



Frequently Asked Questions

November 16, 2011

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This Frequently Asked Questions presentation may contain certain forward-looking statements, including statements with regard to the future performance of Keating Capital. These forward-looking statements are subject to the inherent uncertainties in predicting future results and conditions. Certain factors that could cause actual results to differ materially are included in Keating Capital's Form 10-K and Form 10-Q, and include uncertainties of economic, competitive, and market conditions, and future business decisions all of which are difficult or impossible to predict accurately, and many of which are beyond the control of Keating Capital.

This Frequently Asked Questions presentation is only intended to provide a summary of certain frequently asked questions concerning Keating Capital and its business. Please refer to Keating Capital's Form 10-K and Form 10-Q filed with the Securities and Exchange Commission ("SEC"), and subsequent filings with the SEC for a more detailed discussion of the risks and uncertainties associated with its business, including but not limited to the risks and uncertainties associated with investing in micro- and small-cap companies. Except as required by the federal securities laws, Keating Capital undertakes no obligation to revise or update this Frequently Asked Questions presentation or any forward-looking statements contained herein, whether as a result of new information, future events or otherwise.

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1. WHAT IS OUR INVESTMENT OBJECTIVE AND STRATEGY?

Our fund is focused on capital appreciation, which we seek to achieve through investments in the equity securities of later stage, private, pre-IPO companies. We believe investors place a premium on liquidity, or having the ability to sell stock quickly and efficiently through an established stock exchange. Our goal is to buy privately, sell publicly and capture the difference.

2. WHAT BENEFITS DO WE INTEND TO PROVIDE TO OUR STOCKHOLDERS?

We believe we provide three core benefits to our stockholders as follows:

- We believe we are the first and only public investment fund exclusively dedicated to pre-IPO investing in the U.S.
- We provide access to later-stage (i.e., pre-IPO) investments in emerging growth companies that would otherwise be difficult to access or inaccessible for most of our individual investors.
- Because of our profile as a flexible, non-controlling investor, we believe we are well positioned to participate in the last round of private financing that high growth companies typically need before they complete an IPO.

3. WHY DO COMPANIES RAISE MONEY JUST BEFORE THEY GO PUBLIC?

Over the past 15 years, the public capital formation process in the U.S. has changed, with the average market capitalization of a company completing its IPO and the average amount raised in an IPO having increased substantially. As a result of these market conditions, micro- and small-cap companies generally must demonstrate an ability to raise private capital prior to an IPO to be successful in the IPO process. We believe these pre-IPO rounds evidence existing investors' continuing commitment to the company, establish new investors' pricing for the round, and strengthen the company's balance sheet as it prepares for the IPO process.

4. WHAT INVESTMENT CRITERIA ARE USED IN EVALUATING POTENTIAL PORTFOLIO COMPANIES?

We have identified the following three core criteria that we believe are important in meeting our investment objective:

- Revenue: \$10 million+ trailing 12 months
- IPO Timing: Within 18 months
- Return Potential: 2x return over 3 years

These core criteria provide the primary basis for making our investment decisions. However, we may not require each prospective portfolio company in which we choose to invest to meet all of these core criteria.

5. WHO IS RESPONSIBLE FOR MAKING OUR INVESTMENT DECISIONS?

We are externally managed by Keating Investments, LLC ("Keating Investments"), an investment adviser that was founded in 1997 and is registered under the Investment Advisers Act of 1940, as amended. As our investment adviser, Keating Investments is responsible for managing our day-to-day operations including, without limitation, identifying, evaluating, negotiating, closing, monitoring

and servicing our investments. Keating Investments has established an investment committee (“Investment Committee”) that must unanimously approve each new portfolio company investment that we make. The members of the Investment Committee currently consist of Timothy J. Keating, Kyle L. Rogers and Frederic M. Schweiger. Keating Investments also provides us with the administrative services necessary for us to operate. Our investment activities are managed by Keating Investments pursuant to an investment advisory and administrative services agreement (the “Investment Advisory and Administrative Services Agreement”).

6. HOW IS OUR INVESTMENT ADVISER COMPENSATED?

Under the Investment Advisory and Administrative Services Agreement, we have agreed to pay Keating Investments, for its investment advisory services, a base management fee based on our gross assets as well as an incentive fee based on our performance. The base management fee (the “Base Fee”) is calculated at an annual rate of 2% of our gross assets. The Base Fee is payable monthly in arrears, and is calculated based on the value of our gross assets at the end of the most recently completed calendar quarter, and appropriately adjusted for any equity capital raises or repurchases during the current calendar quarter.

