



Equity Partners for Companies Primed to Become Public®

# Newsletter

2<sup>nd</sup> Quarter 2011

## BrightSource Energy Files for \$250 Million IPO

### BrightSource Energy

One of Keating Capital, Inc.'s portfolio companies, BrightSource Energy, Inc., filed an S-1 registration statement on April 22, 2011, for a proposed initial public offering of up to \$250 million of its common stock. The number of shares and the offering price have not been determined. According to the S-1 filing, Goldman, Sachs & Co., Citigroup Global Markets, Inc. and Deutsche Bank Securities, Inc. are acting as lead underwriters.

Keating Capital made a \$2.5 million investment in BrightSource Energy's \$200 million Series E Convertible Preferred Stock financing in February 2011. Other investors in BrightSource include VantagePoint Venture Partners, Draper Fisher Jurvetson, Alstom, CalSTRS, Chevron Technology Ventures, and BP Technology Ventures.

Headquartered in Oakland, California, BrightSource is a developer of utility scale solar thermal plants that generate solar energy for utility and industrial companies using its proprietary solar thermal tower technology.



In October 2010, BrightSource announced that it had commenced construction of the 392-megawatt Ivanpah Solar Electric Generating System ("Ivanpah") in Southern California's Mojave Desert. According to BrightSource, Ivanpah is the largest solar thermal power plant under construction and will consist of three separate solar thermal power plants, with all three phases expected to be operational by the end of 2013. On April 11, 2011, BrightSource announced that it closed a \$1.6 billion loan financing for the Ivanpah project which is guaranteed by the U.S. Department of Energy's Loan Programs Office. In addition, Google recently announced that it has invested \$168 million in the Ivanpah project and NRG Solar, LLC, a subsidiary of NRG Energy, Inc. (NYSE: NRG), intends to invest up to \$300 million in the Ivanpah project.



### Keating Invests in Suniva



Keating Capital made a \$2.5 million investment in Suniva, Inc. ("Suniva") on March 31, 2011. Suniva, founded in 2007 and based in Norcross, Georgia, manufactures high-efficiency solar photovoltaic cells and modules focused on delivering high-power solar energy products. At its headquarters in Georgia, Suniva has 170 megawatts of solar cell production capacity and a state-of-the-art research and development facility.

Suniva was recently named by the *Wall Street Journal* as one of its Top 50 Venture-Backed Companies for 2011.

Keating Capital, Inc. is a business development company that specializes in making pre-IPO investments in innovative, high growth companies that are committed to and capable of becoming public. We provide individual investors with the ability to participate in a unique fund that invests in a company's late stage, pre-IPO financing round—an opportunity that has historically been reserved for institutional investors.



**OPINION**

by Timothy J. Keating

## Creating Jobs – At No Cost to Taxpayers



Imagine generating 11.6 million to 22.7 million new jobs—without spending a dollar of taxpayer’s money.

That’s the number of jobs that Grant Thornton estimates were not created between 1996 and 2009 because of the drop in the number of companies going public.

Since the 1990s, the number of IPOs in the U.S. has dropped 77%—from an average of 520 a year during the pre-bubble years of 1991 through 1995, to just 126 a year from 2001 through 2009. At this rate, the number of publicly traded companies is declining and will continue to do so.

A study conducted by the National Venture Capital Association found that an astonishing 92% of job growth since 1970 occurred *after* companies went public. No wonder our current “recovery” is so anemic.

Of course, when consumers have jobs, they spend more and have more confidence in the economy. Businesses become more profitable and salaries increase. Going public not only creates jobs, it provides capital for growth and typically increases the value of a company.

So how can we jump-start the IPO market?

First, it’s important to remember that IPOs aren’t always about General Motors, Facebook and China’s industrial giants. IPOs are supposed to help small, innovative companies to grow. Small companies have always been the innovators and job creators, yet they can no longer afford to go public.

To spur more IPOs, the SEC should ease some reporting requirements and undo the damage caused by Eliot Spitzer’s global research settlement by creating incentives to bring back research and trading of small public companies.

Though the Sarbanes-Oxley Act is not the obstacle it used to be, whether real or perceived, it is still a massive barrier deterring many entrepreneurs and their venture capital backers from wanting to take companies public. Congress should immediately increase the size of the market cap exemption from the auditor attestation requirements under Section 404(b) of Sarbanes-Oxley from its current level of \$75 million to *at least* \$250 million.

The SEC should also be more of a public advocate for IPOs.

Perversely, there are an increasing number of marketplaces for trading shares of privately held companies, and they are all in some way trying to replicate the primary function of public stock exchanges: providing liquidity through an efficient and low-cost way to trade shares. The proliferation of

*(continued on page 3)*

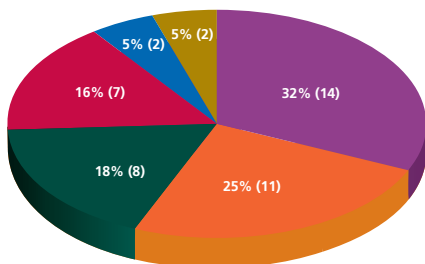
## IPO Pipeline

According to Renaissance Capital, a firm that provides institutional research on newly public companies, there are 168 companies in registration to go public in the U. S.—the largest backlog since 2000. As of April 30th,

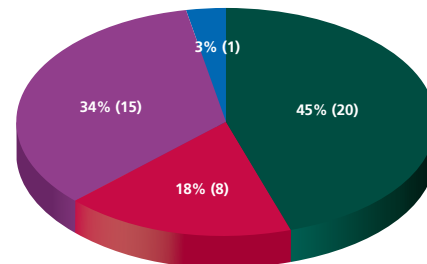
49 IPOs had been completed (up from 17, 4 and 40 in 2008, 2009 and 2010, respectively, during the same time period).

