

HARRIS & HARRIS GROUP INC /NY/
Form 497
October 05, 2009

Subject to Completion, Dated October 5, 2009

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus do not constitute an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS SUPPLEMENT
(To prospectus dated September 21, 2009)

Filed Pursuant to Rule 497(e)
Registration No. 333-160781

3,500,000 Shares

Common Stock

Pursuant to this prospectus supplement and the accompanying prospectus, we are offering 3,500,000 shares of our Common Stock, par value \$0.01 ("Common Stock"). We have retained Needham & Company, LLC to act as our underwriter in connection with this offering. See "Underwriting" beginning on page S-7 of this prospectus supplement for more information regarding this arrangement.

Our Common Stock is listed on the Nasdaq Global Market under the symbol "TINY." On October 2, 2009, the last reported sale price of our Common Stock on the Nasdaq Global Market was \$5.81 per share.

This prospectus supplement does not constitute an offer to sell or a solicitation of an offer to buy the shares offered hereby in any jurisdiction where, or to any person to whom, it is unlawful to make such offer or solicitation.

Investing in our Common Stock involves significant risks. See "Risk Factors" on page S-3 of this prospectus supplement and "Risk Factors" on page 32 of the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	\$	\$
Sales Load (Underwriting discount)	\$	\$
Proceeds, before expenses, to the Company	\$	\$

We have granted the underwriter the right to purchase up to 525,000 additional shares of Common Stock to cover over-allotments. The underwriter can exercise this right at any time within 30 days after the date of this prospectus supplement.

We estimate the total expenses of this offering that will be payable by us, excluding the underwriter's discount, will be approximately \$327,500 assuming we sell 3,500,000 shares of Common Stock pursuant to this prospectus supplement

and the accompanying prospectus. We expect that delivery of the Common Stock being offered pursuant to this prospectus supplement will be made to purchasers on or about October 9, 2009.

Needham & Company, LLC

The date of this prospectus supplement is October , 2009.

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement dated October 5, 2009, and the second part is the accompanying prospectus dated September 21, 2009, both of which are part of a registration statement on Form N-2 (File No. 333-160781) we filed with the Securities and Exchange Commission (the "SEC") using a "shelf" registration process. Under this "shelf" registration process, we may from time to time sell the shares described in the accompanying prospectus in one or more offerings up to a total of 7,000,000 shares.

These documents contain important information you should consider when making your investment decision. The prospectus supplement describes the specific terms of the securities we are offering and also adds to and updates information contained in the accompanying prospectus. The accompanying prospectus provides more general information. This prospectus supplement may add, update or change information in the accompanying prospectus. You should rely only on the information provided in this prospectus supplement and the accompanying prospectus. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus, you should rely on the information in this prospectus supplement. We have not, and the underwriter has not, authorized anyone to provide you with different or inconsistent information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information contained in this prospectus supplement and the accompanying prospectus is accurate only as of the dates of those documents, regardless of the time of delivery of those documents or of any sale of the shares. Our business, financial condition, results of operations and prospects may have changed since the dates of those documents. You should also read and consider the information in the documents we have referred you to in the section of the accompanying prospectus entitled "Further Information."

We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. Persons outside the United States who come into possession of this prospectus supplement or the accompanying prospectus must inform themselves about, and observe any restrictions relating to, the offering of the Common Stock and the distribution of this prospectus supplement and the accompanying prospectus outside the United States.

TABLE OF CONTENTS

Prospectus Supplement

	Page
THE OFFERING	S-1
TABLE OF FEES AND EXPENSES	S-2
RISK FACTORS	S-3
FORWARD-LOOKING INFORMATION	S-3
USE OF PROCEEDS	S-4
CAPITALIZATION	S-4
PRICE RANGE OF COMMON STOCK	S-5
RECENT DEVELOPMENTS	S-5
UNDERWRITING	S-7
LEGAL MATTERS	S-9
Prospectus	
	Page
PROSPECTUS SUMMARY	1
AVAILABLE INFORMATION	8
TABLE OF FEES AND EXPENSES	8
SELECTED CONDENSED CONSOLIDATED FINANCIAL DATA	9
SELECTED QUARTERLY DATA (UNAUDITED)	11
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	12
RISK FACTORS	32
FORWARD-LOOKING INFORMATION	42
USE OF PROCEEDS	43
PRICE RANGE OF COMMON STOCK	43
BUSINESS	44
GENERAL DESCRIPTION OF OUR PORTFOLIO COMPANIES	55
DETERMINATION OF NET ASSET VALUE	61
INVESTMENT POLICIES	64
MANAGEMENT OF THE COMPANY	68
BOARD OF DIRECTORS AND EXECUTIVE OFFICERS	68
EXECUTIVE COMPENSATION	75
OTHER INFORMATION	91
BROKERAGE	91
DIVIDENDS AND DISTRIBUTIONS	91
TAXATION	91
CERTAIN GOVERNMENT REGULATIONS	95
CAPITALIZATION	97
PLAN OF DISTRIBUTION	97
LEGAL MATTERS	98
EXPERTS	98
FURTHER INFORMATION	98
PRIVACY POLICY	99
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS	F-1

THE OFFERING

Common Stock offered by us	3,500,000 shares
Over-Allotment Option	4,025,000 shares of Common Stock to be offered by us if the Underwriter exercises its over-allotment option to purchase 525,000 additional shares of Common Stock in full.
Common Stock to be outstanding after the offering	Up to 29,991,7581 shares (assuming the over-allotment option is exercised in full by the Underwriter).
Risk Factors	See "Risk Factors" beginning on page S-3 of this prospectus supplement and page 32 of the accompanying prospectus for a discussion of factors you should consider carefully when making an investment decision.
Use of proceeds	We estimate that the total net proceeds to us from the sale of the securities offered pursuant to this prospectus supplement will be approximately \$18,787,400, based on the closing price of our Common Stock on October 2, 2009 of \$5.81 per share, and assuming we sell 3,500,000 shares (after deducting underwriting discount and all estimated offering expenses payable to us). We intend to use these net proceeds as set forth in "Use of Proceeds" below.
Nasdaq Global Market Symbol	TINY

(1)The number of shares of our Common Stock to be outstanding immediately after this offering as shown above is based on 25,966,758 shares of Common Stock outstanding as of October 2, 2009. This number excludes:

- options to purchase approximately 1,345,836 shares of Common Stock at an exercise price of \$10.11 outstanding as of October 2, 2009;
- options to purchase approximately 1,302,409 shares of Common Stock at an exercise price of \$11.11 outstanding as of October 2, 2009;
- options to purchase approximately 346,784 shares of Common stock at an exercise price of \$6.18 outstanding as of October 2, 2009;
- options to purchase approximately 1,163,724 shares of Common Stock at an exercise price of \$6.92 outstanding as of October 2, 2009;
- options to purchase approximately 222,814 shares of Common Stock at an exercise price of \$3.75 outstanding as of October 2, 2009;
- options to purchase approximately 200,000 shares of Common Stock at an exercise price of \$4.46 outstanding as of October 2, 2009; and
- approximately 3,703 additional shares of Common Stock reserved for issuance under our equity incentive plans as of October 2, 2009.

S-1

TABLE OF FEES AND EXPENSES

The following tables are intended to assist you in understanding the various costs and expenses directly or indirectly associated with investing in our Common Stock. We caution you that some of the percentages indicated in the table below are estimates and may vary. Amounts are for the current fiscal year after giving effect to anticipated net proceeds of the offering, assuming we sell 3,500,000 shares of Common Stock pursuant to this prospectus supplement and the accompanying prospectus and that we incur the estimated offering expenses. The price per share used in this calculation was the closing price of our Common Stock on October 2, 2009 of \$5.81.

Shareholder Transaction Expenses	
Sales Load(1) (as a percentage of offering price)	6.00%
Offering Expenses (as a percentage of offering price)	1.61%
Annual Expenses (as a percentage of net assets attributable to Common Stock)	
Management Fees(2)	N/A
Other Expenses(3)	
Salaries and Benefits(4)	4.68%
Administration and Operations(5)	1.72%
Professional Fees	0.68%
Total Annual Expenses(6)	7.08%

(1) This represents the underwriting discount of six percent (6%) of the gross proceeds of this offering.

(2) The Company has no external management fees, as it is internally managed.

(3) "Other Expenses" are based on projected amounts for the fiscal year ending December 31, 2009.

(4) "Salaries and Benefits" includes projected non-cash, stock-based compensation expense of \$3,077,321 for the year ending December 31, 2009. The Company accounts for stock-based compensation expense pursuant to SFAS No. 123(R) "Share-Based Payment," which requires that we determine the fair value of all share-based payments to employees, including the fair value of grants of employee stock options, and record these amounts as an expense in the Statement of Operations over the vesting period with a corresponding increase to our additional paid-in capital. There is no effect on net asset value from stock-based compensation expense at the time of grant. If options are exercised, net asset value per share will be decreased if the net asset value per share at the time of exercise is higher than the exercise price, and net asset value per share will be increased if the net asset value per share at the time of exercise is lower than the exercise price. Excluding the non-cash, stock-based compensation expense, projected "Salaries and Benefits" total \$2,968,744 or 2.3 percent of net assets attributable to Common Stock for the year ending December 31, 2009.

(5) "Administration and Operations" includes expenses incurred for administration, operations, rent, directors' fees and expenses, depreciation and custodian fees.

(6) "Total Annual Expenses" includes projected non-cash compensation expense of \$3,077,321 for the year ending December 31, 2009. See Footnote (4) above. Cash-based total annual expenses as a percentage of net assets attributable to Common Stock are 4.7 percent for the year ending December 31, 2009.

Example

The following examples illustrate the dollar amount of cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our Common Stock. In calculating these amounts, we have

assumed that we have not incurred any leverage and that our annual operating expenses remain at the levels set forth in the above table, including the non-cash, stock-based compensation expenses.

On the basis of the foregoing, including the non-cash, stock-based compensation expense, you would pay the following expenses on a \$10,000 investment, assuming a five percent annual return:*

1 Year	3 Years	5 Years	10 Years
\$1,408	\$2,663	\$3,866	\$6,661

*This example includes non-cash, stock-based compensation. Excluding the non-cash, stock-based compensation, you would pay expenses of \$1,196 in one year, \$2,069 in three years, \$2,948 in five years and \$5,168 in 10 years, on a \$10,000 investment, assuming a five percent return.

S-2

The foregoing table is to assist you in understanding the various costs and expenses that an investor in our Common Stock will bear directly or indirectly. The assumed five percent annual return is required by the SEC and is not a prediction of, and does not represent, the projected or actual performance of our Common Stock. The above example should not be considered a representation of actual or future expenses, and actual expenses and annual rates of return may be more or less than those assumed for purposes of the example.

RISK FACTORS

Investing in our Common Stock involves significant risks. You should carefully consider the risks and uncertainties described below and the risk factors beginning on page 32 of the accompanying prospectus before you purchase any of our Common Stock. These risks and uncertainties are not the only ones we face. Unknown additional risks and uncertainties, or ones that we currently consider immaterial, may also impair our business. If any of these risks or uncertainties materializes, our business, financial condition or results of operations could be materially adversely affected. In this event, the trading price of our Common Stock could decline, and you could lose all or part of your investment.

Risks Relating to this Offering

Future sales of our Common Stock in the public market could cause our stock price to fall.

Sales of a substantial number of shares of our Common Stock in the public market, or the perception that these sales might occur, could depress the market price of our Common Stock and could impair our ability to raise capital through the sale of additional equity securities. As of October 2, 2009, we had 25,966,758 shares of Common Stock outstanding, all of which shares, other than shares held by our directors and certain officers which are subject to 90-day lock-up agreements in connection with this offering, were eligible for sale in the public market, subject in some cases to the volume limitations and manner of sale requirements under Rule 144. In addition, all of the shares offered under this prospectus supplement and the accompanying prospectus will be freely tradable without restriction or further registration upon issuance.

The price you pay in the offering will be more than the net asset value per share after giving effect to the offering.

On June 30, 2009, our net asset value per share was \$4.27. Assuming we sell 3,500,000 shares of Common Stock, the net asset value per share after giving effect to the gross proceeds of the offering will be approximately \$4.45 (or \$4.48 if the over-allotment option is exercised in full), which is less than the price you paid in the offering.

For additional risk factors, please see "Risk Factors" on page 32 in the accompanying prospectus.

FORWARD-LOOKING INFORMATION

This prospectus supplement may contain "forward-looking statements" based on our current expectations, assumptions and estimates about us and our industry. These forward-looking statements involve risks and uncertainties. Words such as "believe," "anticipate," "estimate," "expect," "intend," "plan," "will," "may," "might," "could," "continue" and other similar expressions identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of several factors more fully described in "Risk Factors" and elsewhere in this prospectus supplement. The forward-looking statements made in this prospectus supplement relate only to events as of the date on which the statements are made. We undertake no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

You should understand that under Section 27A(b)(2)(B) of the Securities Act and Section 21E(b)(2)(B) of the Securities Exchange Act of 1934, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 do not apply to statements made by business development companies.

S-3

USE OF PROCEEDS

We estimate that the total net proceeds to us from the sale of the securities offered pursuant to this prospectus supplement will be approximately \$18,787,400 (or \$21,654,635 if the over-allotment option is exercised in full) based on the closing price of our Common Stock on October 2, 2009 of \$5.81 per share, after deducting the underwriting discount and all estimated offering expenses payable by us.

In the first half of 2009, we made no new investments in private portfolio companies because of the disarray in the venture capital markets. We expect to make both new and follow-on investments in portfolio companies in accordance with our investment objective with the net proceeds of this offering. We expect to invest or reserve for potential follow-on investment the net proceeds of any offering within two years from the completion of such offering. The net proceeds of this offering invested after two years will only be used for follow-on investments. Reserves for follow-on investments in any particular initial investment may be no more than the greater of twice the investment to-date or five times the initial investment in the case of seed-stage investments, though we may invest more than the amount reserved for this purpose in any particular portfolio holding. Although we intend to make our initial investments exclusively in companies that we believe are involved significantly in tiny technology, we may also make follow-on investments in existing portfolio companies involved in other technologies. Pending investment in portfolio companies, we intend to invest the net proceeds of any offering of our Common Stock in time deposits and/or income-producing securities that are issued or guaranteed by the federal government or an agency of the federal government or a government-owned corporation, which we expect will yield less than our operating expense ratio. We may also use the proceeds of this offering for operating expenses, including due diligence expenses on potential investments. Our portfolio companies rarely pay us dividends or interest, and we do not generate enough income from fixed income investments to meet all of our operating expenses. If we pay operating expenses from the proceeds, it will reduce the net proceeds of the offering that we will have available for investment.