The incentive fee is determined and payable in arrears as of the end of each calendar year and equals 20% of our realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid incentive fees.

We also reimburse Keating Investments on a monthly basis for our allocable portion of overhead and other expenses incurred by it in performing its administrative obligations under the Investment Advisory and Administrative Services Agreement, including our allocable portion of the compensation of our Chief Financial Officer and Chief Compliance Officer, and their respective staff.

7. DO WE BORROW MONEY IN ORDER TO MAKE PORTFOLIO COMPANY INVESTMENTS?

We do not intend to borrow funds in the foreseeable future to finance the purchase of our investments in portfolio companies. We also do not intend to lend the securities of our publicly traded portfolio companies to generate fee income.

8. HOW DO WE FIND OUR PORTFOLIO COMPANY OPPORTUNITIES?

The primary sources of our investment opportunities are from our relationships with venture capital firms and investment banks, secondary markets that specialize in the trading of private company securities, and our direct outreach to private companies.

9. WHAT INDUSTRIES DO WE FOCUS ON AND WHY?

While we focus on companies across a broad range of growth industries that we believe are being transformed by technological, economic and social forces, we intend to focus our investments in the following industries, or in companies that support companies in these industries: Technology, Internet & Software, and Cleantech.

10. DO WE FOCUS OUR PORTFOLIO COMPANY INVESTING ACTIVITIES IN ANY PARTICULAR GEOGRAPHY?

We invest primarily in U.S. companies. However, we may invest on an opportunistic basis in certain non-U.S. companies. In no event will the total value of our non-U.S. investments exceed 30% of the total value of our assets.

11. ARE THERE INDUSTRIES AND GEOGRAPHIES THAT WE SEEK TO AVOID?

Because certain industry segments require specialized knowledge, we typically do not consider investments in real estate, construction, and mining and exploration. We also typically avoid investments in companies whose principal place of business and executive management is located in China due to the unique due diligence risks associated with Chinese companies.

12. DO WE HAVE ANY DIVERSIFICATION OBJECTIVES FOR OUR FUND?

Beyond our regulated investment company (“RIC”) diversification requirements, we do not have fixed guidelines for portfolio diversification. As a result, our investments could be concentrated in relatively few industry sectors, companies or geographic areas. Further, we also expect that all or a substantial portion of our portfolio may be invested in illiquid securities.

Based on current level of our assets, we expect that the size of our individual portfolio company investments will range from approximately \$3 to \$5 million, but we may invest more than this amount in certain opportunistic situations. We expect that most of our portfolio company investments will represent about 5% of our total assets at the time of investment. However, based on our investment adviser’s assessment of each portfolio company’s relative quality, fundamentals and valuation, we may make opportunistic portfolio company investments that could represent up to 25% of our total assets at the time of investment.

13. DO WE INVEST DIRECTLY IN COMPANIES OR BUY FROM SELLING STOCKHOLDERS?

We generally acquire our equity securities principally through direct investments in prospective portfolio companies. However, we may also purchase equity securities in so-called “secondary transactions” from selling stockholders in later stage, private, pre-IPO companies, who are typically either current or former management or early stage investors in these companies.

14. HOW DO WE STRUCTURE OUR PORTFOLIO COMPANY INVESTMENTS?

Our portfolio company investments are typically in the form of convertible preferred securities that are convertible into common stock, common stock, warrants exercisable into common or preferred stock, or structured as a loan that is convertible into common stock. Most of our investments are made at fixed valuations determined at the time of our investment with no downside adjustment protection. However, in certain cases, our conversion price may be adjusted based on a pre-determined discount to our portfolio company’s IPO price.

15. DO WE HAVE THE ABILITY TO NEGOTIATE THE TERMS OF EACH INVESTMENT?

In those investment opportunities where we are the lead investor, we are directly negotiating terms with the issuer or selling stockholders. Where we are not the lead investor in a pre-IPO financing round, the price and terms of the investment have generally already been established by the issuer and/or its placement agent or by the selling stockholder group and/or its adviser.

