HARRIS & HARRIS GROUP INC /NY/
Form N-2
July 24, 2009

As filed with the Securities and Exchange Commission on July 24, 2009

Securities Act Registration No. 333-
Investment Company Act File No. 814-176

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-2

Registration Statement Under The Securities Act Of 1933:	T
Pre-Effective Amendment No.	..
Post-Effective Amendment No.	..

HARRIS & HARRIS GROUP, INC.
(Exact Name of Registrant as Specified in its Charter)

111 West 57th Street
Suite 1100
New York, New York 10019
(Address of Principal Executive Offices)

(212) 582-0900
(Registrant's Telephone Number, including Area Code)

Douglas W. Jamison
Chairman and Chief Executive Officer
111 West 57th Street
Suite 1100
New York, New York 10019
(Name and Address of Agent for Service)

Copies to:

Sandra M. Forman, Esq.
General Counsel
Harris & Harris Group, Inc.
111 West 57th Street, Suite 1100

Richard T. Prins, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036

New York, NY 10019 (212) 735-3000
(212) 582-0900

Approximate Date of Proposed Public Offering:
From time to time after the effective date of this Registration Statement

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. T

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Share(1)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, $0.01 par value	7,000,000	$5.59	$39,130,000	$2,183.45 (2)

(1) Estimated solely for the purpose of determining the registration fee pursuant to Rule 457(c) under the Securities Act of 1933 and based on the average of the high and low prices as reported on the Nasdaq Global Market of the registrant's Common Stock on July 21, 2009.

(2) $1,186.43 previously paid in connection with this Registration Statement filed on November 29, 2006.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, or until this registration statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), shall determine.

HARRIS & HARRIS GROUP, INC.
CROSS-REFERENCE SHEET

PART A–THE PROSPECTUS

Items in Part A of Form N-2		Location in Prospectus
Item 1.	Outside Front Cover	Front Cover Page
Item 2.	Cover Pages; Other Offering Information	Front Cover Page; Inside Front Cover Page; Available Information
Item 3.	Fee Table and Synopsis	Prospectus Summary; Table of Fees and Expenses
Item 4.	Financial Highlights	Selected Condensed Consolidated Financial Data; Management's Discussion and Analysis of Financial Condition and Results of Operations
Item 5.	Plan of Distribution	Plan of Distribution
Item 6.	Selling Shareholders	Not Applicable
Item 7.	Use of Proceeds	Prospectus Summary; Use of Proceeds
Item 8.	General Description of the Registrant	Outside Front Cover; Business; Risk Factors; Investment Policies; Price Range of Common Stock; General Description of our Portfolio Companies
Item 9.	Management	Management of the Company
Item 10.	Capital Stock, Long-Term Debt and Other Securities	Prospectus Summary; Capitalization; Dividends and Distributions; Taxation; Risk Factors
Item 11.	Defaults and Arrears on Senior Securities	Not Applicable
Item 12.	Legal Proceedings	Management of the Company
Item 13.	Table of Contents of the Statement of Additional Information	Not Applicable

Items in Part B of Form N-2(1)		Location in Prospectus
Item 14.	Cover Page	Not Applicable
Item 15.	Table of Contents	Not Applicable
Item 16.	General Information and History	Not Applicable
Item 17.	Investment Objective and Policies	Business; Investment Policies
Item 18.	Management	Management of the Company; Certain Government Regulations
Item 19.	Control Persons and Principal Holders of Securities	Management of the Company
Item 20.	Investment Advisory and Other Services	Management of the Company; Experts
Item 21.	Portfolio Managers	Management of the Company
Item 22.	Brokerage Allocation and Other Practices	Brokerage
Item 23.	Tax Status	Taxation
Item 24.	Financial Statements	Consolidated Financial Statements

PART C–OTHER INFORMATION

Items 25-34 in Part C of Form N-2 are addressed in Part C of this Registration Statement.

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(1) Pursuant to General Instructions to Form N-2, all information required by Part B: Statement of Additional Information has been incorporated into Part A: The Prospectus of the Registration Statement.

