

KEATING CAPITAL, INC.

AUDIT COMMITTEE CHARTER

Purpose

The Audit Committee is appointed by the Board of Directors (the “**Board**”) of Keating Capital, Inc. (the “**Company**”), pursuant to authority delegated to it by the Board, to monitor (1) the integrity of the financial statements of the Company, (2) the internal control and financial reporting processes of the Company, (3) the material aspects of the Company’s accounting and financial reporting process generally, (4) the independent registered public account firm qualifications and independence, (5) the performance of the Company’s internal audit function and independent registered public accounting firm, and (6) the compliance by the Company with legal and regulatory requirements.

The Audit Committee shall prepare the report required by the Securities and Exchange Commission (the “**Commission**”) to be included in the Company’s annual proxy statement.

Committee Membership and Function

The Audit Committee of the Company shall at all times have at least three members and be composed solely of Independent Directors (the Independent Directors are members of the Board who (i) are not “interested persons” (as defined in the Investment Company Act of 1940, as amended (the “**1940 Act**”)) of the Company, (ii) are “independent directors” (as defined in Nasdaq Marketplace Rule 4200(a)(15)), and (iii) meet the independence requirements of Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) and the rules and regulations of the Commission, including the requirement that they not accept directly or indirectly any consulting, advisory, or other compensation from the Company (other than directors’ fees received in his or her capacity as a member of the Audit Committee, full Board or another committee of the Board). The Board shall designate the members of the Audit Committee. The Board shall have the power at any time to change the membership of the Audit Committee, to fill all vacancies, and to designate alternate members to replace any absent or disqualified members, so long as the Audit Committee shall at all times have at least three members and be composed solely of Independent Directors. The members of the Audit Committee shall select its Chairman.

As a matter of best practices, the Audit Committee will endeavor to have at least one of its members with the requisite qualifications to be designated by the Board as an “audit committee financial expert,” as such term is defined by the Sarbanes-Oxley Act of 2002, including any and all amendments thereto, and rules adopted thereunder from time to time (“**Sarbanes-Oxley Act**”). To that end, the Audit Committee shall consider at least annually whether one or more of its members qualifies to be designated by the Board as an audit committee financial expert. The Audit Committee shall report the results of its deliberations to the Board for further action as appropriate, including, but not limited to, a determination by the Board that the Audit Committee membership includes or does not include one or more audit committee financial experts and any related disclosure to be made concerning this matter. If a

vacancy exists due to the retirement or resignation of a member of the Audit Committee who has been designated as an “audit committee financial expert,” the Board will, as a matter of best practices, endeavor to fill such vacancy with another audit committee financial expert, as soon as reasonably practicable thereafter. The designation of a member of the Audit Committee as an audit committee financial expert will not increase the duties, obligations or liability of the designee as compared to the duties, obligations and liability imposed on the designee as a member of the Audit Committee and of the Board.

Notwithstanding the foregoing, for so long as the Company’s common stock is registered under the Exchange Act, (i) the Audit Committee shall at all times have at least one member that has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities, and (ii) all members of the Audit Committee shall be able to read and understand fundamental financial statements, including a company’s balance sheet, income statement, and cash flow statement.

Committee Authority and Responsibilities

The function of the Audit Committee is oversight. Management¹ is primarily responsible for maintaining appropriate systems for accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations. The independent registered public accounting firm is primarily responsible for planning and carrying out a proper audit of the Company’s annual financial statements in accordance with generally accepted accounting standards in the United States (“GAAP”). The independent registered public accounting firm is accountable to the Board and the Audit Committee, as representatives of the Company’s shareholders. The Audit Committee has the ultimate authority and responsibility to select, evaluate and, where appropriate, replace the Company’s independent registered public accounting firm (subject, if applicable, to shareholder ratification).

In fulfilling their responsibilities thereunder, it is recognized that members of the Audit Committee are not full-time employees of the Company or management and are not, and do not represent themselves to be, accountants or auditors by profession. As such, it is not the duty or the responsibility of the Audit Committee or its members to conduct “field work” or other types of auditing or accounting reviews or procedures, to determine that the financial statements are complete and accurate and are in accordance with GAAP, or to set auditor independence standards. Each member of the Audit Committee shall be entitled to rely on (a) the integrity of those persons within and outside the Company and management from which it receives information; (b) the accuracy of the financial and other information provided to the Audit Committee absent actual knowledge to the contrary (which shall be promptly reported to the

¹ For purposes of this Charter, the term “Management” means the appropriate officers of the Company and its investment adviser, administrator, fund accounting agent and other key service providers (other than the independent registered public accounting firm). Also, for purposes of this Charter, the phrase “internal accounting staff” means the appropriate officers and employees of the Company and its investment adviser, administrator, fund accounting agent and other key service providers (other than the independent registered public accounting firm).

Board); and (c) statements made by the officers and employees of the Company, its investment adviser or other third parties as to any information technology, internal audit and other non-audit services provided by the independent registered public accounting firms to the Company. In carrying out its responsibilities, the Audit Committee's policies and procedures shall be adapted, as appropriate, to best react to a changing environment.