CAPITALIZATION

We are authorized to issue 45,000,000 shares of Common Stock, par value \$0.01 per share, and 2,000,000 shares of preferred stock, par value \$0.10 per share. Each share within a particular class or series thereof has equal voting, dividend, distribution and liquidation rights. When issued, in accordance with the terms thereof, shares of Common Stock will be fully paid and non-assessable. Shares of Common Stock are not redeemable and have no preemptive, conversion, or cumulative voting rights.

The following table shows the number of shares of (i) capital stock authorized, (ii) the amount held by us or for our own account, and (iii) capital stock outstanding for each class of our authorized securities as of October 2, 2009.

Title of Class	Number Authorized	Number Held by Company or for its Own Account	Number Outstanding
Common Stock	45,000,000	1,828,740	25,966,758 (1)
Preferred Stock	2,000,000	0	0

(1) The number of shares of our Common Stock outstanding excludes:

- options to purchase approximately 1,345,836 shares of Common Stock at an exercise price of \$10.11 outstanding as of October 2, 2009;
- options to purchase approximately 1,302,409 shares of Common Stock at an exercise price of \$11.11 outstanding as of October 2, 2009;

- options to purchase approximately 346,784 shares of Common stock at an exercise price of \$6.18 outstanding as of October 2, 2009;
- options to purchase approximately 1,163,724 shares of Common Stock at an exercise price of \$6.92 outstanding as of October 2, 2009;
- options to purchase approximately 222,814 shares of Common Stock at an exercise price of \$3.75 outstanding as of October 2, 2009;
- options to purchase approximately 200,000 shares of Common Stock at an exercise price of \$4.46 outstanding as of October 2, 2009; and
- approximately 3,703 additional shares of Common Stock reserved for issuance under our equity incentive plans as of October 2, 2009.

PRICE RANGE OF COMMON STOCK

Our Common Stock is traded on the Nasdaq Global Market under the symbol "TINY."

The following table sets forth for the quarters indicated, the high and low sale prices on the Nasdaq Global Market per share of our Common Stock and the net asset value and the premium or discount from net asset value per share at which the shares of Common Stock were trading, expressed as a percentage of net asset value, at each of the high and low sale prices provided.

Quarter Ended	Market Price		Net Asset Value ("NAV") Per Share at End of Period	Premium or (Discount) as a % of NAV	
	High	Low		High	Low
March 31, 2007	13.58	11.00	5.27	157.7	108.7
June 30, 2007	14.32	11.01	5.54	158.5	98.7
September 30, 2007	11.79	9.51	5.69	107.2	67.1
December 31, 2007	11.10	8.00	5.93	87.2	34.9
March 31, 2008	8.98	5.76	5.86	53.2	(1.7)
June 30, 2008	8.73	6.00	5.95	46.7	0.8
September 30, 2008	8.50	4.97	4.68	81.6	6.2
December 31, 2008	6.58	3.10	4.24	55.2	(26.9)
March 31, 2009	4.48	2.65	4.22	6.2	(37.2)
June 30, 2009	5.99	3.57	4.27	40.3	(16.4)
September 30, 2009	6.93	5.01	--	--	--
Through October 2, 2009	6.31	5.76	--	--	--

Historically, the shares of our Common Stock have traded at times at a discount and at other times at a premium to net asset value. The last reported price for our Common Stock on October 2, 2009 was \$5.81 per share. As of October 2, 2009, we had approximately 138 shareholders of record.

RECENT DEVELOPMENTS

Portfolio Companies:

On July 2, 2009, we made a \$250,000 follow-on investment in a privately held tiny technology portfolio company.

S-5

On July 17, 2009, we made a \$533,239 follow-on investment in a privately held tiny technology portfolio company.

On July 27, 2009, we made a \$125,000 follow-on investment in a privately held tiny technology portfolio company.

On August 7, 2009, we made a \$515,756 follow-on investment in a privately held tiny technology portfolio company.

On August 7, 2009, we made a \$99,624 investment in Orthovita, Inc., a publicly traded company.

On August 14, 2009, we made a \$99,808 investment in Orthovita, Inc., a publicly traded company.

On August 19, 2009, we made a \$1,635,775 follow-on investment in a privately held tiny technology portfolio company.

On August 26, 2009, we made a \$250,124 follow-on investment in a privately held tiny technology portfolio company.

On August 28, 2009, we made a \$374,999 follow-on investment in a privately held tiny technology portfolio company.

On September 17, 2009, we made a \$200,000 follow-on investment in a privately held tiny technology portfolio company.

On October 1, 2009, we made a \$721,090 follow-on investment in a privately held tiny technology portfolio company.

Other:

During the period from July 1, 2009, through October 2, 2009, a total of 107,185 stock options were exercised for total proceeds to the Company of \$401,944.

On September 22, 2009, the Board of Directors appointed an Ad Hoc Pricing Committee in connection with this offering. The Pricing Committee is responsible for determining the price at which shares of our Common Stock shall be sold in any offering, determining the exact number of shares to be sold, determining any other terms with respect to the sale of our Common Stock, and for taking all such further actions as it may deem necessary or appropriate in connection with the transactions contemplated by this prospectus supplement and the accompanying prospectus. The members of the Pricing Committee are Dugald A. Fletcher, G. Morgan Browne, W. Dillaway Ayres, and Dr. Phillip A. Bauman.

On September 24, 2009, the Company entered into a lease agreement with Rosh 1450 Properties LLC (the "Lease") for approximately 6,900 square feet of office space located at 1450 Broadway, New York, New York. The lease will commence on the later of January 1, 2010, or when the leasehold improvements are completed. We plan to use the office space to replace our current offices in New York City, which serve as our corporate headquarters. The base rent is \$36 per square foot with a 2.5 percent increase per year over the 10 years of the lease, subject to a full abatement of rent for four months and a rent credit for six months throughout the Lease term. The Lease expires on December 31, 2019. We have one option to extend the Lease term for a five-year period, provided that we are not in default under the Lease. Annual rent during the renewal period will equal 95 percent of the fair market value of the leased premises, as determined in accordance with the Lease. Upon an event of default, the Lease provides that the landlord may terminate the Lease and require us to pay all rent that would have been payable during the remainder of the Lease or until the date the landlord re-enters the premises.

UNDERWRITING

We and the underwriter named below have entered into an underwriting agreement with respect to the shares of Common Stock being offered by us in this offering. Subject to the terms and conditions of the underwriting agreement, the underwriter named below, as the sole underwriter, has agreed to purchase from us the number of shares of our Common Stock set forth opposite its name on the table below at the public offering price, less the underwriting discounts and commissions, as set forth on the cover page of this prospectus supplement as follows:

Name	Number of Shares
Needham & Company, LLC	3,500,000
Total	3,500,000

The underwriting agreement provides that the obligations of the underwriter to pay for and accept delivery of the shares of Common Stock offered by this prospectus supplement are subject to the approval of certain legal matters by its counsel, including in the event of a material adverse change in economic, political or financial conditions. The obligations of the underwriter may also be terminated upon the occurrence of other events specified in the underwriting agreement. The underwriter is committed to purchase all of the shares of Common Stock being offered by us if any shares are purchased. However, the underwriter is not required to take or pay for the shares covered by the underwriter's over-allotment option described below.

The underwriter proposes to offer the shares of Common Stock to the public at the public offering price set forth on the cover page of this prospectus supplement. The underwriter may offer the Common Stock to securities dealers at the price to the public less a concession not in excess of \$ _____ per share. Securities dealers may re-allow a concession not in excess of \$ _____ per share to other dealers. After the shares of Common Stock are released for sale to the public, the underwriter may vary the offering price and other selling terms from time to time.

We have granted to the underwriter an option, exercisable not later than thirty (30) days after the date of this prospectus supplement, to purchase up to an aggregate of 525,000 additional shares of Common Stock at the public offering price set forth on the cover page of the prospectus supplement, less the underwriting discounts and commissions. The underwriter may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of Common Stock offered hereby. To the extent the option is exercised, the underwriter will become obligated, subject to certain conditions, to purchase all of the additional shares of Common Stock offered by us.

The following table summarizes the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriter of its over-allotment option.

	Per Share	Without Over-Allotment	Total With Over-Allotment
Public offering price	\$	\$	\$
Underwriting discount			
Proceeds, before expenses, to us			

We estimate that the total expenses of this offering, excluding underwriting discounts and commissions, will be approximately \$327,500 assuming we sell 3,500,000 shares of Common Stock pursuant to this prospectus supplement and the accompanying prospectus.

We have agreed to indemnify the underwriter against certain civil liabilities, including liabilities under the Securities Act of 1933, for any inaccuracy in our representations and warranties contained in the underwriting agreement and for any failure to perform our contractual and legal obligations in connection with the offering. We have also agreed to contribute to payments the underwriter may be required to make in respect of any such liabilities.

S-7

We, along with our executive officers and directors, have agreed with the underwriter, subject to certain exceptions, to certain lock-up provisions with regard to future sales of our Common Stock for a period of 90 days following the date of this prospectus supplement, as set forth in the underwriting agreement.

In order to facilitate the offering of the Common Stock, the underwriter may engage in transactions that stabilize, maintain or otherwise affect the price of the Common Stock. Specifically, the underwriter may sell more shares than it is obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriter under the over-allotment option. The underwriter can close out a covered short sale by exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriter will consider, among other things, the open market price of shares compared to the price available under the over-allotment option. The underwriter may also sell shares in excess of the over-allotment option, creating a naked short position. The underwriter must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriter is concerned that there may be downward pressure on the price of the Common Stock in the open market after pricing that could adversely affect investors who purchased in this offering. As an additional means of facilitating this offering, the underwriter may bid for, and purchase, shares of our Common Stock in the open market to stabilize the price of the Common Stock. These activities may raise or maintain the market price of our Common Stock above independent market levels or prevent or slow a decline in the market price of our Common Stock. The underwriter is not required to engage in these activities, and may end any of these activities at any time.

Our Common Stock is listed on the NASDAQ Global Market under the symbol “TINY.”

The underwriting agreement and any selling group agreement to be entered into between the underwriter and any other selling agent will be included as an exhibit to a post-effective amendment to the registration statement of which this prospectus supplement and the accompanying prospectus are a part.

The transfer agent for our Common Stock to be issued in this offering is American Stock Transfer & Trust Company.

United Kingdom

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (e) of the Order (all such persons together being referred to as “relevant persons”). The shares of Common Stock are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Common Stock will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

The underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 or FSMA) received by it in connection with the issue or sale of the shares in circumstances in which Section 21(1) of the FSMA does not apply to us, and

(b) it has complied with, and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

European Economic Area

To the extent that the offer of the Common Stock is made in any Member State of the European Economic Area that has implemented the Prospectus Directive before the date of publication of a prospectus in relation to the Common Stock which has been approved by the competent authority in the Member State in accordance with the Prospectus Directive (or, where appropriate, published in accordance with the Prospectus Directive and notified to the competent authority in the Member State in accordance with the Prospectus Directive), the offer (including any offer pursuant to this document) is only addressed to qualified investors in that Member State within the meaning of the Prospectus Directive or has been or will be made otherwise in circumstances that do not require us to publish a prospectus pursuant to the Prospectus Directive.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), the underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of shares to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities,
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts, or
- (c) in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive. For the purposes of this provision, the expression an “offer of shares to the public” in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The EEA selling restriction is in addition to any other selling restrictions. In relation to each Relevant Member State, each purchaser of shares of Common Stock (other than the underwriter) will be deemed to have represented, acknowledged and agreed that it will not make an offer of shares of Common Stock to the public in any Relevant Member State, except that it may, with effect from and including the date on which the Prospectus Directive is implemented in the Relevant Member State, make an offer of shares of Common Stock to the public in that Relevant Member State at any time in any circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive, provided that such purchaser agrees that it has not and will not make an offer of any shares of Common Stock in reliance or purported reliance on Article 3(2)(b) of the Prospectus Directive. For the purposes of this provision, the expression an “offer of Shares to the public” in relation to any shares of Common Stock in any Relevant Member State has the same meaning as in the preceding paragraph.

LEGAL MATTERS

Certain legal matters will be passed on by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York, our special counsel in connection with the offering of Common Stock. Certain legal matters in connection with this offering will be passed upon for the underwriter by Proskauer Rose LLP, New York, New York.

S-9

7,000,000 Shares

Common Stock

Harris & Harris Group, Inc.®, is a venture capital company that specializes in nanotechnology and microsystems. We operate as a non-diversified business development company ("BDC") under the Investment Company Act of 1940. We may offer, from time to time, shares of our Common Stock, \$0.01 par value per share ("Common Stock"), in one or more delayed offerings. The Common Stock may be offered at prices and on terms to be set forth in one or more supplements to this Prospectus (each a "Prospectus Supplement"). The offering price per share of our Common Stock will not be less than the net asset value per share of our Common Stock at the time we make the offering exclusive of any underwriting commissions or discounts, unless we have shareholder approval. You should read this Prospectus and the applicable Prospectus Supplement carefully before you invest in our Common Stock.

Our Common Stock may be offered directly to one or more purchasers through agents designated from time to time by us, or to or through underwriters or dealers. The Prospectus Supplement relating to the offering will identify any agents or underwriters involved in the sale of our Common Stock, and will set forth any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters, or among our underwriters, or the basis upon which such amount may be calculated. We may not sell any of our Common Stock through agents, underwriters or dealers without delivery of a Prospectus Supplement describing the method and terms of the particular offering of our Common Stock. Our Common Stock is listed on the Nasdaq Global Market under the symbol "TINY." On September 17, 2009, the last reported sale price of our Common Stock was \$6.36.

