear associated expenses.

C. Prepayment of Fees

It is not expected that the Clients will pay fees in advance. In the event an advisory agreement with BKCA terminates during a period covered by fees paid in advance, BKCA would pro rate such fee and reimburse the portion of such fee covering the remainder of the period (i.e., from the date of termination to the end of the period). The Management Fee for the period immediately prior to a Client’s termination will be based on the remaining costs of the Client’s operations.

ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

BKCA may receive performance based compensation (an “Incentive Fee”) based on income and capital gains as more fully described in BKCC’s annual report on Form 10-K for the year ended December 31, 2013, publicly available at www.sec.gov. The CLO has not paid any compensation to BKCA.

The incentive fee payable by BKCC may create an incentive for BKCA to pursue investments on behalf of BKCC that are riskier or more speculative than would otherwise

be the case in the absence of such compensation arrangement. The incentive fee payable to BKCA is calculated based on a percentage of distributions on BKCC's common stock. The incentive fee payable by BKCC to BKCA also may induce BKCA to invest on behalf of BKCC in instruments that have a deferred interest feature, even if such deferred payments would not provide cash necessary to enable BKCC to pay current distributions to its stockholders. Under these investments, BKCC would accrue interest over the life of the investment but would not receive the cash income from the investment until the end of the term, if at all. BKCC's net investment income used to calculate the income portion of the incentive fee, however, will include accrued interest. Thus, a portion of this incentive fee would be based on income that BKCC has not yet received in cash and may never receive in cash if the portfolio company is unable to satisfy such interest payment obligation to BKCC. The foregoing risks could be increased because BKCA is not obligated to reimburse BKCC for any incentive fee received even if BKCC subsequently incurs losses or never receives in cash income that was previously accrued.

As discussed more fully in "Item 10." below, Messrs. Maher and Lazar and the investment team of BKCA also provide investment advisory services to BKCA Mezzanine Advisors, LLC ("BKCM"), an SEC registered investment adviser. The performance-based fees of clients of BKCM may be different from those of clients of BKCA, which may create a conflict of interest on the part of the BKCA investment committee with respect to the allocation of investment opportunities. These conflicts are mitigated by a BKCA allocation policy ("Allocation Policy") to address potential conflicts, which is discussed more fully in "Item 10." below. Although 1) the CLO and 2) BKCC invest in substantially dissimilar asset types, it is conceivable that the CLO holds a loan of a borrower whose credit quality declines or otherwise enters the yield profile of BKCC. In such event, BKCA may be foreclosed from making such an investment on BKCC's behalf by law, regulation or its own policies regarding allocation and joint investment.

ITEM 7. TYPES OF CLIENTS

BKCA provides investment supervisory services to the Clients, which, in the case of BKCC, is a registered investment company that has elected to be a business development company under the Investment Company Act of 1940, and in the case of the CLO is a pooled investment vehicle. Investment advice is provided directly to the Clients and not individually to investors in the Clients. There is no minimum subscription amount for investment in BKCC. Purchasers of interests in the CLO are required to represent that they are "qualified purchasers" as defined in Section 2(a)(51)(A) of the 1940 Act.

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

BKCA Investment Process

In conducting due diligence on prospective investments, the members of BKCA's investment team use publicly available information as well as information from their extensive relationships with former and current management teams, consultants, competitors and investment bankers, among others. The investment team also researches the industry for historic growth trends and future prospects utilizing industry analysts, third party research, industry association literature and general news. Attorneys and independent accountants as well as outside advisors, as appropriate, may conduct additional due diligence on behalf of the investment team.