In order to fulfill its oversight responsibility, the Audit Committee must be capable of conducting free and open discussions with management, independent auditors, internal auditors, employees and others regarding the quality of the financial statements and the system of internal controls.

The Audit Committee shall be given the resources and authority appropriate to discharge its responsibilities, including the authority to retain experts, independent counsel or consultants at the expense of the Company. The Audit Committee shall also be given the resources, as determined by the Audit Committee, for payment of (i) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services for the Company and (ii) ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

The Audit Committee shall review this Charter at least once annually and recommend any changes to this Charter that it deems appropriate to the full Board. The Audit Committee shall have such further responsibilities as are given to it from time to time by the Board. The Audit Committee shall consult, on an ongoing basis, with management, the independent registered public accounting firms and counsel as to legal or regulatory developments affecting its responsibilities, as well as relevant tax, accounting and industry developments.

Nothing in this Charter shall be interpreted as diminishing or derogating from the responsibilities of the Board.

Pursuant to authority granted to it by the Board, the responsibilities of the Audit Committee are:

Retention of Independent Registered Public Accounting Firms and Approval of Services

1. To select or retain each year one or more independent registered public accounting firms to audit the accounts and records of the Company, to approve the terms of compensation of such independent registered public accounting firms and to terminate such independent registered public accounting firms as it deems appropriate.
2. To pre-approve any independent registered public accounting firms' engagement to render audit and/or permissible non-audit services (including the fees charged and proposed to be charged by the independent registered public accounting

firms), subject to the de minimis exceptions under Section 10A(i)(1)(B) of the Exchange Act, and as otherwise required by law.²

3. The Audit Committee may delegate its pre-approval responsibilities to one or more of its members. The member(s) to whom such responsibility is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting.

Oversight of the Company's Relationship with the Independent Registered Public Accounting Firm

4. To obtain and review a report from the independent registered public accounting firm at least annually regarding:
 - (a) the independent registered public accounting firm's internal quality-control procedures;
 - (b) any material issues raised by the most recent internal quality-control review, or peer review, of the independent registered public accounting firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the independent registered public accounting firm;
 - (c) any steps taken to deal with any such issues; and
 - (d) all relationships between the independent registered public accounting firm and the Company.
5. To evaluate the qualifications, performance and independence of the independent registered public accounting firm, including the following:
 - (a) evaluating the performance of the lead partner, and the quality and depth of the professional staff assigned to the Company;
 - (b) considering whether the independent registered public accounting firm's quality controls are adequate;
 - (c) considering whether the provision of permitted non-audit services is compatible with maintaining the registered public accounting firm's independence; and

² In addition to the requirement to pre-approve audit and permissible non-audit services (subject to the de minimis exceptions under Section 10A(i)(1)(B)) to be rendered to the Company by its independent registered public accounting firm, the Audit Committee is required to pre-approve non-audit services (subject to the de minimis exceptions under Section 10A(i)(1)(B)) rendered by the Company's independent registered public accounting firm to the Company's investment adviser (not including a sub-adviser whose role is primarily portfolio management and is sub-contracted or overseen by another investment adviser), and to any entity controlling, controlled by or under common control with its investment adviser that provides ongoing services to the Company if the engagement relates directly to the operations and financial reporting of the Company.

(d) taking into account the opinions of management and the internal accounting staff.

The Audit Committee shall present its conclusions with respect to the independent registered public accounting firms to the Board.

6. To ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law. To consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent registered public accounting firm on a regular basis.
7. To recommend to the Board policies for the Company's hiring of employees or former employees of the independent registered public accounting firms who participated in any capacity in the audit of the Company.
8. To discuss with the national office of the independent registered public accounting firm issues on which they were consulted by the Company's audit team and matters of audit quality and consistency.
9. To consider the effect on the Company of:
 - (a) any changes in accounting principles or practices proposed by management or the independent registered public accounting firm;
 - (b) any changes in service providers, such as the Company's independent registered public accounting firm or administrator that could impact the Company's internal controls; and
 - (c) any changes in schedules (such as fiscal or tax year-end changes) or structures or transactions that require special accounting activities or resources.
10. To review a presentation by the independent registered public accounting firms with respect to the Company's qualification under Subchapter M of the Internal Revenue Code and amounts distributed and reported to shareholders for Federal tax purposes.
11. To annually review a formal written statement from the independent registered public accounting firms delineating all relationships between the independent registered public accounting firms and the Company, consistent with applicable standards of the Independence Standards Board published by the American Institute of Certified Public Accountants, and discussing with the independent registered public accounting firms their methods and procedures for insuring independence.
12. To interact with the Company's independent registered public accounting firms, including reviewing and, where necessary, resolving disagreements that have

arisen between management and the independent registered public accounting firms regarding financial reporting.