An Investment in the Securities Offered in this Prospectus Involves a High Degree of Risk. You Should Consider Investing in Us Only if You Are Capable of Sustaining the Loss of Your Entire Investment. See "Risk Factors" beginning on page 32.

This Prospectus sets forth concisely the information about us that a prospective investor should know before investing. You should read this Prospectus, before deciding whether to invest in our Common Stock, and retain it for future reference. You may obtain our annual reports, request other information about us and make shareholder inquiries by calling toll free 1-877-846-9832. Additional information about us has been filed with the Securities and Exchange Commission ("SEC") and is available upon written or oral request and without charge. We also make available our annual reports, free of charge, on our website at www.HHVC.com. Information on our website is not part of this Prospectus and should not be considered as such when making your investment decision. Material incorporated by reference and other information about us can be obtained from the SEC's website (<http://www.sec.gov>).

Neither the SEC nor any state securities commission has approved or disapproved these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of the Prospectus is September 21, 2009.

[This Page Intentionally Left Blank]

You should rely only on the information contained or incorporated by reference in this Prospectus or any prospectus supplements. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction in which the offer or sale is not permitted. Prospective investors should assume that the information appearing in this Prospectus or any prospectus supplements is accurate only as of the dates on their covers. Our business, financial condition, results of operations and prospects may have changed since that date. The Prospectus and any prospectus supplements will be updated to reflect any material changes.

In this Prospectus, unless otherwise indicated, "Harris & Harris Group," "Company," "us," "our" and "we" refer to Harris & Harris Group, Inc.® "Harris & Harris Group, Inc." is a registered service mark. "Nanotech for Cleantech," "Nanotech for Healthcare" and "Nanotech for Electronics" are service marks. This Prospectus also includes trademarks owned by other persons.

TABLE OF CONTENTS

	Page
PROSPECTUS SUMMARY	1
AVAILABLE INFORMATION	8
TABLE OF FEES AND EXPENSES	8
SELECTED CONDENSED CONSOLIDATED FINANCIAL DATA	9
SELECTED QUARTERLY DATA (UNAUDITED)	11
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	12
RISK FACTORS	32
FORWARD-LOOKING INFORMATION	42
USE OF PROCEEDS	43
PRICE RANGE OF COMMON STOCK	43
BUSINESS	44
GENERAL DESCRIPTION OF OUR PORTFOLIO COMPANIES	55
DETERMINATION OF NET ASSET VALUE	61
INVESTMENT POLICIES	64
MANAGEMENT OF THE COMPANY	68
BOARD OF DIRECTORS AND EXECUTIVE OFFICERS	68
EXECUTIVE COMPENSATION	75
OTHER INFORMATION	91
BROKERAGE	91
DIVIDENDS AND DISTRIBUTIONS	91
TAXATION	91

CERTAIN GOVERNMENT REGULATIONS	95
CAPITALIZATION	97
PLAN OF DISTRIBUTION	97
LEGAL MATTERS	98
EXPERTS	98
FURTHER INFORMATION	98
PRIVACY POLICY	99
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS	F-1

[This Page Intentionally Left Blank]

PROSPECTUS SUMMARY

This summary highlights information that is described more fully elsewhere in this Prospectus and in the documents to which we have referred. It may not contain all of the information that is important to you. To understand the offering fully, you should read the entire document carefully, including the risk factors beginning on page 32.

Our Business

Harris & Harris Group, Inc., is a venture capital company that specializes in making investments in companies commercializing and integrating products enabled by nanotechnology and microsystems. We sometimes use "tiny technology" to describe both of these disciplines. We operate as a business development company under the Investment Company Act of 1940, which we refer to as the 1940 Act. For tax purposes, we operate as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, which we refer to as the Code. We are an internally managed, non-diversified investment company; that is, our officers and employees, rather than an investment adviser, manage our operations under the general supervision of our Board of Directors. Our investment objective is to achieve long-term capital appreciation, rather than current income, by making venture capital investments. We define venture capital investments as the money and resources made available to privately held start-up firms and privately held and publicly traded small businesses with exceptional growth potential. Our approach includes patient examination of available venture investment opportunities, thorough due diligence and close involvement with management.

We believe that we are the only publicly traded business development company making venture capital investments exclusively in nanotechnology and microsystems. We believe we provide three core benefits to our shareholders. First, we are an established firm with a track record of investing in venture capital-backed companies. Second, we provide shareholders with access to emerging companies that commercialize and integrate products enabled by nanotechnology and microsystems that are generally privately owned. Third, we provide access to a vehicle that has historically provided returns comparable to the median of those of the private venture capital industry and, unlike private venture capital firms, is both transparent and liquid. We seek to provide our shareholders with a specific focus on nanotechnology and microsystems through a portfolio of venture capital investments that addresses a variety of markets and products. Our tiny technology investment policy is not a "fundamental policy" under the 1940 Act and, accordingly, may be changed without shareholder approval, although we will give shareholders at least 60 days prior written notice of any change.

As a venture capital company, we make it possible for our investors to participate at an early stage in this emerging field, particularly while many companies commercializing and integrating products enabled by nanotechnology and microsystems are still private. By making investments in companies that control intellectual property relevant to nanotechnology and microsystems, we are building a portfolio that we believe will be difficult to replicate in the future. We typically invest as part of a syndicate of venture capital firms. However, we may provide seed capital before forming a syndicate with other investors and we may invest in small public companies with large growth potential. We may maintain our investment in an investee company after it goes public, even after our co-investors sell or distribute their shares.

To the investor, we offer:

- a portfolio consisting of investments that are generally available only to a small, highly specialized group of professional venture capital firms as investors;

- a team of professionals to evaluate and monitor investments, comprising five full-time members of management, including four Managing Directors, Douglas W. Jamison, Alexei A. Andreev, Michael A. Janse and Daniel B. Wolfe, and a Vice President, Misti Ushio. One of our directors, Lori D. Pressman, is also a consultant to us. These six professionals collectively have expertise in venture capital investing, intellectual property and nanotechnology and microsystems;
- the opportunity to benefit from our experience in a new field expected to permeate a variety of industries;
- through the ownership of our publicly traded shares, a measure of liquidity not typically available in underlying venture capital portfolio investments; and

- transparency resulting from requirements to make certain public disclosures about our investments.

We make venture capital investments exclusively in companies commercializing and integrating products enabled by nanotechnology or microsystems. Nanotechnology is measured in nanometers, which are units of measurement in billionths of a meter. Microsystems, including microelectromechanical systems ("MEMS") are measured in micrometers, which are units of measurement in millionths of a meter. We consider a company to fit our investment thesis if the company employs or intends to employ technology that we consider to be at the microscale or smaller and if the employment of that technology is material to its business plan. At June 30, 2009, 57.9 percent of our net assets and 100 percent of our venture capital portfolio were invested in companies commercializing and integrating products enabled by nanotechnology or microsystems. We may also make follow-on investments in any of our portfolio companies. The balance of our funds is currently invested in U.S. treasury securities.

Nanotechnology is multidisciplinary and widely applicable, and it incorporates technology that was not previously in widespread use. Products enabled by nanotechnology are found in many industries, including instrumentation, computing, electronics, photonics, pharmaceuticals, medical devices, textiles, sporting goods, aerospace, automotive and cleantech, which includes alternative-energy and energy-saving products. Our nanotechnology investments have developed around three main industry clusters: cleantech (47 percent of our venture capital portfolio on June 30, 2009); electronics, including semiconductors (33 percent of our venture capital portfolio on June 30, 2009); and healthcare (10 percent of our venture capital portfolio on June 30, 2009). We call these three areas "Nanotech for CleantechSM," "Nanotech for ElectronicsSM," and "Nanotech for HealthcareSM," respectively. We have and may continue to make investments outside these industry areas, and we may not maintain these industry clusters or the weightings within these clusters. The use of nanotechnology-enabled advanced materials for cleantech, in particular, is an area of increasing global interest, and these types of materials are the cornerstones of new generations of photovoltaics, batteries, solid-state lighting, fuel cells, biofuels and other energy-related applications that are the focus of a number of recently funded early-stage companies.

The number of investment opportunities in nanotechnology and microsystems available to us has continued to increase in recent years, through both new opportunities and opportunities for follow-on investments in our existing portfolio companies. We believe that our expertise and record of prior investments in nanotechnology and microsystems are likely to lead us to additional such investment opportunities in the future.

We identify investment opportunities primarily through five channels:

- our involvement in the field of nanotechnology and microsystems;
- research institutions, universities, and corporations that seek to transfer their scientific discoveries to the private sector;
- other venture capital companies seeking co-investors or referring deals to us;
- referrals from our portfolio companies; and
- direct calls and business plan submissions by companies, business incubators and individuals seeking venture capital.

We review approximately 300 business opportunities per year, of which:

- about 30 percent will qualify for an initial presentation;
- about 10 percent will become the subject of formal due diligence; and
- less than 3 percent, generally, will be voted upon by our investment team.

We intend to use the net proceeds of this offering to:

- increase our capital in order to take advantage of new investment opportunities and follow-on investment opportunities in our existing portfolio companies;
- increase our operating efficiency, as our costs are primarily fixed and will represent a smaller percentage of our total assets after giving effect to this offering; and

- pay operating expenses, including due diligence expenses on potential investments.

Nanotechnology and Microsystems

Nanotechnology refers to materials, devices and processes with critical dimensions below 0.1 micron, equal to 100 nanometers. A nanometer is 0.000000001 meter, or one billionth of a meter. It is at the scale below 100 nanometers, the nanoscale, that quantum effects begin to dominate classical macroscale physics. At the nanoscale, size- and shape-dependent properties of materials allow previously unattainable material and device performance. Microsystems refers to materials, devices and processes that are on a micrometer size scale. A micrometer, which is also referred to as a micron, is 0.000001 meter, or one millionth of a meter. In practice, any device, or device enabled by components, in a size range from 100 microns down to 0.1 micron may be considered "micro."

In our view, nanotechnology is neither an industry nor a single technology, but a variety of enabling technologies with critical dimensions below 100 nanometers. Nanotechnology manifests itself in tools, materials, systems and devices that address broad markets, including instrumentation, cleantech, electronics, photonics, computing, medical devices, pharmaceutical manufacturing, drug delivery and drug discovery. Historically, many significant transitions in the properties and capabilities of products were enabled by the ability to study and manipulate matter on increasingly smaller scales. We believe the ability to study and manipulate matter on the nanoscale, in particular, will be a key enabling component of the next wave of product innovation in many large, diverse and important markets. We believe the benefits of nanotechnology are a result primarily of five key attributes: 1) new tools that enable the study and manipulation of matter at the nanoscale; 2) new properties that emerge from materials with nanoscale dimensions; 3) the ability to manipulate and use the power of biology for applications ranging from the development of new therapeutic treatments to the production of renewable fuels and chemicals; 4) the ability to manufacture products through additive processes that are more cost efficient and less wasteful than standard subtractive methods; and 5) the opportunity to solve problems using tools and knowledge from the convergence of traditionally disparate scientific disciplines. This concept of convergence is particularly unique to nanotechnology as it often requires the integration of multiple disciplines, including biology, physics, chemistry, materials science, computer science and the engineering sciences.

Examples of nanotechnology-enabled products currently on the market are quite diverse. They include sensors, semiconductor chips, batteries, cosmetics, nanoclays and other nanomaterial-based fillers, textiles, fast acting painkillers and certain pharmaceutical therapeutics.

We currently have 17 companies in our portfolio that generate commercial revenue from the sale of products or services enabled by nanotechnology and microsystems. These companies offer a range of products including components for optical networking, high-brightness light-emitting diodes (LEDs), imaging devices for security and surveillance, printable electronics, nano-imprint lithography equipment for the manufacturing of semiconductor devices, X-ray imaging equipment, optical switches, solid-state cooling, metabolomic profiling services for diagnosis of states of disease, synthetic carbohydrates for vaccines and decorative tiles.

Although the practical application of nanotechnology and microsystems requires great expertise to implement in manufacturing processes, we believe that their broad applicability presents significant and diverse market opportunities.

Risk Factors

Set forth below is a summary of certain risks that you should carefully consider before investing in our Common Stock. See "Risk Factors" beginning on page 32 for a more detailed discussion of the risks of investing in our Common Stock.

Risks related to the companies in our portfolio.

- The recent financial crisis could increase the non-performance risk for our portfolio companies.

- A continuing lack of initial public offering opportunities and a decrease in merger and acquisition transactions may cause companies to stay in our portfolio longer, leading to lower returns, write-downs and write-offs.
 - Investing in small, private companies involves a high degree of risk and is highly speculative.
- We may invest in companies working with technologies or intellectual property that currently have few or no proven commercial applications.
 - Our portfolio companies may not successfully develop, manufacture or market their products.
- Our portfolio companies working with nanotechnology and microsystems may be particularly susceptible to intellectual property litigation.
- The value of our portfolio could be adversely affected if the technologies utilized by our portfolio companies are found, or even rumored or feared, to cause health or environmental risks, or if legislation is passed that limits the commercialization of any of these technologies.
- Our Nanotech for CleantechSM and Nanotech for ElectronicsSM portfolios are currently the largest portions of our venture capital portfolio, and, therefore, fluctuations in the value of the companies in these portfolios may adversely affect our net asset value per share to a greater degree than other sectors of our portfolio.
- Our Nanotech for HealthcareSM portfolio companies are subject to several risks which may adversely affect the value of our Nanotech for HealthcareSM portfolio.
- The three main industry clusters around which our nanotechnology investments have developed are all capital intensive.
- Our portfolio companies may generate revenues from the sale of products that are not enabled by nanotechnology.
 - Our portfolio companies may incur debt that ranks senior to our investments in such companies.

Risks related to the illiquidity of our investments.

- We invest in illiquid securities and may not be able to dispose of them when it is advantageous to do so, or ever.
 - Unfavorable regulatory changes could impair our ability to exit investments in our portfolio companies.
- Even if some of our portfolio companies complete initial public offerings, the returns on our investments in those companies would be uncertain.

Risks related to our Company.