In analyzing each prospective portfolio company, the members of BKCA's investment team have identified several criteria they believe are important in identifying and investing in prospective portfolio companies. These criteria provide general guidelines for investment decisions made on Client's behalf, although each prospective portfolio company may fail to meet one or more of the criteria. The criteria are as follows:

- *Value Orientation/Positive Cash Flow.* Companies in which it can invest at relatively low multiples of operating cash flow and that are profitable at the time of investment on an operating cash flow basis.
- *Experienced Management.* Presence of an experienced management team.
- *Strong Competitive Position in Industry.* Strong market positions within their respective markets or market niches and are well positioned to capitalize on growth opportunities.
- *Exit Strategy.* Ability to provide a steady stream of cash flow to repay loans and/or build equity value.
- *Liquidation Value of Assets.* The prospective liquidation value of the assets, if any, collateralizing loans in which the BKCC invests is an important factor in the credit analysis performed by the members of BKCA's investment team.

Investment Risks. Investing in securities involves a substantial degree of risk. Clients may lose all or a substantial portion of their investments, and investors in the Clients must be prepared to bear the risk of a complete loss of their investments. In addition, there will be occasions when BKCA and its affiliates, including Messrs. Maher and Lazar and the other members of BKCA's investment

team, may encounter potential conflicts of interest in connection with advising Client accounts, including dedicating resources to the CLO or BKCM.

- **Investments may be Illiquid and Long Term.** Although portfolio financings and investments by BKCA for the Clients may generate current income, the return of capital and the realization of gains, if any, from a financing or investment generally will occur only upon the partial or complete satisfaction of the financing conditions or disposition of such investment, which may not occur for a number of years after the investment is made. Generally, there is no public market for any securities that BKCC may be invested in at the time of their acquisition. Securities held by Clients may not be able to be resold publicly, unless the sale of such securities is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In addition, in some cases Clients may be prohibited by contract from selling certain securities it invests in for a period of time.
- **Investments in the CLO Are Illiquid and Long Term.** There is not and will not be any public market for interests in the CLO, and the interests are not to be registered under the Securities Act of 1933 or any state securities law and will be restricted as to transfer by law and the terms of the CLO's governing documents. Investors ability to withdraw from the CLO are limited.
- **Economic Recessions or Downturns May Negatively Affect Client's Portfolio Companies.** Many of the portfolio companies in which the Clients may invest may become susceptible to economic slowdowns or downturns and may be unable to repay loans to Clients as a result of economic strains. Adverse economic conditions also may decrease the value of collateral securing some of the Clients' loans and the value of Clients' equity investments. Economic downturns could lead to financial losses in Clients' portfolios and a decrease in revenues, net income and assets.
- **Reliance on Personnel.** The investment success of the Clients depends upon the skill and expertise of Messrs. Maher and Lazar and the other members of BKCA's investment team. There can be no assurance that all of the key investment professionals comprising BKCA's investment team will continue to be associated with the Clients throughout the duration of BKCA's affiliation with the Clients.
- **Risks Associated with Investments in Privately-Owned Companies.** The Clients' portfolios consist primarily of financings of and/or investments in privately-owned businesses. There is generally no publicly available information about such companies, they have fewer controls on financial reporting, and the Clients must rely on BKCA and agents to obtain information in connection with investment decisions. Moreover, small and mid- sized businesses frequently have smaller product lines and market shares than their competition, may be more vulnerable to economic downturns and often need substantial additional capital to expand or compete. Such companies may

also experience substantial variations in operating results. Investment in small and mid-sized businesses therefore involves a high degree of business and financial risk, which can result in substantial losses, and accordingly, should be considered speculative.