Of the 44 venture-backed companies currently in registration, below is a profile of the companies by industry and age.

- Information Technology
- Healthcare
- Consumer Services
- Business/Financial Services
- Consumer Goods
- Energy



- 11+ Years Old
- 7 to 10 Years Old
- 4 to 6 Years Old
- 1 to 3 Years Old



Source: Dow Jones VentureSource as of April 18, 2011

## Portfolio Companies

### Publicly-Traded

#### NeoPhotonics

NeoPhotonics Corporation (NYSE: NPTN) is a leading designer and manufacturer of photonic integrated circuit based components for high speed communications networks.

### Filed for IPO

#### BrightSourceEnergy

BrightSource Energy, Inc. (Exchange/Ticker: Pending) is a developer of utility scale solar thermal plants. Filed for IPO on April 22, 2011.



Solazyme, Inc. (NasdaqGM: SZYM Pending) is considered a leader in the development and commercialization of algal oil and bioproducts for the fuels and chemicals, nutrition, and skin and personal care markets. Filed for IPO on March 11, 2011.

### Private



Harvest Power, Inc. acquires, owns and operates organic waste facilities that convert organic waste into compost, mulch and related products.



Livescribe, Inc. is a developer of a mobile, paper-based computing platform consisting of smartpens, dot paper, and smartpen applications.



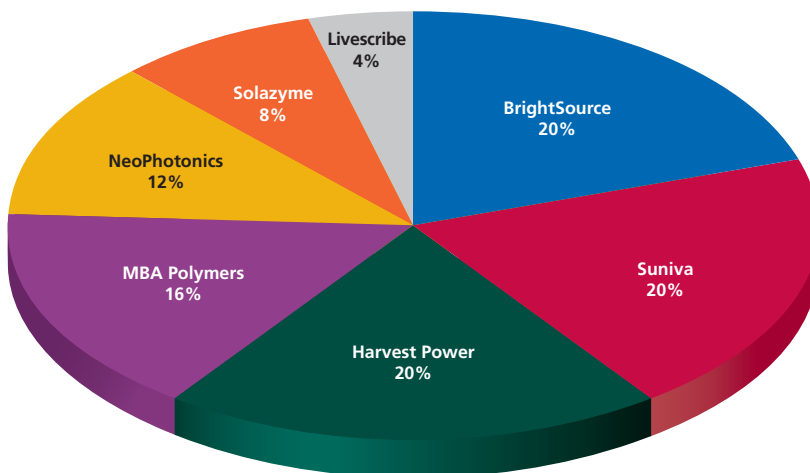
MBA Polymers, Inc. is a leading global manufacturer of recycled plastics.



Suniva, Inc. manufactures high-efficiency solar photovoltaic cells and modules focused on delivering high-power solar energy products.

## Portfolio Company Investment Allocation

Sector	Total
Solar Energy	40%
Waste Management	20%
Recycling	16%
Communications Equipment	12%
Renewable Oils	8%
Consumer Electronics	4%



The percentages represent the fair values of each portfolio company as of March 31, 2011, relative to the aggregate fair values of all portfolio companies as of March 31, 2011.

### Creating Jobs *(continued from page 2)*

these private “exchanges” only serves to fragment liquidity, which impedes efficient price discovery and raises transaction costs for all.

Why not make the easy fixes to the existing public capital formation process that has worked marvelously for the past

50 years and which has facilitated so much of the wealth creation in this country?

So if the SEC wants to help the economy, investors and entrepreneurs, it has to do just one thing—make it easier for companies to go public.



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**2<sup>nd</sup> Quarter 2011**

**Keating Capital Investment Criteria**



- ◆ Later stage, \$10 million+ in revenue
- ◆ Seeking growth capital
- ◆ At or near EBITDA profitability
- ◆ Accelerating earnings growth
- ◆ Public listing within 18 months; exchange qualified

Please submit business plans to a member of the Investment Committee or Origination Team at [cn@keatinginvestments.com](mailto:cn@keatinginvestments.com).

**Keating Capital Registered Offering Status\***  
*(numbers in millions, except stockholders)*

Maximum Offering Amount	\$100.0
Capital Raised in 2010	\$22.8
Capital Raised in 2011	\$25.4
<b>Total Capital Raised to Date</b>	<b>\$48.2</b>
Number of Shareholders	2,213

\* As of May 10, 2011.

The public offering will conclude on June 30, 2011. Keating Capital intends to list its shares on the Nasdaq Capital Market under the reserved ticker symbol KIPO in December 2011. You may contact Jaran Burt at [jb@KeatingInvestments.com](mailto:jb@KeatingInvestments.com) or (720) 489-4908 for additional information about the public offering.

*Keating Capital, Inc. ("Keating Capital") is a Maryland corporation that has elected to be regulated as a business development company under the Investment Company Act of 1940. Keating Investments, LLC ("Keating Investments") is an SEC registered investment adviser and acts as an investment adviser and receives base management and/or incentive fees from Keating Capital. Keating Investments and its affiliates, control persons, and related individuals or entities may invest in the businesses or securities of the companies for whom Keating Capital provides managerial assistance in connection with its investments. Investment advisory services are provided by Keating Investments. Keating Investments and Keating Capital operate under the generic name of Keating. This newsletter is a general communication of Keating and is not intended to be a solicitation to purchase or sell any security. The information contained in this newsletter should not be considered to be part of Keating Capital's Prospectus. The offering and sale of Keating Capital's shares may only be made pursuant to Keating Capital's Prospectus, which includes certain risk factors in the "Risk Factors" section of such Prospectus.*