- Our business may be adversely affected by the recent financial crisis and our ability to access the capital markets.
- Because there is generally no established market in which to value our investments, our Valuation Committee's value determinations may differ materially from the values that a ready market or third party would attribute to

these investments.

4

- Changes in valuations of our privately held, early stage companies tend to be more volatile than changes in prices of publicly traded securities.
 - We may continue to experience material write-downs of securities of portfolio companies.
- Because we do not choose investments based on a strategy of diversification, nor do we rebalance the portfolio should one or more investments increase in value substantially relative to the rest of the portfolio, the value of our portfolio is subject to greater volatility than the value of companies with more broadly diversified investments.
 - We are dependent upon key management personnel for future success and may not be able to retain them.
 - The market for venture capital investments, including nanotechnology investments, is highly competitive.
- In addition to the difficulty of finding attractive investment opportunities, our status as a regulated business development company may hinder our ability to participate in investment opportunities or to protect the value of existing investments.
 - Our failure to make follow-on investments in our portfolio companies could impair the value of our portfolio.
- Bank borrowing or the issuance of debt securities or preferred stock by us, to fund investments in portfolio companies or to fund our operating expenses, would make our total return to common shareholders more volatile.
 - We are authorized to issue preferred stock, which would convey special rights and privileges to its owners senior to those of Common Stock shareholders.
 - Loss of status as a regulated investment company could reduce our net asset value and distributable income.
- We operate in a heavily regulated environment, and changes to, or non-compliance with, regulations and laws could harm our business.
 - Market prices of our Common Stock will continue to be volatile.
 - Quarterly results fluctuate and are not indicative of future quarterly performance.
- To the extent that we do not realize income or choose not to retain after-tax realized capital gains, we will have a greater need for additional capital to fund our investments and operating expenses.
 - Investment in foreign securities could result in additional risks.

Risks related to this offering.

- Investing in our stock is highly speculative and an investor could lose some or all of the amount invested.
 - We will have discretion over the use of proceeds of this offering.
- Our shares might trade at discounts from net asset value or at premiums that are unsustainable over the long term.

- The Board of Directors intends to grant stock options to our employees pursuant to the Company's Equity Incentive Plan. When exercised, these options may have a dilutive effect on existing shareholders.

- You have no right to require us to repurchase your shares.

Other Information

Our website is www.HHVC.com and is not incorporated by reference into this Prospectus. We make available free of charge through our website the following materials (which are not incorporated by reference unless specifically stated in this Prospectus) as soon as reasonably practicable after filing or furnishing them to the SEC:

- our annual report on Form 10-K;
- our quarterly reports on Form 10-Q;
- our current reports on Form 8-K; and
- amendments to those reports.

The Offering

Common Stock offered

We may offer, from time to time, up to a total of 7,000,000 shares of our Common Stock available under this Prospectus on terms to be determined at the time of the offering. Our Common Stock may be offered at prices and on terms to be set forth in one or more Prospectus Supplements. The offering price per share of our Common Stock will not be less than the net asset value per share of our Common Stock at the time we make the offering exclusive of any underwriting commissions or discounts, unless we have shareholder approval.

Use of proceeds

We estimate the total net proceeds of the offering to be up to \$41,529,300 based on the last reported price for our Common Stock on September 17, 2009, of \$6.36.

In the first half of 2009, we made no new investments because of the disarray in the venture capital markets. We expect to make both new and follow-on investments with the proceeds of this offering. We expect to invest or reserve for potential follow-on investment the net proceeds of any offering within two years from the completion of such offering. The net proceeds of this offering invested after two years will only be used for follow-on investments. Pending investment in portfolio companies, we intend to invest the net proceeds of any offering of our Common Stock in time deposits and/or income-producing securities that are issued or guaranteed by the federal government or an agency of the federal government or a government-owned corporation, which may yield less than our operating expense ratio. We may also use the proceeds of this offering for operating expenses, including due diligence expenses on potential investments. Our portfolio companies rarely pay us dividends or interest, and we do not generate enough income from fixed income investments to meet all of our operating expenses. If we pay operating expenses from the proceeds, it will reduce the net proceeds of the offering that we will have available for investment.

Dividends and distributions

To the extent that we retain any net capital gain, we may make deemed capital gain distributions. If we do make a deemed capital gain distribution, you will not receive a cash distribution, but instead you will receive a tax

credit and increase in basis equal to your proportionate share of the tax paid by us on your behalf. We currently intend to retain our net capital gains for investment and pay the associated federal corporate income tax. We may change this policy in the future. See "Taxation."

Nasdaq Global Market symbol TINY

Offering methods Our Common Stock may be offered directly to one or more purchasers, through agents designated from time to time by us, including in transactions that are deemed to be "at the market" as defined in Rule 415 under the Securities Act of 1933, to or through underwriters or dealers or through a combination of any such methods of sale. See "Plan of Distribution."

AVAILABLE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934 (the "Exchange Act"). You can inspect any materials we file with the SEC, without charge, at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 202-942-8090 for further information on the Public Reference Room. The SEC maintains a website that contains reports, proxy statements and other information regarding registrants, including us, that file such information electronically with the SEC. The address of the SEC's website is www.sec.gov. Information contained on the SEC's website about us is not incorporated into this Prospectus and you should not consider information contained on the SEC's website to be part of this Prospectus.

You may obtain our annual reports, request other information about us and make shareholder inquiries by calling toll free 1-877-846-9832. We also make available our annual reports, free of charge, on our website at www.HHVC.com. Information on our website is not part of this Prospectus and should not be considered as such when making your investment decision.

TABLE OF FEES AND EXPENSES

The following tables are intended to assist you in understanding the various costs and expenses directly or indirectly associated with investing in our Common Stock. Amounts are for the current fiscal year after giving effect to anticipated net proceeds of the offering for the 7,000,000 shares registered pursuant to this Prospectus, assuming that we incur the estimated offering expenses. The price per share used in this calculation was the closing price of our Common Stock on September 17, 2009 of \$6.36.

Shareholder Transaction Expenses	
Sales Load(1) (as a percentage of offering price)	N/A
Offering Expenses (as a percentage of offering price)	0.72%
Annual Expenses (as a percentage of net assets attributable to Common Stock)	
Management Fees(2)	N/A
Other Expenses(3)	
Salaries and Benefits(4)	3.98%
Administration and Operations(5)	1.46%
Professional Fees	0.58%
Total Annual Expenses(6)	6.02%

(1) The actual amounts in connection with any offering will be set forth in the Prospectus Supplement, if applicable.

(2) The Company has no external management fees because it is internally managed.

(3) "Other Expenses" are based on projected amounts for the fiscal year ending December 31, 2009.

(4) "Salaries and Benefits" includes projected non-cash stock-based compensation expense of \$3,077,321 for the year ending December 31, 2009. The Company accounts for stock-based compensation expense pursuant to SFAS No.

123(R) "Share-Based Payment," which requires that we determine the fair value of all share-based payments to employees, including the fair value of grants of employee stock options, and record these amounts as an expense in the Statement of Operations over the vesting period with a corresponding increase to our additional paid-in capital. There is no effect on net asset value from stock-based compensation expense at the time of grant. If options are exercised, net asset value per share will be decreased if the net asset value per share at the time of exercise is higher than the exercise price and net asset value per share will be increased if the net asset value per share at the time of exercise is lower than the exercise price. Excluding the non-cash, stock-based compensation expense, projected "Salaries and benefits" totals \$2,968,744 or 1.95 percent of net assets attributable to Common Stock for the year ending December 31, 2009.

(5) "Administration and Operations" includes expenses incurred for administration, operations, rent, directors' fees and expenses, depreciation and custodian fees.

(6) "Total Annual Expenses" includes projected non-cash compensation expense of \$3,077,321 for the year ending December 31, 2009. See Footnote (4) above. Cash-based total annual expenses as a percentage of net assets attributable to Common Stock are 4.0 percent.

Example

The following examples illustrate the dollar amount of cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our Common Stock. These amounts are based upon payment by us of expenses at levels set forth in the above table, including the non-cash, stock-based compensation expenses.

On the basis of the foregoing, including the non-cash, stock-based compensation expense, you would pay the following expenses on a \$10,000 investment, assuming a five percent annual return:*

1 Year	3 Years	5 Years	10 Years
\$667	\$1,838	\$2,985	\$5,753

*This example includes non-cash, stock-based compensation. Excluding the non-cash, stock-based compensation, you would pay expenses of \$471 in 1 year, \$1,280 in 3 years, \$2,106 in 5 years and \$4,244 in 10 years, on a \$10,000 investment, assuming a five percent return.

The foregoing table is to assist you in understanding the various costs and expenses that an investor in our Common Stock will bear directly or indirectly. The assumed five percent annual return is not a prediction of, and does not represent, the projected or actual performance of our Common Stock. The above example should not be considered a representation of future expenses. Actual expenses and annual rates of return may be more or less than those assumed for purposes of the example.

SELECTED CONDENSED CONSOLIDATED FINANCIAL DATA

The information below should be read in conjunction with the Consolidated Financial Statements and Supplementary Data and the notes thereto. Financial information as of and for the years ended December 31, 2008, 2007, 2006, 2005 and 2004, has been derived from our financial statements that were audited by PricewaterhouseCoopers LLP. Quarterly financial information is derived from unaudited financial data, but in the opinion of management, reflects all adjustments which are necessary to present fairly the results for such interim periods. Interim results at and for the six months ended June 30, 2009, are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. These historical results are not necessarily indicative of the results to be expected in the future.

BALANCE SHEET DATA

	June 30, 2009 (Unaudited)
Total assets	\$112,355,847
Total liabilities	\$1,942,874
Net assets	\$110,412,973

Net asset value per outstanding share	\$4.27
Cash dividends paid	\$0.00
Cash dividends paid per outstanding share	\$0.00
Shares outstanding, end of period	25,859,573

Financial Position as of December 31:

	2008	2007	2006	2005	2004
Total assets	\$ 111,627,601	\$ 142,893,332	\$ 118,328,590	\$ 132,938,120	\$ 79,361,451
Total liabilities	\$ 2,096,488	\$ 4,529,988	\$ 4,398,287	\$ 14,950,378	\$ 4,616,652
Net assets	\$ 109,531,113	\$ 138,363,344	\$ 113,930,303	\$ 117,987,742	\$ 74,744,799
Net asset value per outstanding share	\$ 4.24	\$ 5.93	\$ 5.42	\$ 5.68	\$ 4.33
Cash dividends paid	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Cash dividends paid per outstanding share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Shares outstanding, end of year	25,859,573	23,314,573	21,015,017	20,756,345	17,248,845

Operating Data for Year Ended December 31:

	2008	2007	2006	2005	2004
Total investment income	\$ 1,987,347	\$ 2,705,636	\$ 3,028,761	\$ 1,540,862	\$ 637,562
Total expenses ¹	\$ 12,674,498	\$ 14,533,179	\$ 10,641,696	\$ 7,006,623	\$ 4,046,341
Net operating loss	\$ (10,687,151)	\$ (11,827,543)	\$ (7,612,935)	\$ (5,465,761)	\$ (3,408,779)
Total tax expense (benefit) ²	\$ 34,121	\$ 87,975	\$ (227,355)	\$ 8,288,778	\$ 650,617
Net realized (loss) income from investments	\$ (8,323,634)	\$ 30,162	\$ 258,693	\$ 14,208,789	\$ 858,503
Net (increase) decrease in unrealized depreciation on investments	\$ (30,170,712)	\$ 5,080,936	\$ (4,418,870)	\$ (2,026,652)	\$ 484,162
Net (decrease) increase in net assets resulting from operations	\$ (49,181,497)	\$ (6,716,445)	\$ (11,773,112)	\$ 6,716,376	\$ (2,066,114)
(Decrease) increase in net assets resulting from operations per average outstanding share	\$ (1.99)	\$ (0.30)	\$ (0.57)	\$ 0.36	\$ (0.13)

1 Included in total expenses is non-cash, stock-based, compensation expense of \$5,965,769 in 2008; \$8,050,807 in 2007; and \$5,038,956 in 2006. There was no stock-based compensation expense in 2005 or 2004. Also included in total expenses are the following profit-sharing expenses: \$0 in each of 2008 and 2007; \$50,875 in 2006; \$1,796,264 in 2005; and \$311,594 in 2004.

2 Included in total tax expense are the following taxes paid by the Company on behalf of shareholders: \$0 in each of 2008, 2007 and 2006; \$8,122,367 in 2005; and \$0 in 2004.

SELECTED QUARTERLY DATA (UNAUDITED)

2009

	1st Quarter	2nd Quarter
Total investment (loss) income	\$ (23,561)	\$ 83,834
Net operating loss	\$ (2,098,879)	\$ (1,998,271)
Net (decrease) increase in net assets resulting from operations	\$ (951,424)	\$ 421,367
Net (decrease) increase in net assets resulting from operations per average outstanding share	\$ (0.04)	\$ 0.02

2008

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total investment income	\$ 576,302	\$ 467,625	\$ 587,918	\$ 355,502
Net operating loss	\$ (2,480,618)	\$ (2,638,283)	\$ (2,196,739)	\$ (3,371,511)
Net (decrease) increase in net assets resulting from operations	\$ (3,289,035)	\$ 1,354,709	\$ (34,032,747)	\$ (13,214,424)
Net (decrease) increase in net assets resulting from operations per average outstanding share	\$ (0.14)	\$ 0.06	\$ (1.32)	\$ (0.51)

2007

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total investment income	\$ 652,498	\$ 637,701	\$ 743,414	\$ 672,023
Net operating loss	\$ (2,667,118)	\$ (2,891,667)	\$ (3,117,595)	\$ (3,151,163)
Net (decrease) increase in net assets resulting from operations	\$ (6,390,160)	\$ (4,093,644)	\$ 604,237	\$ 3,163,122
Net (decrease) increase in net assets resulting from operations per average outstanding share	\$ (0.30)	\$ (0.19)	\$ 0.03	\$ 0.16

2006

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total investment income	\$ 804,862	\$ 785,265	\$ 719,619	\$ 719,015
Net operating loss	\$ (767,743)	\$ (693,887)	\$ (2,988,790)	\$ (3,162,515)
Net decrease in net assets resulting from operations	\$ (1,653,990)	\$ (1,282,997)	\$ (2,588,092)	\$ (6,248,033)
Net decrease in net assets resulting from operations per average outstanding share	\$ (0.08)	\$ (0.06)	\$ (0.12)	\$ (0.31)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information contained in this section should be read in conjunction with the Company's unaudited June 30, 2009 Consolidated Financial Statements and the Company's audited 2008 Consolidated Financial Statements and notes thereto.