- **Conflicts with BKCM and among Client Accounts.** Messrs. Maher and Lazar, as well as the other members of BKCA's investment team, will continue to manage the portfolio activities of clients of BKCM, which may include significant involvement with its existing portfolio companies. In addition, the members of BKCA's investment team will, subject to BKCA's Allocation Policy, have discretion in determining which investments will be made by the Clients and the clients of BKCM. Accordingly, BKCA's investment team may be compelled by law, regulations or the BKCA Allocation Policy to refrain from causing one or more Clients to make certain investments even though participation might benefit such Clients. Moreover, BKCA's investment team may encounter conflicts in allocating investment opportunities among Client accounts.
- **Leverage.** BKCA may employ leverage for Client accounts. Leverage is generally considered a speculative investment technique. If the value of Client assets increases, then leveraging would cause the value attributable thereto to increase more than it otherwise would had no leverage been employed. Conversely, if the value of a Client's assets decreases, leveraging would cause value attributable thereto to decline more than it otherwise would had no leverage been employed.
- **Portfolio Company Leverage.** Portfolio companies held by Client accounts will typically have capital structures with significant leverage. Although BKCA's investment team will seek to structure transactions in an attempt to minimize these risks, such leverage may increase Clients' exposure to adverse economic factors such as rising interest rates, downturns in the general economy or deterioration in the condition of the portfolio company or its sector in its particular industry.
- **Competition for Investments.** Clients may compete for the financing or acquisition of portfolio companies with other investors and funds, including funds managed by BlackRock, BKCA and BKCM, many of which have greater resources than the Clients. There may be intense competition for financings or investments of the type Clients intend to make, and such competition may result in less favorable financing or investment terms than might otherwise exist. There can be no assurance that there will be a sufficient number of attractive potential projects available to the Clients to achieve target returns.
- **Need for Diversification.** BKCA expects Clients to participate in a limited number of financings and investments. There is a risk that a number of financings and investments in which Clients participate may or may not yield a

return. This may have an adverse impact on the ability of a Client to achieve its investment objective.

- **Effect of Market Slowdown on Liquidity Events.** Clients may realize a portion of returns on investments through various liquidity events such as a sale, merger or initial public offering or the refinancing of debt investments. Capital may not be readily available at maturity of a portfolio investment to repay or refinance any of debt investments. A prolonged economic slowdown could extend a Client's investment time horizon by limiting such Client's ability to achieve timely liquidity events and could ultimately impact the ability to realize anticipated investment returns.

In addition, material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by for the Clients, with respect to the BKCC, please see the section entitled "Item 1A. Risk Factors" to BKCA's annual report on Form 10-K for the year ended December 31, 2013.

ITEM 9. DISCIPLINARY INFORMATION

We do not believe there have been any legal or disciplinary events that are material to our advisory business or the integrity of our management.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

BKCA presently serves as investment adviser to more than one Client. Messrs. Maher and Lazar, supported by the members of BKCA's investment team, are responsible for managing the Clients' investment portfolios. As a result, it is possible that the personnel of BKCA may face, in certain circumstances, competing fiduciary duties owed to the Clients. In addition, BKCA executive officers and directors and the employees serve or may serve as investment advisors, officers, directors or principals of entities or investment funds that operate in the same or a related line of business as BKCA does and/or investment funds managed by BKCM, BKCA's affiliates or BlackRock and may invest in asset classes similar to those targeted by BKCA for its clients. Specifically, Messrs. Maher and Lazar serve as the managing members of BKCM, a registered investment adviser which manages the investment activities of BKCM's sole client, BlackRock Kelso Mezzanine Partners I, LLC. Accordingly, it is possible that Messrs. Maher and Lazar and other personnel of BKCA may face, in certain circumstances, competing fiduciary duties as between the Clients and BKCM. Any affiliated investment vehicle currently formed or formed in the future and managed or to be managed in the future by BKCA or its affiliates may have overlapping investment objectives with the Clients, and accordingly, may invest in asset classes similar to those targeted by BKCA. As a result, BKCA or its affiliates may face conflicts in allocating investment opportunities between Clients and/or affiliated funds. BKCA endeavors to allocate investment opportunities in a fair and equitable manner and consistent with applicable allocation procedures.