Financial Statements and Disclosure Matters

13. To review and discuss with management and the independent registered public accounting firms the annual audited financial statements, including disclosures made in the Company's expected operating plans, and recommend to the Board whether the audited financial statements should be included in the Company's Annual Report on Form 10-K.
14. To review and discuss with management and the independent registered public accounting firms the Company's quarterly financial statements prior to the filing of its Quarterly Reports on Form 10-Q, including the results of the independent registered public accounting firms' reviews of the quarterly financial statements.
15. To meet with the Company's independent registered public accounting firm at least four times during each fiscal year, including private meetings, and review written materials prepared by the independent registered public accounting firm, as appropriate.
 - (a) to review the arrangements for and the scope of the annual audit and any special audits or other special permissible services;
 - (b) to review the Company's financial statements and to discuss any matters of concern arising in connection with audits of such financial statements, including any adjustments to such statements recommended by the independent registered public accounting firm or any other results of the audits;
 - (c) to consider and review, as appropriate and in consultation with the independent registered public accounting firms, the appropriateness and adequacy of the Company's financial and accounting policies, procedures and internal accounting controls and, as appropriate, the internal controls of key service providers, and to review management's responses to the independent registered public accounting firm's comments relating to those policies, procedures and controls, and to any special steps adopted in light of material control deficiencies;
 - (d) to review with the independent registered public accounting firm their opinions as to the fairness of the financial statements;
 - (e) to review and discuss quarterly reports from the independent registered public accounting firm relating to:
 - (1) all critical accounting policies and practices to be used;

- (2) all alternative treatment of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent registered public accounting firms; and
 - (3) other material written communications between the independent registered public accounting firm and management, such as any management letter or schedule of unadjusted differences.
- (f) the matters required by Statement on Auditing Standards No. 61, including their judgment about the quality, not just acceptability, of accounting principles, the reasonableness of estimates and clarity of disclosures in the financial statements, including with respect to off-balance sheet arrangements, liquidity and transactions with related parties.
16. To review the Company's earnings press releases, as well as financial information and the types of disclosures provided to stockholders, analysts and ratings agencies. The audit Committee's responsibility to review such information may be done generally and need not be in advance of the public disclosure of such information.
17. Based upon the reviews and discussions, issue its report for inclusion in the Company's proxy statement.

Compliance Oversight

18. To obtain from the independent registered public accounting firms assurance that information that would require a response under Section 10A(b) of the Exchange Act has not been found.
19. To investigate, when the Audit Committee deems it necessary, improprieties or suspected improprieties in Company operations.
20. To establish and maintain procedures for the following, including considering exceptions to and responding to alleged violations of such procedures as the Audit Committee shall consider appropriate:
- (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
 - (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
21. To discuss with management and the independent registered public accounting firm any correspondence with regulators or governmental agencies and any

published reports which raise material issues regarding the Company's financial statements or accounting policies.

22. To discuss with the Company's counsel legal matters that may have a material impact on the financial statements or the Company's compliance policies.

Oversight of Company's Internal Audit Function

23. To recommend to the Board the appointment of the Company's principal accounting officer and principal financial officer.
24. To consider whether to grant any approvals or waivers sought under the Company's Code of Ethics (the "**Code**") adopted pursuant to the Sarbanes-Oxley Act of 2002.
25. To review any alleged violations under the Company's Code and to make any recommendations to the Board as it deems appropriate.
26. To require the principal financial officer or other appropriate officers of the Company, internal accounting staff, and individuals with internal audit responsibilities, on such reasonable notice as the Audit Committee may provide, to meet with the Audit Committee for consultation on audit, accounting and related financial matters.
27. To review disclosures made to the Audit Committee by the Company's chief executive officer and chief financial officer, or persons performing similar roles, during their certification process for the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q concerning any significant deficiencies in the design or operation of internal controls or material weaknesses in such controls, and any fraud involving management or other employees who have a significant role in the Company's internal controls.
28. To discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

Other

29. To report its activities to the Board on a regular basis and to make such recommendations with respect to the matters described above and other matters as the Audit Committee may deem necessary or appropriate.

Committee Meetings

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly, and is empowered to hold special meetings as circumstances require. The Chairman of the Audit Committee or any two members of the Audit Committee may fix the time and place of the Audit Committee's meetings unless the Board shall provide otherwise. Members of the

Audit Committee may participate in a meeting by means of a telephone conference or similar communication if all persons participating can hear each other at the same time. Subject to the provisions of the 1940 Act, participation in a meeting by these means constitutes presence in person at the meeting. Any action required or permitted to be taken at a meeting of the Audit Committee may also be taken without a meeting if all members of the Audit Committee consent thereto in writing. The Audit Committee shall keep regular minutes of its meetings and records of decisions taken without a meeting and cause them to be recorded in the Company's minute book. The Audit Committee may invite any member of the Board who is not a member of the Audit Committee, management, counsel, representatives of service providers or other persons to attend meetings and provide information as the Audit Committee, in its sole discretion, considers appropriate.

One third, but not less than two, of the members of the Audit Committee shall be present at any meeting of the Audit Committee in order to constitute a quorum for the transaction of business at such meeting, and the act of a majority present shall be the act of the Audit Committee. In the absence or disqualification of any member of the Audit Committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he/she or they constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member, so long as such appointee is an Independent Director.

Approved: July 2008.