Background and Overview

We incorporated under the laws of the state of New York in August 1981. In 1983, we completed an initial public offering. In 1984, we divested all of our assets except Otisville BioTech, Inc., and became a financial services company with the investment in Otisville as the initial focus of our business activity.

In 1992, we registered as an investment company under the 1940 Act, commencing operations as a closed-end, non-diversified investment company. In 1995, we elected to become a business development company subject to the provisions of Sections 55 through 65 of the 1940 Act.

We are a venture capital company that specializes in making investments in companies commercializing and integrating products enabled by nanotechnology and microsystems. Nanotechnology is measured in nanometers, which are units of measurement in billionths of a meter. Microsystems are measured in micrometers, which are units of measurement in millionths of a meter. We sometimes use "tiny technology" to describe both of these disciplines.

We consider a company to fit our investment thesis if the company employs or intends to employ technology that we consider to be at the microscale or smaller and if the employment of that technology is material to its business plan. We define venture capital investments as the money and resources made available to privately held start-up firms and privately held and publicly traded small businesses with exceptional growth potential. By making these investments, we seek to provide our shareholders with a specific focus on nanotechnology and microsystems through a portfolio of venture capital investments that address a variety of markets and products.

We believe that we are the only publicly traded business development company making venture capital investments exclusively in nanotechnology and microsystems. We believe we provide three core benefits to our shareholders. First, we are an established firm with a track record of investing in venture capital-backed companies. Second, we provide shareholders with access to emerging companies that commercialize and integrate products enabled by nanotechnology and microsystems that are generally privately owned. Third, we provide access to a vehicle that has historically provided returns comparable to the median of those of the private venture capital industry and, unlike private venture capital firms, is both transparent and liquid.

We have discretion in the investment of our capital. Primarily, we invest in illiquid equity securities. Generally, these investments take the form of preferred stock, are subject to restrictions on resale and have no established trading market. Throughout our corporate history, we have made primarily early stage venture capital investments in a variety of industries. These businesses can range in stage from pre-revenue to cash flow positive. The businesses in which we invest tend to be thinly capitalized, unproven, small companies that lack management depth, have little or no history of operations and are developing unproven technologies. We may also make follow-on investments in any of our portfolio companies.

At June 30, 2009, \$63,959,811, or 57.9 percent, of our net assets at fair value consisted of private venture capital investments, net of unrealized depreciation of \$29,029,756. At December 31, 2008, \$56,965,153, or 52.0 percent, of our net assets at fair value consisted of private venture capital investments, net of unrealized depreciation of \$34,124,848.

Historical Investment Track Record

Since our investment in Otisville in 1983 through June 30, 2009, we have made a total of 84 venture capital investments, including four private placement investments in securities of publicly traded companies. We have exited 52 of these 84 investments, realizing total proceeds of \$143,926,604 on our invested capital of \$62,274,579. As measured from first dollar in to last dollar out, the average and median holding periods for these 52 investments were 3.88 years and 3.24 years, respectively. As measured by the 177 separate rounds of investment within these 52 investments, the average and median holding periods for the 177 separate rounds of investment were 2.93 years and 2.58 years, respectively.

Nineteen of the 52 investments sold were profitable. The average and median holding periods, as measured from first dollar in, of these 19 profitable investments were 4.03 years and 3.35 years, respectively. Of these 19 profitable investments, seven were profitable sales after initial public offerings ("IPOs"), eight were profitable merger and acquisition ("M&A") transactions, and four were profitable sales of PIPES. As measured from first dollar in, the average holding period for profitable exits after IPOs, M&A transactions and PIPES was 4.26 years, 4.06 years and 1.07 years, respectively.

Thirty-three of the 52 investments sold were unprofitable. Thirty-two of these investments were unprofitable non-IPO disposals, and we sold one investment, in Princeton Video Image, Inc., whose IPO resulted in a loss. As measured from the first dollar in, the average holding period for the 32 unprofitable non-IPO exits was 3.72 years and the holding period for the unprofitable IPO exit was 7.74 years.

In 1994, we invested in our first nanotechnology company, Nanophase Technologies Corporation. Recognizing the potential of nanotechnology, we continued to monitor developments in the field, and since 2001, we have made nanotechnology and microsystems the exclusive focus of our initial investment activity. From August 2001 through June 30, 2009, all 42 of our initial investments have been in companies commercializing or integrating products enabled by nanotechnology or microsystems. From August 2001 through June 30, 2009, we have invested a total (before any subsequent write-ups, write-downs or dispositions) of \$107,866,260 in these companies.

We currently have 31 active tiny technology companies in our portfolio, including one investment made prior to 2001. At June 30, 2009, from first dollar in, the average and median holding periods for these 31 active tiny technology investments were 4.14 years and 3.64 years, respectively.

Tiny Technology Companies in Our Active Portfolio as of June 30, 2009	Holding Period (Years)
Adesto Technologies Corporation	2.36
Ancora Pharmaceuticals Inc.	2.16
BioVex Group, Inc.	1.76
BridgeLux, Inc. (formerly eLite Optoelectronics, Inc.)	4.12
Cambrios Technologies Corporation	4.64
CFX Battery, Inc. (formerly Lifco, Inc.)	2.03
Cobalt Technologies, Inc.	0.73
Crystal IS, Inc.	4.78
D-Wave Systems, Inc.	3.20
Ensemble Discovery Corporation	2.07
Innovalight, Inc.	3.20
Kovio, Inc.	3.64
Laser Light Engines, Inc.	1.15
Mersana Therapeutics, Inc. (formerly Nanopharma Corporation)	7.38
Metabolon, Inc.	3.47

Molecular Imprints, Inc.	5.25
NanoGram Corporation	6.17
Nanomix, Inc.	4.53
Nanosys, Inc.	6.24
Nantero, Inc.	7.90
NeoPhotonics Corporation 2004	5.57
Nextreme Thermal Solutions, Inc.	4.56
Polatis, Inc. (formerly Continuum Photonics, Inc.)	7.02
PolyRemedy, Inc.	1.39
Questech Corporation (formerly Intaglio, Ltd.)	15.11
Siluria Technologies, Inc.	1.70
SiOnyx, Inc.	3.14

Tiny Technology Companies in Our Active Portfolio as of June 30, 2009	Holding Period (Years)
Solazyme, Inc.	4.60
Starfire Systems, Inc.	5.15
TetraVitae Bioscience, Inc.	0.73
Xradia, Inc.	2.50
Average	4.14
Median	3.64

Our cumulative dollars invested in nanotechnology and microsystems increased from \$489,999 for the year ended December 31, 2001, to \$107,866,260 through June 30, 2009.

Current Venture Capital Portfolio

The following is a summary of our initial and follow-on investments in nanotechnology from 2005 to June 30, 2009. We consider a "round led" to be a round where we were the new investor or the leader of a set of investors in an investee company. Typically, but not always, the lead investor negotiates the price and terms of a deal with the investee company.

	2005	2006	2007	2008	Six Months Ended June 30, 2009
Total Incremental Investments	\$16,251,339	\$24,408,187	\$20,595,161	\$17,779,462	\$3,451,549
No. of New Investments	4	6	7	4	0
No. of Follow-On Investment Rounds	13	14	20	25	9
No. of Rounds Led	0	7	3	4	1
Average Dollar Amount – Initial	\$1,575,000	\$2,383,424	\$1,086,441	\$683,625	\$0
Average Dollar Amount – Follow-On	\$765,488	\$721,974	\$649,504	\$601,799	\$383,505

We value our private venture capital investments each quarter as determined in good faith by our Valuation Committee, a committee of all the independent directors, within guidelines established by our Board of Directors in accordance with the 1940 Act. (See "Footnote to Consolidated Schedule of Investments" contained in "Consolidated

Financial Statements.")

As part of the valuation process, we consider non-performance risk as the risk that a portfolio company will be: (a) unable to raise capital, will need to be shut down and will not return our invested capital; or (b) able to raise capital, but at a valuation significantly lower than the implied post-money valuation. Our best estimate of the non-performance risk of our portfolio companies has been quantified and included in the valuation of the companies as of June 30, 2009. In the future, as these companies receive terms for additional financings or are unable to receive additional financing and, therefore, proceed with sales or shutdowns of the business, we expect the contribution of the discount for non-performance risk to vary in importance in determining the values of these companies.

In each of the years in the period 2005 through 2008, and for the six months ended June 30, 2009, the Company recorded the following gross write-ups in privately held securities as a percentage of net assets at the beginning of the year ("BOY"), gross write-downs in privately held securities as a percentage of net assets at the beginning of the year, and net write-ups (write-downs) in privately held securities as a percentage of net assets at the beginning of the year.

	2005	2006	2007	2008	Six Months Ended June 30, 2009
Net Asset Value, BOY	\$74,744,799	\$117,987,742	\$113,930,303	\$138,363,344	\$109,531,113
Gross Write-Downs During Year	\$(3,450,236)	\$(4,211,323)	\$(7,810,794)	\$(39,671,588)	\$(6,209,125)
Gross Write-Ups During Year	\$23,485,176	\$279,363	\$11,694,618	\$820,559	\$9,788,856
Gross Write-Downs as a Percentage of Net Asset Value, BOY	-4.62%	-3.57%	-6.86%	-28.67%	-5.67%
Gross Write-Ups as a Percentage of Net Asset Value, BOY	31.42%	0.24%	10.26%	0.59%	8.94%
Net Write-Downs/Write-Ups as a Percentage of Net Asset Value, BOY	26.8%	-3.33%	3.40%	-28.08%	3.27%

For the six months ended June 30, 2009, we recorded gross write-downs of \$6,209,125. These write-downs primarily reflect our assessment of the non-performance risk associated with our portfolio companies in the current business environment. This non-performance risk discount accounted for the majority of the \$6,209,125 in gross write-downs. The remaining write-downs reflected adjustments of valuations relating to specific fundamental developments unique to particular portfolio companies.

For the six months ended June 30, 2009, we recorded gross write-ups of \$9,788,856. These write-ups were primarily owing to adjustments of valuations relating to specific fundamental developments unique to particular portfolio companies. For Solazyme, Inc., and Nextreme Thermal Solutions, Inc., the largest two gross write-ups totaling \$7,579,616, fundamental developments, including financing events during the first and second quarters of 2009, resulted in the removal of the discount for non-performance risk for both companies.

The increase or decrease in the value of our venture capital investments does not affect the day-to-day operations of the Company, as we have no debt and fund our venture capital investments and daily operating expenses from interest earned and proceeds from the sales of our investments in U.S. government and agency obligations. As of June 30, 2009, we held \$46,395,504 in U.S. government obligations.

Our principal objective is to achieve long-term capital appreciation. Therefore, a significant portion of our investment portfolio provides little or no income in the form of dividends or interest. We earn interest income from fixed-income securities, including U.S. government and agency securities. The amount of interest income we earn varies with the average balance of our fixed-income portfolio and the average yield on this portfolio. Interest income is secondary to capital gains and losses in our results of operations.

In previous years, we have been able to generate substantial amounts of interest income from our holdings of U.S. treasury securities. As of June 30, 2009, we held four short-duration U.S. treasury securities yielding 0.6 percent. As of June 30, 2009, yields for 3-month, 6-month, and 12-month U.S. treasury securities were 0.19 percent, 0.35 percent and 0.56 percent, respectively. As of June 30, 2008, yields for 3-month, 6-month, and 12-month U.S. treasury securities were 1.9 percent, 2.17 percent and 2.36 percent, respectively. With yields at this level, we expect to generate less interest income than in previous fiscal quarters and years.

Current Business Environment

We continually examine our approach to investing activities based on the market conditions at the time of investment. The banking, global stock market and commodity price collapses, and the further slowdown in global economic activities that began with the intensification of the housing and credit crises during the third quarter of 2008 remained a significant influence on the value of assets and the economy in general during the second quarter of 2009. Although the value of publicly traded companies, one of the most observable asset classes, increased broadly during the second quarter of 2009 from lows reached during the first quarter of 2009, these values, including that of the Company, remain substantially below those before the economic collapse. The table below compares these changes in value during the past two quarters and from the 52-week high of each index and of the Company:

	Q1 2009 12/31/08 - 3/31/09	Q2 2009 3/31/09 - 6/30/09	Change From 52-Week High to 6/30/09
Dow Jones Industrial Avg.	-13.3%	11.0%	-39.8%
Nasdaq Composite	-3.1%	20.0%	-33.7%
S&P 500 Composite	-11.7%	15.2%	-43.8%
Russell 2000	-15.4%	20.2%	-48.4%
Harris & Harris Group	-6.3%	57.6%	-44.1%

We continue to view this devaluing process as both a concern and an opportunity. We have historically not used leverage or debt financing when making an investment; thus, we continue to finance our new and follow-on investments from our cash reserves, currently invested in U.S. treasury obligations. We have considered how the current conditions will affect our ability to fund our own portfolio given that it may take longer for us to realize returns on our investments through IPOs of portfolio companies, M&A transactions involving portfolio companies or other capital raising transactions, our ability to make new investments, the size and number of our investments and how we will syndicate with other venture capital investors.

Many of our portfolio companies are cash flow negative and, therefore, need additional rounds of financing to continue operations. The availability of capital has been severely affected by this economic downturn. Many venture capital firms, including us, are evaluating their investment portfolios carefully to assess future potential capital needs. In the current business climate, this evaluation may result in a decrease in the number of companies we decide to finance going forward or may increase the number of companies we decide to sell before reaching their full potential. Our ownership in portfolio companies that we decide to stop funding may be subject to punitive actions that reduce or eliminate value. Such actions could result in an unprofitable investment or a complete loss of invested funds. If we decide to proceed with a follow-on investment, these rounds of financing may occur at valuations lower than those at which we invested originally.

