

KEATING CAPITAL
NEWS

4th Quarter 2008

Equity Partners for Companies Primed to Become Public™

On November 20, 2008, Keating Capital, Inc. ("Keating Capital") filed a Form 10 registration statement with the SEC to become a publicly reporting business development company ("BDC") — a type of closed-end fund that elects to be treated as a business development company under the Investment Company Act of 1940.

Keating Capital intends to make minority, non-controlling equity investments in private businesses that are seeking growth capital and that we believe are committed to, and capable of, becoming public. As an integral part of our initial investment, we intend to partner with and help prepare our portfolio companies to become public and meet the governance and eligibility requirements of a NASDAQ Capital

Market listing. Unlike venture capital and private equity investors who typically impose restrictive control provisions, Keating Capital intends to make minority, non-controlling investments. Our interests will be generally aligned with management's to create stockholder value through a planned NASDAQ Capital Market listing.

Keating Capital intends to make what historically were known as "pre-IPO" investments. Because the IPO market is virtually non-existent for micro-cap companies, we intend to have our portfolio companies go public by means of filing a registration statement with the SEC. We intend to participate in the potential step-up in valuation and growth of these newly public companies.

Keating Investments, LLC is a Denver-based SEC registered investment adviser founded in 1997. The firm is the investment adviser to Keating Capital, a newly formed BDC that intends to be an equity capital partner for select private businesses that are primed to become public companies.



Keating Capital may be an attractive partner for entrepreneurs who are seeking growth capital in conjunction with going public. We respect entrepreneurial achievement and have no desire to interfere with businesses that are already running well.

Keating Capital may be the right partner for entrepreneurs who:

Seek	Want to Avoid
Growth capital	Outside interference from staff installed by VC or private equity groups
A public stock currency for making acquisitions or to attract and retain quality employees	Ceding management control or control of the board
To continue to manage and grow their businesses	Impairment of the company's balance sheet through the addition of imprudent leverage and/or a dividend recapitalization to outside investors

Suitability Criteria for Going Public

Did you know that at the end of 2007 over two-thirds of all publicly listed companies in the U.S. had market capitalizations under \$250 million? Because the average size of an IPO has steadily increased from \$70 million in 1997 to \$230 million last year, there is a common misperception that private companies have to be extremely large to qualify for going public. We do not believe this is true.

In fact, to qualify for a NASDAQ Capital Market listing, a company need only satisfy one of the following three standards:

- ◆ \$5 million in stockholders' equity; no minimum market capitalization; and no minimum net income from continuing operations; or
- ◆ \$4 million in stockholders' equity; \$50 million in market capitalization; and no minimum net income from continuing operations; or
- ◆ \$4 million in stockholders' equity; no minimum market capitalization; and \$750,000 in net income from continuing operations.

The visibility, marketability and liquidity of a publicly traded stock allows issuers to enjoy higher valuations, superior access to capital and a currency for acquisitions.

An ideal investment candidate for Keating Capital has the following characteristics:

- ◆ Desire and primed to become public
- ◆ Seeking up to \$20 million equity growth capital from a minority, non-controlling shareholder
- ◆ Revenue of \$10 to \$100 million
- ◆ At or near profitability on an EBITDA basis
- ◆ A new product, service or market potential that may cause earnings acceleration

Private companies or intermediaries who want to submit a business plan, please e-mail **Kyle Rogers** at kr@keatinginvestments.com.