16. WHAT IS OUR REVIEW AND APPROVAL PROCESS WHEN MAKING A PORTFOLIO COMPANY INVESTMENT?

Once we identify those private companies that we believe warrant more in-depth analysis, we utilize an investment review and approval process focused on the following: (i) qualifying an investment opportunity based on our preliminary evaluation of the company’s business, financial, industry,

competition and valuation, (ii) conducting further research and analysis, and preparing an internal investment memorandum and valuation analysis, (iii) negotiating a term sheet with the prospective company where we are acting as a lead investor, (iv) reviewing the investment opportunity, pricing and structure by our Investment Committee, and approving the investment subject to completion of satisfactory due diligence, (v) conducting further due diligence with a focus on verifying or validating our primary investment considerations, and (vi) closing the investment based on completion of our due diligence investigation, confirmation and acceptance of the investment pricing and structure, and review and acceptance of definitive agreements.

17. WHAT IS THE TYPICAL HOLDING PERIOD FOR OUR PORTFOLIO COMPANY INVESTMENTS?

In general, we seek to invest in micro-cap and small-cap companies that we believe will be able to file a registration statement with the SEC for an IPO within approximately 12 months after our investment, and complete an IPO and obtain an exchange listing within approximately 18 months after the closing of our investment. After the IPO is completed, we typically will be subject to a lockup restriction which prohibits us from selling our investment during the customary 180 day period following the IPO. Once this lockup restriction expires, we expect to sell our shares in the portfolio company in the public markets over the following 12 months. However, we have the discretion to hold our position to the extent we believe the portfolio company is not being appropriately valued in the public markets or is adversely affected by market or industry cyclicality. Accordingly, we anticipate our typical investment horizon for portfolio investments will be up three years, however we have the discretion to hold securities for a longer period.

18. HOW DO WE MONITOR THE PERFORMANCE OF OUR PORTFOLIO COMPANY INVESTMENTS?

As part of our portfolio company investment, we attempt to negotiate information rights that give us access to the company's quarterly and annual financial statements as well as the company's annual budget. Although we do not have a control position through our ownership or board seats, we attempt to have dialogue, on at least a quarterly basis, with our private portfolio company management teams to review the company's business prospects, financial results, and exit strategy plans. We are also available to provide managerial assistance, if requested, to our portfolio companies. We expect that this managerial assistance will likely involve consulting and advice on the going public process and public capital markets. As a business development company, we are required to offer, and in some cases provide and be paid for, such managerial assistance.

19. WHAT HAPPENS IF ONE OF OUR PORTFOLIO COMPANIES IS UNABLE TO COMPLETE AN IPO?

If a portfolio company has abandoned plans to pursue an IPO, we may take other steps to exit the investment including the use of secondary marketplaces that specialize in the trading of private company securities. If we are not able to liquidate our shares privately, we may seek to have the portfolio company consider a sale or merger with a strategic buyer as a possible alternative to an IPO.

20. HOW DO WE VALUE INVESTMENTS IN OUR PORTFOLIO COMPANIES?

We value our investments in portfolio companies as of the end of each quarter. Our publicly listed equity investments for which market quotations are readily available are generally valued at the most recently available closing market prices. However, equity investments for which market quotations are readily available, but which are subject to lockup provisions restricting the resale of such investments for a specified period of time, are valued at a discount to the most recently available closing market prices.

The fair values of our equity investments for which market quotations are not readily available (including investments in convertible preferred stock) are determined, in good faith by our Board of Directors, based on various factors, including: (i) the portfolio company's historical and projected financial results, (ii) industry valuation benchmarks, (iii) public market comparables, and (iv) private mergers and acquisitions. The fair values of these portfolio company securities are generally discounted for lack of marketability when the securities are illiquid, there are restrictions on resale, or there is no established trading market.

In the absence of a readily ascertainable market value, the estimated value of our portfolio of equity securities may differ significantly from the value that would be placed on the portfolio if a ready market for the equity securities existed. Changes in valuation of these equity securities from one period to another may be volatile.

21. WHAT TYPICALLY HAPPENS TO THE STOCK PRICES OF COMPANIES AFTER THEY GO PUBLIC?

High volatility is a typical characteristic of IPO aftermarket trading and is driven by such factors as overall market conditions, the industry conditions for the particular sector in which the portfolio company operates, the portfolio company's performance, the relative size of the public float, and the potential selling activities of other pre-IPO investors and possibly management.

22. DO WE MAKE OPEN MARKET PURCHASES OF PORTFOLIO COMPANIES AFTER THEY COMPLETE AN IPO?

We do not typically intend to purchase stock in any of our portfolio company's IPOs or in the secondary market. However, under certain circumstances, we may consider making additional open market purchases of an existing portfolio company's stock, which will increase our position in the company.