From conversations with venture capitalists, we believe that the continued collapse in public market asset prices, the growing intensity of the slowdown in global economic activities, and the quick response being taken by venture capitalists to adjust their plans for new and follow-on investments has resulted in a collapse in venture capital financings. This conclusion is supported by the fact that according to Dow Jones VentureSource, venture capital investment in the United States during the second quarter of 2009 was down approximately 37 percent from the second quarter of 2008. The amount of venture capital invested in the second quarter of 2009 increased by 32 percent as compared to the first quarter of 2009, which experienced the lowest quarterly venture capital investment since 1998. Similar to 2008, we expect that our investment pace for new investments will decrease as compared with recent years as we monitor the state of the capital markets. During the first half of 2009, we made no new investments, and

we invested \$3,451,549 in follow-on investments. This pace compares with two new and 13 follow-on investments totaling \$2,244,500 and \$8,602,595, respectively, in the first half of 2008. Although we did not invest in a new portfolio company during the six months ended June 30, 2009, we intend to continue making investments in new companies and will continue to evaluate investments in companies enabled by nanotechnology and microsystems. Our aim is to preserve our cash and manage our current operating expenses to enable us to make follow-on investments in current portfolio companies and to look for new investment opportunities.

For new and follow-on investments, we generally syndicate with other venture capital firms and corporate investors. We plan to continue this approach, while taking into account that the current economic turmoil has affected the availability of capital to our potential co-investors, particularly firms that manage a small amount of assets. This fact may reduce the number of potential co-investors available to us when forming syndicates. The inability to form a syndicate of investors may decrease the number of investments made by us in both new and current portfolio companies.

Even though the public markets increased in value during the second quarter of 2009, the global economic recession continues to affect the ability of investors to exit investments in privately held companies. As of the end of the second quarter of 2009, published data showed that turmoil in the financial markets has affected the values of venture capital-backed companies in M&A transactions. According to data published in by Dow Jones VentureSource, the median valuation of venture capital-backed companies sold in M&A transactions during the second quarter of 2009 decreased by 46 percent from the second quarter of 2008. Also according to Dow Jones VentureSource, three venture capital-backed companies completed IPOs in the second quarter of 2009, which followed three successive quarters of no IPOs of venture capital-backed companies. Even with these IPOs, Dow Jones VentureSource characterizes the second quarter of 2009 as one of the worst for liquidity events, such as IPOs and M&A transactions, of venture capital-backed companies since early 2003. We continue to believe this lack of liquidity will negatively affect the amount of capital available to privately held companies from venture capital firms. We also take these factors into account when considering investments in new and current portfolio companies. These data support our belief that the changes in the value of publicly traded companies do not correspond on a one-to-one basis with the value of privately held companies. As such, we expect that it may take significantly more time for the liquidity market for venture capital-backed companies to recover from the current economic turmoil than the public markets.

Results of Operations

We present the financial results of our operations utilizing accounting principles generally accepted in the United States for investment companies. On this basis, the principal measure of our financial performance during any period is the net increase (decrease) in our net assets resulting from our operating activities, which is the sum of the following three elements:

Net Operating Income (Loss) - the difference between our income from interest, dividends, and fees and our operating expenses.

Net Realized Gain (Loss) on Investments - the difference between the net proceeds of sales of portfolio securities and their stated cost, plus income from interests in limited liability companies.

Net Increase (Decrease) in Unrealized Appreciation or Depreciation on Investments - the net unrealized change in the value of our investment portfolio.

Owing to the structure and objectives of our business, we generally expect to experience net operating losses and seek to generate increases in our net assets from operations through the long term appreciation of our venture capital investments. We have relied, and continue to rely, on proceeds from sales of investments, rather than on investment income, to defray a significant portion of our operating expenses. Because such sales are unpredictable, we attempt to maintain adequate working capital to provide for fiscal periods when there are no such sales.

Three months ended June 30, 2009, as compared to the three months ended June 30, 2008

In the three months ended June 30, 2009, and June 30, 2008, we had a net increase in net assets resulting from operations of \$421,367 and \$1,354,709, respectively.

Investment Income and Expenses:

We had net operating losses of \$1,998,271 and \$2,638,283 for the three months ended June 30, 2009, and June 30, 2008, respectively. The variation in these results is primarily owing to the changes in investment income and operating expenses, including non-cash expenses of \$776,279 in 2009 and \$1,499,345 in 2008 associated with the granting of stock options. During the three months ended June 30, 2009, and 2008, total investment income was \$83,834 and \$467,625, respectively. During the three months ended June 30, 2009, and 2008, total operating expenses were \$2,082,105 and \$3,105,908, respectively.

During the three months ended June 30, 2009, as compared with the same period in 2008, investment income decreased, primarily reflecting a substantial decrease in interest rates, as well as a decrease in our average holdings of U.S. government securities. The average yield on our U.S. government securities decreased from 3.47 percent for the three months ended June 30, 2008, to 0.29 percent for the three months ended June 30, 2009. During the three months ended June 30, 2009, our average holdings of such securities were \$48,961,646, as compared with \$53,439,644 during the three months ended June 30, 2008.

Operating expenses, including non-cash, stock-based compensation expense, were \$2,082,105 and \$3,105,908 for the three months ended June 30, 2009, and June 30, 2008, respectively. The decrease in operating expenses for the three months ended June 30, 2009, as compared to the three months ended June 30, 2008, was primarily owing to decreases in salaries, benefits and stock-based compensation expense and to decreases in administration and operations expense and professional fees, offset by increases in directors' fees and expenses, rent expense and custodian fees. Salaries, benefits and stock-based compensation expense decreased by \$955,205, or 38.8 percent, through June 30, 2009, as compared to June 30, 2008, primarily as a result of a decrease in non-cash expense of \$723,066 associated with the Stock Plan and a decrease in salaries and benefits owing primarily to a decrease in our headcount, including the retirement of Charles E. Harris. At June 30, 2009, we had 11 full-time employees, as compared with 13 full-time employees at June 30, 2008. While the non-cash, stock-based compensation expense for the Stock Plan increased our operating expenses by \$776,279, this increase was offset by a corresponding increase to our additional paid-in capital, resulting in no net impact to our net asset value. The non-cash, stock-based compensation expense and corresponding increase to our additional paid-in capital may increase in future quarters. Administration and operations expense decreased by \$52,200, or 18.4 percent, through June 30, 2009, as compared to June 30, 2008, primarily as a result of a decrease in our directors' and officers' liability insurance expense and decreases in the cost of non-employee related insurance and managing directors' travel-related expenses. Professional fees decreased by \$49,575, or 24.6 percent, for the three months ended June 30, 2009, as compared with the same period in 2008, primarily as a result of a reduction in the amount and timing of certain legal and accounting fees.

Directors' fees and expenses increased by \$9,931, or 12.5 percent, primarily as a result of additional meetings held during the three months ended June 30, 2009, as compared with the same period in 2008. Rent expense increased by \$19,250, or 32.2 percent, primarily as a result of the rent associated with our Palo Alto office lease. We sublet portions of this office and include the rental income in miscellaneous income. Custodian fees increased by \$4,937, or 80.4 percent, compared to the same period in 2008. This increase is owing to the higher fees charged by our new custodian.

Realized Income and Losses from Investments:

During the three months ended June 30, 2009, we realized net losses on investments of \$1,511,042, as compared with realized net gains on investments of \$3,912 during the three months ended June 30, 2008.

During the three months ended June 30, 2009, we realized net losses of \$1,511,042, consisting of a realized loss of \$11,042 on our investment in Exponential Business Development Company and a realized loss of \$1,500,000 on our investment in Kereos, Inc. Since the date of our investment of \$25,000 in Exponential Business Development Company in 1995, we periodically received cash distributions totaling \$31,208 through the date of the sale.

During the three months ended June 30, 2008, we realized net gains of \$3,912, consisting primarily of income from our investment in Exponential Business Development Company and realized gains on the sale of U.S. government securities.

Net Unrealized Appreciation and Depreciation of Portfolio Securities:

During the three months ended June 30, 2009, net unrealized depreciation on total investments decreased by \$3,932,409, or 11.9 percent, from net unrealized depreciation of \$32,945,748 at March 31, 2009, to net unrealized depreciation of \$29,013,339 at June 30, 2009. During the three months ended June 30, 2008, net unrealized appreciation on total investments increased by \$3,989,748, or 1,223.2 percent, from net unrealized appreciation of \$326,167 at March 31, 2008, to net unrealized appreciation of \$4,315,915 at June 30, 2008.

During the three months ended June 30, 2009, net unrealized depreciation on our venture capital investments decreased by \$3,913,035, from net unrealized depreciation of \$32,942,791 at March 31, 2009, to net unrealized depreciation of \$29,029,756 at June 30, 2009, owing primarily to increases in the valuations of the following investments held:

Investment	Amount of Write-Up
Metabolon, Inc.	\$ 568,029
Molecular Imprints, Inc.	1,073,605
NeoPhotonics Corporation	630,977
Nextreme Thermal Solutions, Inc.	2,202,628
Questech Corporation	51,879
Siluria Technologies, Inc.	160,723

The write-ups for the three months ended June 30, 2009, were partially offset by decreases in the valuations of the following investments held:

Investment	Amount of Write-Down
Ancora Pharmaceuticals Inc.	\$359,091
BioVex Group, Inc.	25,462
BridgeLux, Inc.	984
Kovio, Inc.	6,762
Mersana Therapeutics, Inc.	4,123
NanoGram Corporation	735,903
Nanomix, Inc.	30,050
Nanosys, Inc.	1,342,529
PolyRemedy, Inc.	28,384

We also had decreases in the unrealized depreciation of Exponential Business Development Company and Kereos, Inc., of \$12,439 and \$1,500,000, respectively. These decreases were owing to unrealized appreciation as a result of our disposal of these assets. We had an increase owing to foreign currency translation of \$246,043 on our investment in D-Wave Systems, Inc. Unrealized depreciation on our U.S. government securities portfolio decreased from \$2,957 at March 31, 2009, to an unrealized appreciation of \$16,417 at June 30, 2009.

During the three months ended June 30, 2008, net unrealized depreciation on our venture capital investments decreased by \$4,791,705, from net unrealized depreciation of \$915,941 at March 31, 2008, to net unrealized appreciation of \$3,875,764 at June 30, 2008, owing primarily to increases in the valuations of our investments in Ancora Pharmaceuticals Inc., of \$152,636, D-Wave Systems, Inc., of \$1,892, Nextreme Thermal Solutions, Inc., of \$100, Questech Corporation of \$9,461, Solazyme, Inc., of \$6,199,665 and Zia Laser, Inc., of \$170, offset by decreases in the valuations of our investments in BridgeLux, Inc., of \$394, Crystal-IS, Inc., of \$112, Kereos, Inc., of \$30,479, Mersana Therapeutics, Inc., of \$3,665, Metabolon, Inc., of \$2,047, Molecular Imprints, Inc., of \$171,917, Nanomix, Inc., of \$289,328, NeoPhotonics Corporation of \$1,037,951 and Starfire Systems, Inc., of \$60,000. We also had an increase owing to foreign currency translation of \$23,674 on our investment in D-Wave Systems, Inc. Unrealized

appreciation on our U.S. government securities portfolio decreased from \$1,242,108 at March 31, 2008, to \$440,151 at June 30, 2008.

Six months ended June 30, 2009, as compared with the six months ended June 30, 2008

In the six months ended June 30, 2009, and June 30, 2008, we had net decreases in net assets resulting from operations of \$530,057 and \$1,934,326, respectively.

Investment Income and Expenses:

We had net operating losses of \$4,097,150 and \$5,118,901 for the six months ended June 30, 2009, and June 30, 2008, respectively. The variation in these results is primarily owing to the changes in investment income and operating expenses, including non-cash expenses of \$1,411,917 in 2009 and \$2,966,325 in 2008 associated with the granting of stock options. During the six months ended June 30, 2009, and 2008, total investment income was \$60,273 and \$1,043,927, respectively. During the six months ended June 30, 2009, and 2008, total operating expenses were \$4,157,423 and \$6,162,828, respectively.

During the six months ended June 30, 2009, as compared with the same period in 2008, investment income decreased, reflecting a substantial decrease in interest rates, as well as a decrease in our average holdings of U.S. government securities. The average yield on our U.S. government securities decreased from 3.7 percent for the six months ended June 30, 2008, to 0.30 percent for the six months ended June 30, 2009. During the six months ended June 30, 2009, our average holdings of such securities were \$50,358,585, as compared with \$55,727,820 at June 30, 2008.

Operating expenses, including non-cash, stock-based compensation expense, were \$4,157,423 and \$6,162,828 for the six months ended June 30, 2009, and June 30, 2008, respectively. The decrease in operating expenses for the six months ended June 30, 2009, as compared with the six months ended June 30, 2008, was primarily owing to decreases in salaries, benefits and stock-based compensation expense and to decreases in administration and operations expense and directors' fees and expenses, offset by increases in professional fees, rent expense and custodian fees. Salaries, benefits and stock-based compensation expense decreased by \$2,001,160, or 40.9 percent, through June 30, 2009, as compared to June 30, 2008, primarily as a result of a decrease in non-cash expense of \$1,554,408 associated with the Stock Plan and a decrease in salaries and benefits owing primarily to a decrease in our headcount, including the retirement of Charles E. Harris. At June 30, 2009, we had 11 full-time employees, as compared with 13 full-time employees at June 30, 2008. While the non-cash, stock-based compensation expense for the Stock Plan increased our operating expenses by \$1,411,917, this increase was offset by a corresponding increase to our additional paid-in capital, resulting in no net impact to our net asset value. The non-cash, stock-based compensation expense and corresponding increase to our additional paid-in capital may increase in future quarters. Administration and operations expense decreased by \$63,620, or 10.9 percent, through June 30, 2009, as compared to June 30, 2008, primarily as a result of a decrease in our directors' and officers' liability insurance expense and decreases in the cost of non-employee related insurance and managing directors' travel-related expenses. Professional fees increased by \$27,443, or 8.1 percent, for the six months ended June 30, 2009, as compared with the same period in 2008, primarily as a result of an increase in certain accounting and legal fees, offset by a reduction in the cost of our annual compliance program audit and a reduction in certain consulting fees.