The information in this Prospectus is not complete and may be changed. We may not sell securities until the registration statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion
Preliminary Prospectus, Dated July 24, 2009

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 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 July 21, 2009, the last reported sale price of our Common Stock was $5.55.

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 28.

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 , 2009.

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You should rely only on the information contained or incorporated by reference in this Prospectus. 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 is accurate only as of the date of this Prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

In this Prospectus, unless otherwise indicated, "Harris & Harris," "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.

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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 28.

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 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, including five full-time members of management, four of whom are designated as Managing Directors: Douglas W. Jamison, Alexei A. Andreev, Michael A. Janse and Daniel B. Wolfe, and a Vice President, Misti Ushio, to evaluate and monitor investments. One of our directors is also a consultant to us, Lori D. Pressman. 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 March 31, 2009, 53.8 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 matured around three main industry clusters: cleantech (46.8 percent of our venture capital portfolio on March 31, 2009); electronics, including semiconductors (35.0 percent of our venture capital portfolio on March 31, 2009); and healthcare (8.5 percent of our venture capital portfolio on March 31, 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 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 16 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, X-ray imaging equipment, optical switches, solid-state cooling, metabolomic profiling services, synthetic carbohydrates 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 28 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 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 engage in liquidity events.

- 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.

- 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 would 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 $36,199,500 based on the last reported price for our Common Stock on July 21, 2009, of $5.55. 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 dividends. If we do make a deemed capital gain dividend, 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 web site 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 web site is www.sec.gov. Information contained on the SEC's web site about us is not incorporated into this Prospectus and you should not consider information contained on the SEC's web site 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 July 21, 2009 of $5.55.

Shareholder Transaction Expenses	
Sales Load(1) (as a percentage of offering price)	N/A
Offering Expenses (as a percentage of offering price)	0.82%
Annual Expenses (as a percentage of net assets attributable to Common Stock)	
Management Fees(2)	N/A
Other Expenses(3)	
Salaries and Benefits(4)	3.90%
Administration and Operations(5)	1.64%
Professional Fees	0.59%
Total Annual Expenses(6)	6.13%

(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 ended December 31, 2009.

(4) "Salaries and Benefits" includes non-cash stock-based compensation expense of $2,705,726. 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, "Salaries and benefits" totals $2,958,744 or 2.03 percent of net assets attributable to Common Stock.

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

(6) "Total Annual Expenses" includes non-cash compensation expense of $2,705,726. See Footnote (4) above. Cash-based total annual expenses as a percentage of net assets attributable to Common Stock is 4.26 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
$686	$1,873	$3,033	$5,823

* This example includes non-cash, stock-based compensation. Excluding the non-cash, stock-based compensation, you would pay expenses of $506 in 1 year, $1,364 in 3 years, $2,235 in 5 years and $4,468 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. These historical results are not necessarily indicative of the results to be expected in the future.

BALANCE SHEET DATA

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 expenses1	$ 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
Total investment loss	$ (23,561)
Net operating loss	$ (2,098,879)
Net decrease in net assets resulting from operations	$ (951,424)
Net decrease in net assets resulting from operations per average outstanding share	$ (0.04)

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)

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SELECTED QUARTERLY DATA (UNAUDITED)
(continued)

	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 in this section should be read with the Company's unaudited March 31, 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 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. We define venture capital 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. These businesses can range in stage from pre-revenue to cash flow positive. These businesses tend to be thinly capitalized, unproven, small companies that lack management depth, have little or no history of operations and are developing unproven technologies. At March 31, 2009, $58,793,688, or 53.8 percent, of our net assets at fair value consisted of private venture capital investments, net of unrealized depreciation of $32,942,791. 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.

Since our investment in Otisville in 1983 through March 31, 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 50 of these 84 investments, realizing total proceeds of $143,923,354 on our invested capital of $60,549,559. As measured from first dollar in to last dollar out, the average and median holding periods for these 50 investments were 3.68 years and 3.20 years, respectively. As measured by the 173 separate rounds of investment within these 50 investments, the average and median holding periods for the 173 separate rounds of investment were 2.86 years and 2.53 years, respectively.