BKCA has adopted an Allocation Policy to address any potential conflicts in connection with the allocation of investment opportunities. The purpose of these investment and allocation procedures is to set forth the basis for determining which investment opportunities should be presented to each of the Clients and BKCM in a manner that ensures that each of those entities is treated fairly and equitably. The Clients and BKCM may make investments in the same investment opportunities, subject to the Allocation Policy and the 1940 Act. It should be noted that such investments carry the risk that a Client's capital may be used to satisfy the additional capital needs of portfolio companies into which other Clients or clients of BKCM is unable or unwilling to invest further monies, or vice versa. The investment risk to a Client in such circumstances is being partially defrayed or ameliorated by the capital of other Clients or the clients of BKCM. Alternatively, in accordance with the Allocation Policy, a Client may make its portfolio investments separate and apart from other Clients or the clients of BKCM. As such, such Client may hold substantially different portfolio investments, which may result in different rates of return, investment risks, diversification of investments, management rights in portfolio companies, exposure risks to particular industries and industry sectors, and liquidity of investments.

Messrs. Maher and Lazar will devote such time as is reasonably necessary, in their sole judgment, to conduct the business affairs of BKCA in an appropriate manner. However, BKCA is not restricted from forming additional funds, nor are Messrs. Maher and Lazar restricted from entering into other advisory relationships or engaging in other business activities, even though such activities may be in competition with the Clients and/or may involve substantial time and resources of BKCM and/or Messrs. Maher and Lazar. These activities could be viewed as creating a conflict of interest in that time and effort of BKCA, BKCM and its personnel will not be devoted exclusively to the business of the Clients.

ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

BKCA sets high ethical and professional standards for employee conduct. In connection with BKCA's fiduciary obligations to the Clients, BKCA has adopted a Code of Business Conduct and Ethics, which covers a wide range of business activities, practices and procedures. It does not cover every issue that may arise in the course of BKCA's business activities, but it sets out basic principles designed to guide employees, officers and directors of BKCA. All employees, officers and directors must conduct themselves in accordance with this Code, and seek to avoid even the appearance of improper behavior.

In accordance with Advisers Act Rule 204A-1, BKCA has in place a Personal Trading Policy, and Insider Trading Policy and Policy Regarding Private Investments, which are policies and procedures relating to personal securities transactions, insider trading and other ethical considerations. These policies are intended to identify and

prevent actual conflicts of interest with the Clients and to resolve such conflicts appropriately if they do occur.

In conformity with the Advisers Act, the Personal Trading Policy, Insider Trading Policy and Policy Regarding Private Investments contain provisions regarding employee trading, reporting requirements and supervisory procedures that are designed to address potential conflicts of interest with respect to employee transactions, activities, and relationships that might interfere or appear to interfere with making decisions in the best interest of the Clients, and together with the Code of Business Conduct and Ethics (referred to collectively as the “Code”), require employees to comply with the federal securities laws and regulations, as well as fiduciary principles applicable to BKCA’s business, including that employees must avoid placing their own personal interests ahead of the Clients’ interests.

The Personal Trading Policy requires that employees conduct all of their personal investment transactions in a manner that is consistent with federal securities laws, Insider Trading Policy and other policies of BKCA. These requirements include reporting of personal investment accounts, pre-clearance of personal trading in investment transactions, as well as reporting investment transactions. Additionally, all violations of the Personal Trading Policy must be promptly reported to BKCA’s Chief Compliance Officer (or his designees, together referred to as the “CCO”). The Personal Trading Policy also generally prohibits employees from acquiring securities in initial public offerings, and it contains prohibitions against profiting from short-term trading, subject to very limited exceptions. The Personal Trading Policy also imposes “blackout” periods on certain employees, including particular portfolio management personnel, prohibiting transactions in certain securities during time periods surrounding transactions in the same securities by the Clients. Moreover, the Personal Trading Policy and other policies contain provisions that are designed to prevent conflicts relating to the use of inside information.

Employees who fail to observe BKCA’s policies may be subject to remedial action, including but not limited to disgorgement of profits, imposition of fine, censure, demotion, suspension or dismissal. The Personal Trading Policy may be made available to a client or prospective client upon request, subject to certain confidentiality restrictions.