Rent expense increased by \$39,459, or 33.6 percent, primarily as a result of the rent associated with our Palo Alto office lease. We sublet portions of this office and include the rental income in miscellaneous income. Custodian fees increased by \$5,246, or 41.3 percent, compared to the same period in 2008. This increase is owing to the higher fees charged by our new custodian.

Realized Income and Losses from Investments:

During the six months ended June 30, 2009, we realized net losses on investments of \$1,514,655, as compared with realized net losses on investments of \$5,010,958 during the six months ended June 30, 2008.

During the six months ended June 30, 2009, we realized net losses of \$1,514,655, consisting primarily of a realized loss of \$14,330 on our investment in Exponential Business Development Company and a realized loss of \$1,500,000 on our investment in Kereos, Inc. Since the date of our investment of \$25,000 in Exponential Business Development Company in 1995, we periodically received cash distributions totaling \$31,208 through the date of the sale.

During the six months ended June 30, 2008, we realized net losses of \$5,010,958, consisting primarily of a realized loss of \$1,326,072 on our investment in Chlorogen, Inc., and a realized loss of \$3,688,581 on our investment in NanoOpto Corporation. During the six months ended June 30, 2008, we received a payment of \$105,714 from the NanoOpto Corporation bridge note.

Net Unrealized Appreciation and Depreciation of Portfolio Securities:

During the six months ended June 30, 2009, net unrealized depreciation on total investments decreased by \$5,083,857, or 14.9 percent, from net unrealized depreciation of \$34,097,196 at December 31, 2008, to net unrealized depreciation of \$29,013,339 at June 30, 2009. During the six months ended June 30, 2008, net unrealized depreciation on total investments decreased by \$8,242,399, or 209.9 percent, from net unrealized depreciation of \$3,926,484 at December 31, 2007, to net unrealized appreciation of \$4,315,915 at June 30, 2008.

During the six months ended June 30, 2009, net unrealized depreciation on our venture capital investments decreased by \$5,095,092, from net unrealized depreciation of \$34,124,848 at December 31, 2008, to net unrealized depreciation of \$29,029,756 at June 30, 2009, owing primarily to increases in the valuations of the following investments held:

Investment	Amount of Write-Up
Metabolon, Inc.	\$205,198
Molecular Imprints, Inc.	1,069,605
NeoPhotonics Corporation	572,326
Nextreme Thermal Solutions, Inc.	2,202,628
Questech Corporation	22,690
Siluria Technologies, Inc.	160,723
Solazyme, Inc.	5,376,988

These write-ups for the six months ended June 30, 2009, were partially offset by the following write-downs:

Investment	Amount of Write-Down
Ancora Pharmaceuticals Inc.	\$759,091
BioVex Group, Inc.	19,621
BridgeLux, Inc.	1,967
Crystal IS, Inc.	332,238
CSwitch, Inc.	20,286
Kovio, Inc.	12,491
Laser Light Engines, Inc.	500,000
Mersana Therapeutics, Inc.	7,880
NanoGram Corporation	735,903
Nanomix, Inc.	30,050
Nanosys, Inc.	2,685,059
PolyRemedy, Inc.	28,384
SiOnyx, Inc.	1,076,155

We also had decreases to unrealized depreciation for Exponential Business Development Company and Kereos, Inc., of \$15,361 and \$1,500,000, respectively, owing to the disposal of their securities and changes in the capital account balance of Exponential Business Development Company prior to its sale.

We had an increase owing to foreign currency translation of \$178,698 on our investment in D-Wave Systems, Inc. Unrealized appreciation on our U.S. government securities portfolio decreased from \$27,652 at December 31, 2008, to \$16,417 at June 30, 2009.

During the six months ended June 30, 2008, net unrealized depreciation on our venture capital investments decreased by \$8,442,908, from net unrealized depreciation of \$4,567,144 at December 31, 2007, to net unrealized appreciation of \$3,875,764 at June 30, 2008, owing primarily to reversal of unrealized depreciation related to net realized losses of \$1,326,072 and \$3,688,581 on our investments in Chlorogen, Inc., and NanoOpto Corporation, respectively, and increases in the valuations of our investments in Ancora Pharmaceuticals Inc., of \$100,562, D-Wave Systems, Inc., of \$13,596, Exponential Business Development Company of \$193, Nextreme Thermal Solutions, Inc., of \$100, Solazyme, Inc., of \$6,199,665, and Zia Laser, Inc., \$171, offset by decreases in the valuations of our investments in BridgeLux, Inc., of \$1,738, Crystal-IS, Inc., of \$395, Kereos, Inc., of \$69,372, Mersana Therapeutics, Inc., of \$9,071, Metabolon, Inc., of \$736,512, Molecular Imprints, Inc., of \$171,917, Nanomix, Inc., of \$289,328, NeoPhotonics Corporation of \$1,037,494, Questech Corporation of \$452,976 and Starfire Systems, Inc., of \$60,000. We also had a decrease owing to foreign currency translation of \$57,229 on our investment in D-Wave Systems, Inc. Unrealized appreciation on our U.S. government securities portfolio decreased from \$640,660 at December 31, 2007, to \$440,151 at June 30, 2008.

Years Ended December 31, 2008, 2007 and 2006

During the years ended December 31, 2008, 2007 and 2006, we had net decreases in net assets resulting from operations of \$49,181,497, \$6,716,445, and \$11,773,112, respectively.

Investment Income and Expenses:

During the years ended December 31, 2008, 2007 and 2006, we had net operating losses of \$10,687,151, \$11,827,543, and \$7,612,935, respectively. The variation in these results is primarily owing to the changes in investment income and operating expenses, including non-cash expense of \$5,965,769 in 2008, \$8,050,807 in 2007, and \$5,038,956 in 2006 associated with the granting of stock options. During the years ended December 31, 2008, 2007 and 2006, total investment income was \$1,987,347, \$2,705,636, and \$3,028,761, respectively. During the years ended December 31, 2008, 2007 and 2006, total operating expenses were \$12,674,498, \$14,533,179, and \$10,641,696, respectively.

During 2008, as compared with 2007, investment income decreased from \$2,705,636 to \$1,987,347, reflecting a decrease in our average holdings of U.S. government securities throughout the period and a decrease in interest rates. During the twelve months ended December 31, 2008, our average holdings of such securities were \$55,978,372, as compared with \$62,184,565 during the year ended December 31, 2007.

Operating expenses, including non-cash, stock-based compensation expenses, were \$12,674,498 and \$14,533,179 for the twelve months ended December 31, 2008, and December 31, 2007, respectively. The decrease in operating expenses for the twelve months ended December 31, 2008, as compared to the twelve months ended December 31, 2007, was primarily owing to decreases in salaries, benefits and stock-based compensation expenses and to decreases in administration and operations expense, professional fees and directors' fees and expenses. Salaries, benefits and non-cash, stock-based compensation expense decreased by \$1,344,671, or 11.8 percent, through December 31, 2008, as compared to December 31, 2007, primarily as a result of a decrease in non-cash expense of \$2,085,038 through December 31, 2008, associated with the Stock Plan, offset by an increase in salaries and benefits owing to bonus payments and increased health insurance costs. While the non-cash, stock-based, compensation expense for the Stock Plan increased our operating expenses by \$5,965,769, this increase was offset by a corresponding increase to our additional paid-in capital, resulting in no net impact to our net asset value. The non-cash, stock-based, compensation expense and corresponding increase to our additional paid-in capital may increase in future quarters. Administration and operations expense decreased by \$272,628, or 19.0 percent, for the twelve months ended December 31, 2008, as compared with the same period in 2007, primarily as a result of a decrease in our directors' and officers' liability insurance expense, decreases in the cost of the annual report and proxy-related expenses, and decreases in fees associated with the exercise of stock options. Professional fees decreased by \$208,904, or 23.1 percent, primarily as a result of a reduction in the cost of our annual compliance program audit and a reduction in certain legal and accounting fees. Directors' fees and expenses decreased by \$67,677, or 15.6 percent, primarily as a result of fewer meetings held during the year ended December 31, 2008, as compared with the same period through December 31, 2007.

During 2007, as compared with 2006, investment income decreased from \$3,028,761 to \$2,705,636, reflecting a decrease in our average holdings of U.S. government securities throughout the period. During the twelve months ended December 31, 2007, our average holdings of such securities were \$62,184,565, as compared with \$69,506,136 at December 31, 2006.

Operating expenses, including non-cash, stock-based compensation expenses, were \$14,533,179 and \$10,641,696 for the twelve months ended December 31, 2007, and December 31, 2006, respectively. The increase in operating expenses for the twelve months ended December 31, 2007, as compared to the twelve months ended December 31, 2006, was primarily owing to increases in salaries, benefits and stock-based compensation expenses and to increases in administration and operations expense, professional fees and directors' fees and expenses. Salaries, benefits and non-cash, stock-based compensation expense increased by \$3,502,053, or 44.1 percent, through December 31, 2007, as compared to December 31, 2006, primarily as a result of an increase in non-cash expense of \$3,011,851 through December 31, 2007, associated with the Stock Plan. While the non-cash, stock-based, compensation expense for the Stock Plan increased our operating expenses by \$8,050,807, this increase was offset by a corresponding increase to our additional paid-in capital, resulting in no net impact to our net asset value. The non-cash, stock-based, compensation expense and corresponding increase to our additional paid-in capital may increase in future quarters. Salaries and benefits also increased for the twelve months ended December 31, 2007, owing to an increase in our headcount as compared with that of the same period in 2006. At December 31, 2007, we had 13 full-time employees, as compared with 10 full-time employees and one part-time employee at December 31, 2006. Administration and operations expense increased by \$182,573, or 14.6 percent, for the twelve months ended December 31, 2007, as compared with the same period in 2006, owing to an increase in Nasdaq Global Market fees related to the increase in our number of outstanding shares and increased office-related and travel expenses related to the increase in headcount. Professional fees increased by \$165,083, or 22.4 percent, primarily as a result of an increase in legal fees, an increase in audit fees and corporate consulting costs for the audit of our compliance program. Directors' fees and expenses increased by \$94,310, or 27.7 percent, primarily as a result of additional meetings held in the period ended December 31, 2007, as compared with the period ended December 31, 2006, as well as an increase in the monthly retainers paid to committee chairs and to the Lead Independent Director.

During 2006, investment income increased, reflecting an increase in our average holdings of U.S. government securities, as our average holdings increased from \$50,620,881 at December 31, 2005, to \$69,506,136 at December 31, 2006, and as a result of an increase in interest rates during the year. During 2005, investment income increased, reflecting an increase in our income on U.S. government securities, as our holdings increased from \$44,622,722 at December 31, 2004 to \$96,250,864 at December 31, 2005, and as a result of an increase in interest rates during the year.

The increase in operating expenses for the year ended December 31, 2006, was primarily owing to increases in salaries, benefits and stock-based compensation expense, and directors' fees and expenses, offset by decreases in administrative and operations expenses, profit-sharing expense and professional fees. Salaries, benefits and stock-based compensation expense increased by \$5,474,243, or 222.6 percent, for the year ended December 31, 2006, as compared with December 31, 2005, primarily as a result of non-cash expense of \$5,038,956 associated with the Stock Plan adopted during the second quarter of 2006 and secondarily as a result of an increase in the number of full-time employees. The increase in salaries, benefits and stock-based compensation expense reflects expenses associated with ten full-time employees and one part-time employee during the year ended December 31, 2006, as compared with an average of nine full-time employees during the year ended December 31, 2005. Salaries, benefits and stock-based compensation include \$5,038,956 of non-cash expense associated with the Stock Plan, versus no such charge in 2005. Directors' fees and expenses increased by \$31,876, or 10.3 percent, as a result of additional meetings held in 2006 related to the adoption of the Stock Plan. Administrative and operations expense decreased by \$69,274, or 5.3 percent, primarily as a result of a decrease in our directors' and officers' liability insurance expense and decreases in the cost of proxy-related expenses. Profit-sharing expense for the year ended December 31, 2006, was \$50,875, as compared with \$1,796,264 for December 31, 2005, owing to the termination of the profit-sharing plan effective May 4, 2006. We recorded \$50,875 of profit-sharing expense toward the remainder of the 2005 profit-sharing payment in the year ended December 31, 2006, because of updated estimates of our ultimate tax liability for 2005. Professional fees decreased by \$92,234, or 11.1 percent, for the year ended December 31, 2006, as compared with December 31, 2005. Professional fees were lower for the year ended December 31, 2006, as compared with December 31, 2005, primarily as a result of the elimination of consulting costs incurred for a temporary Senior Controller in 2005 and the reduction of some of our Sarbanes-Oxley-related compliance costs incurred in 2005.

Realized Gains and Losses from Investments:

During the year ended December 31, 2008, we realized net losses on investments of \$8,323,634. During the years ended December 31, 2007, and 2006, we had net realized income from investments of \$30,162, and \$258,693, respectively. The variation in these results is primarily owing to variations in gross realized gains and losses from investments and income taxes in each of the three years. For the years ended December 31, 2008, 2007, and 2006, we realized (losses) gains from investments, before taxes, of \$(8,289,513), \$118,137, and \$31,338, respectively. Income tax expense (benefit) for the years ended December 31, 2008, 2007, and 2006 was \$34,121, \$87,975, and \$(227,355), respectively.

During the year ended December 31, 2008, we realized net losses of \$8,289,513, consisting primarily of realized losses on our investments in Chlorogen, Inc., of \$1,326,072, on Evolved Nanomaterial Sciences, Inc., of \$2,800,000, on NanoOpto Corporation of \$3,688,581, on Phoenix Molecular Corporation of \$93,487, on Questech Corporation of \$16,253 and on Zia Laser of \$1,478,500, offset by realized gains of \$1,110,821 on the sale of U.S. government securities. During the first quarter of 2008, we received a payment of \$105,714 from the NanoOpto Corporation bridge note.