In 1994, we made our first nanotechnology investment. From August 2001 through March 31, 2009, all 42 of our initial investments have been in companies commercializing or integrating products enabled by nanotechnology or microsystems. We use the term "tiny technology" to describe both of these disciplines. From August 2001 through March 31, 2009, we have invested a total (before any subsequent write-ups, write-downs or dispositions) of $105,137,888 in these companies.

We currently have 33 active tiny technology companies in our portfolio, including one investment made prior to 2001. At March 31, 2009, from first dollar in, the average and median holding periods for these 33 active tiny technology investments were 3.92 years and 3.87 years, respectively.

Our cumulative dollars invested in nanotechnology and microsystems increased from $489,999 for the year ended December 31, 2001, to $105,137,888 through March 31, 2009.

The following is a summary of our initial and follow-on investments in nanotechnology from 2005 to March 31, 2009. We consider a "round led" to be a round where we were the new investor or the leader of a set of new 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	Three Months Ending March 31, 2009
Total Incremental Investments	$ 16,251,339	$ 24,408,187	$ 20,595,161	$ 17,779,462	$ 723,176
No. of New Investments	4	6	7	4	0
No. of Follow-On Investment Rounds	13	14	20	25	4
No. of Rounds Led	0	7	3	4	0
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	$ 180,794

We value our private venture capital investments each quarter as determined in good faith by our Valuation Committee, a committee of all our 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" on pages F-27 and F-59.)

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 March 31, 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 three months ended March 31, 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	March 31, 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)	$ (4,204,060)
Gross Write-Ups During Year	$ 23,485,176	$ 279,363	$ 11,694,618	$ 820,559	$ 5,382,829
Gross Write-Downs as a Percentage of Net Asset Value, BOY	-4.62%	-3.57%	-6.86%	-28.67%	-3.83%
Gross Write-Ups as a Percentage of Net Asset Value, BOY	31.42%	0.24%	10.26%	0.59%	4.91%
Net Write-Downs/Write-Ups as a Percentage of Net Asset Value, BOY	26.8%	-3.33%	3.40%	-28.08%	1.08%

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During the three months ended March 31, 2009, we recorded gross write-downs of $4,204,060. 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 $4,204,060 in gross write-downs. The remaining write-downs reflected adjustments of valuations relating to specific fundamental developments unique to particular portfolio companies. One of these remaining write-downs primarily reflects the terms of a round of financing of one of our portfolio companies proposed by an independent, third-party, financial investor.

As of March 31, 2009, we recorded gross write-ups of $5,382,829. These write-ups were primarily owing to adjustments of valuations relating to specific fundamental developments unique to particular portfolio companies. For Solazyme, the largest gross write-up totaling $5,376,988, fundamental developments, one of which relates to a financing event during the first quarter of 2009, resulted in the removal of the discount for non-performance risk.

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 March 31, 2009, we held $51,340,811 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 March 31, 2009, we held a short-duration U.S. treasury security yielding 0.101 percent. As of March 31, 2009, yields for 3-month, 6-month, and 12-month U.S. treasury securities were 0.21 percent, 0.43 percent and 0.57 percent, respectively. As of March 31, 2009, yields for 3-month, 6-month, and 12-month U.S. treasury securities were 1.38 percent, 1.51 percent and 1.55 percent, respectively. With yields at this level, we expect to generate less interest income than in previous fiscal quarters and years.

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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 continued its effects on the value of assets and the economy in general during the first quarter of 2009. The value of publicly traded companies, one of the most observable asset classes, continued its path of decreases in valuation during the first quarter of 2009; the market capitalization of the Company followed this trend as well. 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:

	Q4 2008 9/30/08 - 12/31/08	Q1 2009 12/31/08 - 3/31/09	Change From 52-Week High to 3/31/09
Dow Jones Industrial Avg.	-19.12%	-13.3%	-42.32%
Nasdaq Composite	-24.61%	-3.07%	-40.09%
S&P 500 Composite	-22.45%	-11.67%	-44.60%
Russell 2000	-26.51%	-15.36%	-44.69%
Harris & Harris Group	-38.09%	-6.33%	-57.62%

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 based on the potential for an increased time to liquidity event, 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 first quarter of 2009 was the lowest in 11 years, down 50 percent from the first quarter of 2008. Investment in venture-backed, cleantech-related companies in particular suffered a decline of total invested capital during the first quarter of 2009 of 84 percent from the fourth quarter of 2008. 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. Although we did not invest in a new portfolio company in the first quarter of 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.