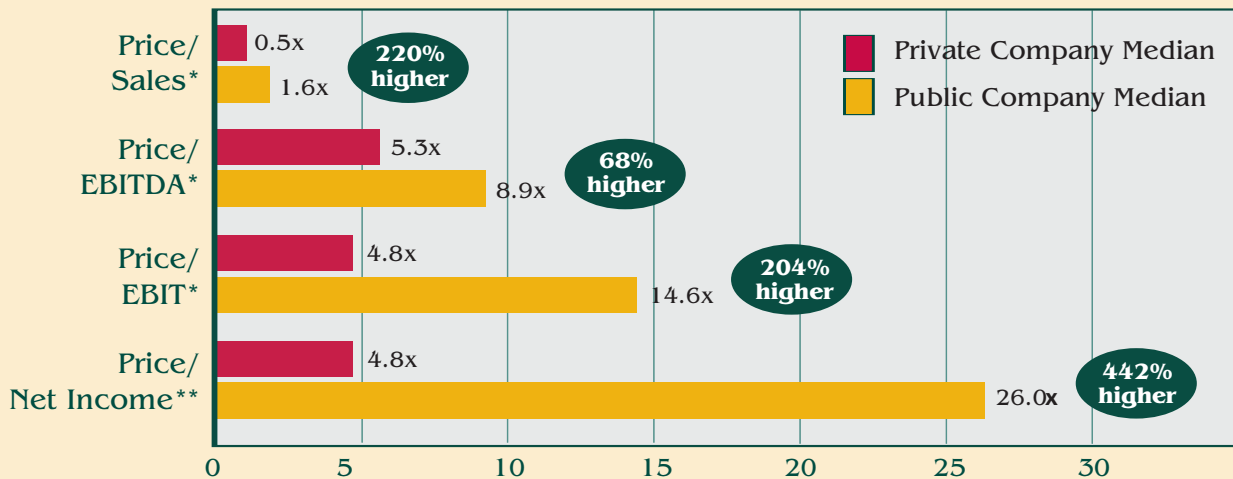


Keating Capital's alternative investment strategy is designed to:

- ◆ Generate returns without leverage—by participating in the potential step-up in valuation and earnings growth of newly public companies
- ◆ Provide diversification—through a source of returns that are structural in nature and not directly correlated to the market
- ◆ Have “double transparency”—because both Keating Capital and the vast majority of our portfolio companies will be publicly reporting

Strategy in a Nutshell

Keating Capital's strategy is a valuation arbitrage that can be summed up in five words: multiple expansion and earnings growth. The chart below illustrates the potential valuation differential that we are seeking to capture.



Source: Pratt's Stats® at BVMarketData.com, Public Stats™ at BVMarketData.com as of June 5, 2008 for transactions between January 1, 2003 and December 31, 2007. Used with permission from Business Valuation Resources, LLC.

* Valuation data based on a combined total of 4,900+ U.S. based private and public company transactions under \$100 MM.

**Keating Investments, LLC calculation based on those companies having positive net income, valuation data based on a combined total of 3,600+ U.S. based private and public company transactions under \$100 MM.

For additional information about Keating Capital, Inc.'s stock, please e-mail [Tim Keating](mailto:Tim.Keating@keatinginvestments.com) at tk@keatinginvestments.com.

Visit our Web Site

Keating Capital has just launched its Web site: www.KeatingCapital.com.



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FAQs about Business Development Companies

Q: What is a Business Development Company?

A: BDCs are closed-end funds that elect to be treated as business development companies under the 1940 Act. BDCs make investments in private or thinly-traded public companies in the form of long-term debt or equity capital, with the goal of generating current income and/or capital growth. BDCs can be internally or externally managed and qualify to elect to be taxed as "regulated investment companies" for federal tax purposes.

Q: What is a "RIC"?

A: A "RIC" is a regulated investment company under Subchapter M of the Internal Revenue Code. A RIC generally does not have to pay corporate level federal income taxes on any ordinary income or capital gains that

it distributes to its stockholders in the form of dividends. To qualify as a RIC, a company must, among other things, meet certain source-of-income and asset diversification requirements. In addition, in order to obtain RIC tax treatment, a company must distribute to its stockholders, for each taxable year, at least 90% of its "investment company taxable income," which is generally its net ordinary income plus the excess, if any, of realized net short-term capital gains over realized net long-term capital losses.

Q: When will Keating Capital's stock become publicly traded?

A: We anticipate that Keating Capital's stock will begin being quoted on the Over-the-Counter Bulletin Board in June/July 2009 (dependent upon SEC review process for Form 10).

Three-step Investment Process

We intend to use a three-step investment process comprised of three inter-related steps: an Initial Investment, Going Public Preparation, and finally a Follow-on Equity Investment.

The purpose of the **Initial Investment**, consisting of convertible debt or convertible preferred stock, is to cover the upfront costs (e.g. legal and audit fees) associated with going public. We intend to tailor the terms of our initial investments to the facts and circumstances of the transaction and prospective portfolio company, negotiating a structure that seeks to protect our rights and manage our risk while creating incentives for the portfolio company to achieve its business plan and complete the going public process in a timely manner.

During the **Going Public Preparation** phase, Keating Capital intends to provide managerial assistance to prepare the prospective portfolio company for the eligibility and governance standards required by NASDAQ Capital Market. The most important component of this phase is to recruit (as necessary) a CFO with public company experience. At the same time, the company is responsible for preparing a registration statement.

The **Follow-on Equity Investment**, in the form of common stock, is contingent upon a portfolio company satisfying pre-established milestones towards the filing of a registration statement to go public. In conjunction with the Follow-On Equity Investment, the Initial Investment is also converted to common stock.