23. AFTER OUR TYPICAL POST-IPO LOCKUP EXPIRES, DO WE AUTOMATICALLY SELL, OR IS THERE SOME OTHER SELL DISCIPLINE?

For our portfolio company investments where the lockup period following the IPO has expired and the stock becomes freely tradable, we typically do not begin selling automatically upon expiration of the lockup period. We expect to sell our positions over a period of time, typically during the 12 months following the expiration of our lockup, although we may sell more rapidly or in one or more block transactions. Factors that we may consider include the following:

- The target price determined by our investment adviser based on its business judgment and what it believes to be the portfolio company's intrinsic value.
- The application of public company multiples and our proprietary analysis to a variety of operating metrics for each portfolio company. The primary operating metrics that we consider are revenue, EBITDA and net income.
- Other factors that may be adversely or favorably affecting a particular portfolio company's stock price, including overall market conditions, industry cyclicality, or issues specific to the portfolio company.

24. HOW DO WE PLAN TO DISTRIBUTE NET REALIZED CAPITAL GAINS, IF ANY, TO OUR STOCKHOLDERS?

We do not have scheduled or planned distribution policy. Instead, net realized capital gains, if any, after reduction for any incentive fees payable to our investment adviser, our annual operating expenses and any other retained amounts, are expected to be distributed at least annually. In the event we retain some or all of our realized net capital gains, including amounts retained to pay incentive fees to our investment adviser or our annual operating expenses, we will likely designate the retained amount as a deemed distribution to stockholders. In such case, among other consequences, we will pay corporate-level tax on the retained amount, each U.S. stockholder will be required to include its share of the deemed distribution in income as if it had been actually distributed to the U.S. stockholder, and the U.S. stockholder will be entitled to claim a credit or refund equal to its allocable share of the corporate-level tax we pay on the retained realized net capital gain.

25. HOW CAN INVESTORS TRADE THEIR KEATING CAPITAL SHARES ONCE LISTED?

The shares of Keating Capital stock that you purchased in our continuous public offering are freely tradable. Your shares are also registered directly with our transfer agent in the name appearing on your account. However, in order to trade your shares, you will first need to transfer these shares into your brokerage account into what is known as "street name." You may download the necessary forms and instructions directly from our website beginning next week, when we will be launching our new and improved website at www.KeatingCapital.com. We will notify you when you can submit your shares to your brokerage account.

26. HOW CAN SOMEONE RECEIVE INFORMATION FROM KEATING CAPITAL?

Stockholders who have provided us with an email address should be receiving regular communications from us (e.g., quarterly newsletters, press releases, quarterly conference call invitations, etc.). We do not send all of these communications by regular mail due to the large number of stockholders we now have (almost 4,000). Email is the most efficient, timely and cost-effective way to receive updates about Keating Capital and our portfolio companies. Whether or not

you are a stockholder, if you would like to be added to our email distribution list, please send an email to Margie at mb@keatinginvestments.com.

Our website at www.KeatingCapital.com, allows you to access various investor forms, download educational briefs, view upcoming events, register for Keating Capital's quarterly conference call and more.

27. ARE WE SUBJECT TO ANY SPECIAL TAX OR REGULATORY REQUIREMENTS AS A BUSINESS DEVELOPMENT COMPANY?

We have satisfied the requirements to qualify as a regulated investment company ("RIC") and have elected to be treated as a RIC under Subchapter M of the Code effective for our 2010 tax year. In future years, if we do not meet the criteria to qualify as a RIC, we will be taxed as a regular corporation under Subchapter C of the Code. As a RIC, we generally will not have to pay corporate-level federal income taxes on any ordinary income or realized capital gains that we distribute to our stockholders as dividends. To continue to qualify as a RIC, we must, among other things, meet certain source of income and asset diversification requirements. In addition, in order to obtain the federal income tax benefits allowable to RICs, we must distribute to our stockholders, for each taxable year, at least 90% of our investment company taxable income (which is generally our net ordinary income plus the excess, if any, of realized net short-term capital gains over realized net long-term capital losses). Since we do not expect to generate any current income from our portfolio company investments, it is unlikely that we will generate any investment company taxable income that will need to be distributed to maintain RIC status.

As a business development company, we may not acquire any asset other than assets that are "qualifying assets," unless, at the time the acquisition is made, our qualifying assets represent at least 70% of our total assets (the "70% test").