In July 2008, the SEC amended a rule expanding the definition of eligible portfolio companies in which BDCs can invest to include publicly traded securities of companies with a market capitalization of less than $250 million. We believe this action greatly increases our opportunity to invest in public companies involved in nanotechnology. As of December 31, 2008, approximately 51 percent of companies listed on a major U.S. stock exchange had market capitalizations of less than $250 million. Although we do not currently have any investments in publicly traded securities in our portfolio as of March 31, 2009, we intend to adjust our investment focus, as needed, to comply with and/or take advantage of the new rule, as well as other regulatory, legislative, administrative or judicial actions in this area.

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.

The global economic recession has affected the ability of investors to exit investments in privately held companies. As of the end of the first quarter of 2009, published data showed that turmoil in the financial markets has affected the values of venture capital-backed companies in merger and acquisition ("M&A") transactions. According to data published in The New York Times, the average valuation of venture capital-backed companies sold in M&A transactions decreased by 65 percent from the fourth quarter of 2008, and by 56 percent for the same period in 2008. More than half of the venture capital-backed companies sold in the first quarter of 2009 returned less than the amount invested to the investors, compared with 29 percent in the same period last year. During the first quarter of 2009, no venture-backed companies completed initial public offerings, which is the second consecutive quarter without at least one being completed. 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.

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 March 31, 2009, as compared to the three months ended March 31, 2008

In the three months ended March 31, 2009, and March 31, 2008, we had net decreases in net assets resulting from operations of $951,424 and $3,289,035, respectively.

Investment Income and Expenses:

We had net operating losses of $2,098,879 and $2,480,618 for the three months ended March 31, 2009, and March 31, 2008, respectively. The variation in these results is primarily owing to the changes in investment income and operating expenses, including non-cash expenses of $635,638 in 2009 and $1,466,980 in 2008 associated with the granting of stock options. During the three months ended March 31, 2009, and 2008, total investment (loss) income was $(23,561) and $576,302, respectively. During the three months ended March 31, 2009, and 2008, total operating expenses were $2,075,318 and $3,056,920, respectively.

During the three months ended March 31, 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 four percent for the three months ended March 31, 2008, to 0.29 percent for the three months ended March 31, 2009. During the three months ended March 31, 2009, our average holdings of such securities were $52,001,080, as compared with $57,481,316 during the three months ended March 31, 2008.

Operating expenses, including non-cash, stock-based compensation expense, were $2,075,318 and $3,056,920 for the three months ended March 31, 2009, and March 31, 2008, respectively. The decrease in operating expenses for the three months ended March 31, 2009, as compared to the three months ended March 31, 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. Salaries, benefits and stock-based compensation expense decreased by $1,045,955, or 42.9 percent, through March 31, 2009, as compared to March 31, 2008, primarily as a result of a decrease in non-cash expense of $831,342 associated with the Harris & Harris Group, Inc. 2006 Equity Incentive Plan (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 March 31, 2009, we had 11 full-time employees, as compared with 13 full-time employees at March 31, 2008. While the non-cash, stock-based compensation expense for the Stock Plan increased our operating expenses by $635,638, 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 $11,420, or 3.8 percent, through March 31, 2009, as compared to March 31, 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. Professional fees increased by $77,018, or 55.7 percent, for the three months ended March 31, 2009, as compared with the same period in 2008, primarily as a result of an increase in certain accounting fees, offset by a reduction in the cost of our annual compliance program audit and a reduction in certain consulting fees.

Realized Income and Losses from Investments:

During the three months ended March 31, 2009, we realized net losses on investments of $3,613, as compared with realized net losses on investments of $5,014,870 during the three months ended March 31, 2008.