During the year ended December 31, 2007, we realized net gains of \$118,137, consisting primarily of proceeds received from the sale of our interest in AlphaSimplex Group, LLC, and income from our investment in Exponential Business Development Company. During the year ended December 31, 2007, we recognized tax expense of \$87,975, consisting of \$74,454 of interest and penalties related to our 2005 tax returns and \$13,521 in current year expense.

During the year ended December 31, 2006, we realized net gains of \$31,338, consisting primarily of proceeds received from the liquidation of Optiva, Inc., proceeds received from Exponential Business Development Company, and net losses realized on our investment in AlphaSimplex Group, LLC. During 2005, we deemed the securities we held in Optiva, Inc., worthless and recorded the proceeds received and due to us on the liquidation of our bridge notes, realizing a loss of \$1,619,245. At December 31, 2005, we recorded a \$75,000 receivable for estimated proceeds from the final payment on the Optiva, Inc., bridge notes. During the first quarter of 2006, we received payment of \$95,688 from these bridge notes, resulting in the realized gain of \$20,688 on Optiva, Inc. During the year ended December 31, 2006, we realized tax benefits of \$227,355 for 2005 taxes that had been refunded.

Net Unrealized Appreciation and Depreciation of Portfolio Securities:

During the year ended December 31, 2008, net unrealized depreciation on total investments increased by \$30,170,712.

During the year ended December 31, 2007, net unrealized depreciation on total investments decreased by \$5,080,936.

During the year ended December 31, 2006, net unrealized depreciation on total investments increased by \$4,418,870.

During the year ended December 31, 2008, net unrealized depreciation on our venture capital investments increased by \$29,557,704, or 647.2 percent, from net unrealized depreciation of \$4,567,144 at December 31, 2007, to net unrealized depreciation of \$34,124,848 at December 31, 2008, owing primarily to decreases in the valuations of the following investments held:

Investment	Amount of Write-Down
Adesto Technologies Corporation	\$1,100,000
Ancora Pharmaceuticals, Inc.	299,439
BioVex Group, Inc.	2,439,250
BridgeLux, Inc.	3,624,553
Cambrios Technologies Corporation	1,297,012
Cobalt Technologies, Inc.	187,499
Crystal IS, Inc.	1,001,300
CSwitch Corporation	5,177,946
D-Wave Systems, Inc.	22,670
Ensemble Discovery Corporation	1,000,000

Innovalight, Inc.	1,927,946
Kereos, Inc.	159,743
Kovio, Inc.	761,497
Mersana Therapeutics, Inc.	1,019,613

Metabolon, Inc.	2,136,734
Molecular Imprints, Inc.	2,365,417
NanoGram Corporation	4,415,417
Nanomix, Inc.	980,418
NeoPhotonics Corporation	4,024,305
Nextreme Thermal Solutions, Inc.	2,182,133
Polatis, Inc.	276,526
PolyRemedy, Inc.	122,250
Questech Corporation	463,968
Siluria Technologies, Inc.	160,723
SiOnyx, Inc.	1,076,153
Starfire Systems, Inc.	750,000
TetraVitae Bioscience, Inc.	125,000

We also had decreases in unrealized depreciation attributable to the reversal of depreciation owing to net realized losses on Chlorogen, Inc., of \$1,326,072, on Evolved Nanomaterial Sciences, Inc., of \$2,800,000, on NanoOpto Corporation of \$3,688,581, on Questech Corporation of \$16,253 owing to a realized loss on an unexercised warrant that expired on November 19, 2008, and on Zia Laser, Inc., of \$1,478,672. For the twelve months ended December 31, 2008, we had increases in the valuations of our investments in Exponential Business Development Company of \$25 and Solazyme, Inc., of \$820,534. We had a decrease owing to foreign currency translation of \$590,329 on our investment in D-Wave Systems, Inc. Unrealized appreciation on our U.S. government securities portfolio decreased from \$640,660 at December 31, 2007, to \$27,652 at December 31, 2008.

During the year ended December 31, 2007, net unrealized depreciation on our venture capital investments decreased by \$3,883,825, or 46.0 percent, from \$8,450,969 to \$4,567,144, owing primarily to increases in the valuations of our investments in BridgeLux, Inc., of \$3,699,529, Crystal IS, Inc., of \$13,819, CSwitch Corporation, of \$48,935, D-Wave Systems, Inc., of \$202,408, Exponential Business Development Company of \$2,026, Innovalight, Inc., of \$3,218,216, Kovio, Inc., of \$125,000, Mersana Therapeutics, Inc., of \$118,378, NanoGram Corporation of \$2,437,136, NeoPhotonics Corporation of \$2,160, SiOnyx, Inc., of \$899,566, Solazyme, Inc., of \$612,291 and Zia Laser, Inc., of \$6,329, offset by decreases in the valuations of our investments in Ancora Pharmaceuticals, Inc., of \$100,561, Chlorogen, Inc., of \$1,326,073, Evolved Nanomaterial Sciences, Inc., of \$2,800,000, Kereos, Inc., of \$1,340,257, Nanomix, Inc., of \$459,772, NanoOpto Corporation of \$1,369,885, Polatis, Inc., of \$9,534 and Questech Corporation of \$404,712. We also had an increase owing to foreign currency translation of \$307,636 on our investment in D-Wave Systems, Inc. Unrealized depreciation on our U.S. government securities portfolio decreased from \$556,451 at December 31, 2006, to unrealized appreciation of \$640,660 at December 31, 2007.

The net increase in unrealized depreciation on our venture capital investments in 2006 was owing primarily to decreases in the valuations of our investments in Nanomix, Inc., of \$1,710,000, NanoOpto Corporation of \$1,211,259, NeoPhotonics Corporation of \$254,238, Polatis, Inc., of \$145,228, SiOnyx, Inc., of \$679,950 and Zia Laser, Inc., of \$172,500, and to increases in the valuations of our investments in Crystal IS of \$19,735 and Questech Corporation of \$259,628. We also had a decrease, owing to foreign currency translation, of \$34,103 on our investment in D-Wave Systems, Inc. Unrealized depreciation on our U.S. government securities portfolio increased from \$69,541 at December 31, 2005, to \$556,451 at December 31, 2006.

Financial Condition

June 30, 2009

At June 30, 2009, our total assets and net assets were \$112,355,847 and \$110,412,973, respectively. At December 31, 2008, they were \$111,627,601 and \$109,531,113, respectively.

At June 30, 2009, net asset value per share was \$4.27, as compared with \$4.24 at December 31, 2008. At June 30, 2009, and December 31, 2008, our shares outstanding were 25,859,573.

Significant developments in the six months ended June 30, 2009, included an increase in the holdings of our venture capital investments of \$6,994,658 and a decrease in our holdings in U.S. government obligations of \$6,588,436. The increase in the value of our venture capital investments from \$56,965,153 at December 31, 2008, to \$63,959,811 at June 30, 2009, resulted primarily from an increase in the net value of our venture capital investments of \$5,095,092 and from nine follow-on investments of \$3,451,549. The decrease in the value of our U.S. government obligations from \$52,983,940 at December 31, 2008, to \$46,395,504 at June 30, 2009, is primarily owing to the payment of cash basis operating expenses of \$2,632,992 and to follow-on venture capital investments totaling \$3,451,549.

The following table is a summary of additions to our portfolio of venture capital investments made during the six months ended June 30, 2009:

Follow-On Investments

Adesto Technologies Corp.	\$	550,000
BioVex Group, Inc.	\$	111,111
BioVex Group, Inc.	\$	166,667
CFX Battery, Inc.	\$	3,492
Crystal IS, Inc.	\$	408,573
Laser Light Engines, Inc.	\$	890,000
Mersana Therapeutics, Inc.	\$	200,000
Metabolon, Inc.	\$	1,000,000
PolyRemedy, Inc.	\$	121,706
Total	\$	3,451,549

The following tables summarize the values of our portfolios of venture capital investments and U.S. government obligations, as compared with their cost, at June 30, 2009, and December 31, 2008:

	June 30, 2009	December 31, 2008
Venture capital investments, at cost	\$ 92,989,567	\$ 91,090,001
Net unrealized depreciation(1)	29,029,756	34,124,848
Venture capital investments, at value	\$ 63,959,811	\$ 56,965,153
		December 31, 2008
	June 30, 2009	
U.S. government obligations, at cost	\$ 46,379,087	\$ 52,956,288
Net unrealized appreciation(1)	16,417	27,652
U.S. government obligations, at value	\$ 46,395,504	\$ 52,983,940

(1) At June 30, 2009, and December 31, 2008, the net accumulated unrealized depreciation on investments was \$29,013,339 and \$34,097,196, respectively.

December 31, 2008

At December 31, 2008, our total assets and net assets were \$111,627,601 and \$109,531,113, respectively. Our net asset value per share at that date was \$4.24, and our shares outstanding increased to 25,859,573 at December 31, 2008.

Significant developments in the twelve months ended December 31, 2008, included a decrease in the value of our venture capital investments of \$21,145,231 and a decrease in our holdings in U.S. government obligations of \$7,209,653. The decrease in the value of our venture capital investments from \$78,110,384 at December 31, 2007, to \$56,965,153 at December 31, 2008, resulted primarily from a decrease in the net value of our venture capital investments of \$29,557,704, offset by four new and 25 follow-on investments of \$17,779,462. The decrease in the net value of our venture capital investments is primarily owing to the non-performance risk associated with our portfolio companies in the current economic environment and secondarily to adjustments of valuation to reflect specific fundamental developments unique to particular portfolio companies. The decrease in the value of our U.S. government obligations from \$60,193,593 at December 31, 2007, to \$52,983,940 at December 31, 2008, is primarily owing to the payment of cash basis operating expenses of \$6,397,424 and to new and follow-on venture capital investments totaling \$17,779,462, offset by investment of net proceeds of \$14,383,497 received through the registered direct stock offering.

The following table is a summary of additions to our portfolio of venture capital investments made during the twelve months ended December 31, 2008:

New Investments	Amount
Cobalt Technologies, Inc.	\$ 240,000
Laser Light Engines, Inc.	\$ 2,000,000
PolyRemedy, Inc.	\$ 244,500
TetraVitae Bioscience, Inc.	\$ 250,000
Follow-on Investments	
Adesto Technologies Corporation	\$ 1,052,174
Ancora Pharmaceuticals Inc.	\$ 800,000
BioVex Group, Inc.	\$ 200,000
BridgeLux, Inc.	\$ 1,000,001
Cobalt Technologies, Inc.	\$ 134,999
CFX Battery, Inc.	\$ 526,736
CSwitch Corporation	\$ 986,821
CSwitch Corporation	\$ 250,000
D-Wave Systems, Inc.	\$ 736,019
D-Wave Systems, Inc.	\$ 487,804
Ensemble Discovery Corporation	\$ 250,286
Kovio, Inc.	\$ 1,500,000
Mersana Therapeutics, Inc.	\$ 200,000
Metabolon, Inc.	\$ 1,000,000
NeoPhotonics Corporation	\$ 200,000
Nextreme Thermal Solutions, Inc.	\$ 377,580
Nextreme Thermal Solutions, Inc.	\$ 200,000
Nextreme Thermal Solutions, Inc.	\$ 200,000
Nextreme Thermal Solutions, Inc.	\$ 800,000
Nextreme Thermal Solutions, Inc.	\$ 1,050,000
Phoenix Molecular Corporation	\$ 25,000
Phoenix Molecular Corporation	\$ 25,000
Siluria Technologies, Inc.	\$ 42,542
Solazyme, Inc.	\$ 2,000,000
Solazyme, Inc.	\$ 1,000,000
Total	\$ 17,779,462

The following tables summarize the values of our portfolios of venture capital investments and U.S. government obligations, as compared with their cost, at December 31, 2008, and December 31, 2007:

	December 31,
2008	2007

Venture capital investments, at cost	\$ 91,090,001	\$ 82,677,528
Net unrealized depreciation (1)	34,124,848	4,567,144
Venture capital investments, at value	\$ 56,965,153	\$ 78,110,384

	December 31,	
	2008	2007
U.S. government obligations, at cost	\$ 52,956,288	\$ 59,552,933
Net unrealized appreciation(1)	27,652	640,660
U.S. government obligations, at value	\$ 52,983,940	\$ 60,193,593

(1)At December 31, 2008, and December 31, 2007, the net accumulated unrealized depreciation on investments was \$34,097,196 and \$3,926,484, respectively.

December 31, 2007

At December 31, 2007, our total assets and net assets were \$142,893,332 and \$138,363,344, respectively. Our net asset value per share at that date was \$5.93, and our shares outstanding increased to 23,314,573 at December 31, 2007.

During the twelve months ended December 31, 2007, significant developments included an increase in the value of our venture capital investments of \$24,442,553 and an increase in the value of our investment in U.S. government obligations of \$1,537,446. The increase in the value of our venture capital investments, from \$53,667,831 at December 31, 2006, to \$78,110,384 at December 31, 2007, resulted primarily from seven new and 20 follow-on investments and by a net increase of \$3,883,825 in the net value of our venture capital investments. The increase in the value of our U.S. government obligations, from \$58,656,147 at December 31, 2006, to \$60,193,593 at December 31, 2007, is primarily owing to the use of net proceeds of \$12,993,168 received through a registered stock offering and proceeds received from stock option exercises of \$10,105,511, offset by a payment of \$80,236 for federal tax and interest and penalties, profit sharing payments of \$261,661, net operating expenses and by new and follow-on venture capital investments totaling \$20,595,161.

For the year ended December 31, 2007, the Company issued 999,556 shares and received proceeds of \$10,105,511 as a result of employee stock option exercises.

The following table is a summary of additions to our portfolio of venture capital investments made during the twelve months ended December 31, 2007:

New Investments	Amount
Adesto Technologies Corporation	\$ 1,147,826
Ancora Pharmaceuticals, Inc.	\$ 800,000
BioVex Group, Inc.	\$ 2,500,000
Ensemble Discovery Corporation	\$ 2,000,000
Lifco, Inc.	\$ 946,528
Phoenix Molecular Corporation	\$ 50,010
Siluria Technologies, Inc.	\$ 160,723