ITEM 12. BROKERAGE PRACTICES

BKCA has discretion to select brokers and dealers to execute securities transactions on behalf of the Clients. However, due to the nature of the Clients’ investment strategies, BKCA does not generally make use of broker-dealers for the purposes of purchasing or selling securities on behalf of the Clients because the securities that it typically purchases or sells on behalf of the Clients are acquired and/or disposed of in privately negotiated purchase and sale transactions or in over the counter trades. In limited circumstances, BKCA may use a broker-dealer to effect transactions in public securities resulting from, or in connection with, portfolio investments.

Although BKCA, on behalf of the Clients, does not execute many transactions through broker-dealers, if it does so it is BKCA's policy in selecting brokers to obtain "best execution" of clients' transactions.

Due to the limited instances where the Clients might utilize the services of a broker-dealer, BKCA ordinarily does not enter into soft dollar arrangements. However, to the extent soft dollar arrangements were entered into, BKCA will only engage in soft dollar transactions that comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934, which provides a safe harbor for use of dollars to purchase brokerage and research services from broker-dealers.

ITEM 13. REVIEW OF ACCOUNTS

Members of BKCA's investment team monitor the Clients' portfolio companies on an ongoing basis. They monitor the financial trends of each portfolio company to determine if it is meeting its business plans and to assess the appropriate course of action for each company.

The members of BKCA's investment team utilize several methods for evaluating and monitoring the performance and fair values of the Clients' investments, which may include the following and other methods:

- assessment of success of the portfolio company in adhering to its business plan and compliance with covenants;
- comparisons to other companies in the industry; and
- review of interim and annual financial statements and financial projections for portfolio companies.

Generally, investors in the CLO will receive unaudited quarterly statements. For BKCC's investors, annual reports containing audit financial statements are made publicly available within 75 calendar days of BKCC's fiscal year end, and quarterly reports containing unaudited financial statements are made publicly available within 40 calendar days of each fiscal quarter end.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

BKCA does not compensate any person or entity for the referral of clients. BKCA does not receive any other economic benefit from non-clients in connection with the provision of investment advice to Clients.

ITEM 15. CUSTODY

BKCA has hired third-party qualified custodians to retain custody of Client funds and securities. U.S. Bank, N.A., a third-party qualified custodian, provides custodian

services to the CLO pursuant to a custodian services agreement. Bank of New York Mellon Trust Company N.A. provides custodian services to BKCC.

ITEM 16. INVESTMENT DISCRETION

BKCA provides discretionary investment advisory services to the Clients. BKCA neither tailors its advisory services to the individual needs of investors nor accepts investor-imposed investment restrictions.

ITEM 17. VOTING CLIENT SECURITIES

As part of its discretionary management authority of the Clients' portfolios, BKCA has the authority to vote the Clients' securities, and Clients do not have the ability to direct BKCA to vote in any particular solicitation. Additionally, because BKCA generally does not trade on behalf of Clients in individually publicly traded equity securities, BKCA typically does not vote traditional proxies. All such proxies voted tend to be related to changes being implemented by the counter-parties of the Clients' portfolio investments.

BKCA has adopted proxy voting policies and procedures (the "Proxy Voting Policies and Procedures") that reflect its duty as fiduciary to vote proxies in the best interests of its Clients. BKCC has delegated its proxy voting responsibility to BKCA pursuant to certain proxy voting policies and procedures set forth below. The guidelines are reviewed periodically by BKCA and BKCC's independent directors, and, accordingly, are subject to change.

When voting proxies for client accounts, BKCA's primary objective is to make voting decisions solely in the best interests of the Client. As a part of BKCA's fiduciary duty, BKCA recognizes that it must vote client securities in a timely manner free of conflicts of interest and in the Client's best interest. The Proxy Voting Policies and Procedures have been formulated to ensure decision-making consistent with these fiduciaries duties. These policies and procedures for voting proxies for investment advisory clients are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

If you would like detailed information about how any proxies were actually voted, please contact the Chief Compliance Officer at (212) 810-5790.

ITEM 18. FINANCIAL INFORMATION

BKCA is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients, and it has not been the subject of a bankruptcy petition since inception.

ITEM 19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Not applicable.