During the three months ended March 31, 2009, we realized net losses of $3,613, consisting primarily of a realized loss in Exponential Business Development Company.

During the three months ended March 31, 2008, we realized net losses of $5,014,870, 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 first quarter of 2008, we received a payment of $105,714 from the NanoOpto Corporation bridge note.

Net Unrealized Appreciation and Depreciation of Portfolio Securities:

During the three months ended March 31, 2009, net unrealized depreciation on total investments decreased by $1,151,448, or 3.38 percent, from net unrealized depreciation of $34,097,196 at December 31, 2008, to net unrealized depreciation of $32,945,748 at March 31, 2009. During the three months ended March 31, 2008, net unrealized depreciation on total investments decreased by $4,252,651, or 108.3 percent, from net unrealized depreciation of $3,926,484 at December 31, 2007, to net unrealized appreciation of $326,167 at March 31, 2008.

During the three months ended March 31, 2009, net unrealized depreciation on our venture capital investments decreased by $1,182,057, from net unrealized depreciation of $34,124,848 at December 31, 2008, to net unrealized depreciation of $32,942,791 at March 31, 2009, owing primarily to increases in the valuations of our investments in BioVex Group, Inc., of $5,841 and Solazyme, Inc., of $5,376,988, offset by decreases in the valuations of the following investments held:

Investment	Amount of Write-Down
Ancora Pharmaceuticals, Inc.	$400,000
BridgeLux, Inc.	983
Crystal IS, Inc.	332,238
CSwitch Corporation	20,286
Exponential Business Development Company	366
Kovio, Inc.	5,729
Laser Light Engines, Inc.	500,000
Mersana Therapeutics, Inc.	3,757
Metabolon, Inc.	362,831
Molecular Imprints, Inc.	4,000
Nanosys, Inc.	1,342,530
NeoPhotonics Corporation	58,651
Questech Corporation	29,189
SiOnyx, Inc.	1,076,155

We also had an increase in unrealized depreciation of $3,288 owing to a decrease in the capital account of Exponential Business Development Company. We had a decrease owing to foreign currency translation of $67,345 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 unrealized depreciation of $2,957 at March 31, 2009.

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

March 31, 2009

At March 31, 2009, our total assets and net assets were $111,210,138 and $109,215,327, respectively. At December 31, 2008, they were $111,627,601 and $109,531,113, respectively.

At March 31, 2009, net asset value per share was $4.22, as compared with $4.24 at December 31, 2008. At March 31, 2009, and December 31, 2008, our shares outstanding were 25,859,573.

Significant developments in the three months ended March 31, 2009, included an increase in the holdings of our venture capital investments of $1,828,535 and a decrease in our holdings in U.S. government obligations of $1,643,129. The increase in the value of our venture capital investments from $56,965,153 at December 31, 2008, to $58,793,688 at March 31, 2009, resulted primarily from an increase in the net value of our venture capital investments of $1,182,057 and by four follow-on investments of $723,176. The decrease in the value of our U.S. government obligations from $52,983,940 at December 31, 2008, to $51,340,811 at March 31, 2009, is primarily owing to the payment of cash basis operating expenses of $1,383,400 and to follow-on venture capital investments totaling $723,176.

The following table is a summary of additions to our portfolio of venture capital investments made during the three months ended March 31, 2009:

Follow-On Investments	Amount
BioVex Group, Inc.	$ 111,111
CFX Battery, Inc.	$ 3,492
Crystal IS, Inc.	$ 408,573
Mersana Therapeutics, Inc.	$ 200,000
Total	$ 723,176

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

	March 31, 2009	December 31, 2008
Venture capital investments, at cost	$ 91,736,479	$ 91,090,001
Net unrealized depreciation(1)	32,942,791	34,124,848
Venture capital investments, at value	$ 58,793,688	$ 56,965,153

	March 31, 2009	December 31, 2008
U.S. government obligations, at cost	$ 51,343,768	$ 52,956,288
Net unrealized (depreciation) appreciation(1)	(2,957)	27,652
U.S. government obligations, at value	$ 51,340,811	$ 52,983,940

(1)At March 31, 2009, and December 31, 2008, the net accumulated unrealized depreciation on investments was $32,945,748 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

Follow-on Investments	Amount
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	December 31, 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	December 31, 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
Follow-on Investments		
BridgeLux, Inc.	$	350,877
BridgeLux, Inc.	$	233,918
BridgeLux, Inc.	$	916,928
Cambrios Technologies Corporation	$	1,300,000
Chlorogen, Inc.	$	7,042
CSwitch Corporation	$	32,624
CSwitch Corporation	$	529,852
Innovalight, Inc.	$	1,993,568
Kereos, Inc.	$	540,000
Kovio, Inc.	$	1,000,000
NanoGram Corporation	$	851,393
Mersana Therapeutics, Inc.	$	500,000

Nanomix, Inc.	$	680,240
NanoOpto Corporation	$	268,654
Nextreme Thermal Solutions, Inc.	$	750,000
Polatis, Inc.	$	17,942
Polatis, Inc.	$	13,454
Polatis, Inc.	$	58,582
SiOnyx, Inc.	$	2,445,000
Solazyme, Inc.	$	500,000
Total	$	20,595,161

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Cash Flow

Year Ended December 31, 2008

Net cash used in operating activities for the year ended December 31, 2008, was $4,155,439, primarily owing to the payment of operating expenses.

Cash used in investing activities for the year ended December 31, 2008, was $9,865,758, primarily reflecting a net decrease in our investment in U.S. government securities of $7,798,836 and investments in private placements of $17,779,462, less proceeds from the sale of venture capital investments of $136,837.

Cash provided by financing activities for the year ended December 31, 2008, was $14,383,497, resulting from the issuance of 2,545,000 new shares of our Common Stock on June 20, 2008, in a registered direct stock offering.

Year Ended December 31, 2007

Net cash used in operating activities for the year ended December 31, 2007, was $4,142,572, primarily owing to the payment of operating expenses.

Cash used in investing activities for the year ended December 31, 2007, was $20,697,886, primarily reflecting a net increase in our investment in U.S. government obligations of $235,754 and investments in private placements of $20,595,161, less proceeds from the sale of venture capital investments of $174,669.

Cash provided by financing activities for the year ended December 31, 2007, was $23,098,679, reflecting the issuance of shares in connection with the Stock Plan and the net proceeds from the issuance of 1,300,000 new shares of our Common Stock on June 25, 2007, in a registered direct follow-on offering.

Year Ended December 31, 2006

Net cash used in operating activities for the year ended December 31, 2006, was $14,955,302, primarily owing both to the payment of various federal, state and local taxes, including the tax paid on behalf of shareholders for the deemed dividend, and to the payment of operating expenses.

Cash provided by investing activities for the year ended December 31, 2006, was $13,198,611, primarily reflecting net proceeds from the sale of U.S. government obligations of $37,593,589, less investments in private placements of $24,408,187.

Cash provided by financing activities for the year ended December 31, 2006, was $2,615,190, reflecting the issuance of shares in connection with the Stock Plan.

Liquidity and Capital Resources

March 31, 2009

Our liquidity and capital resources are generated and generally available through our cash holdings, interest earned on our investments on U.S. government securities, cash flows from the sales of U.S. government securities, proceeds from periodic follow-on equity offerings and realized capital gains retained for reinvestment.

We fund our day-to-day operations using interest earned and proceeds from the sales of our investments in U.S. government securities. The increase or decrease in the valuations of our portfolio companies does not impact our daily liquidity. At March 31, 2009, and December 31, 2008, we had no investments in money market mutual funds. We have no debt outstanding, and, therefore, are not subject to credit agency downgrades.

At March 31, 2009, and December 31, 2008, our total net primary liquidity was $51,604,429 and $53,701,819, respectively. The decrease in our primary liquidity from December 31, 2008, to March 31, 2009, is primarily owing to the use of funds for investments and payment of net operating expenses.

We believe that the market disruption that continued during the first quarter of 2009 may continue to adversely affect financial services companies with respect to the valuation of their investment portfolios, tighter lending standards and reduced access to capital. In addition, the economies of the United States and many other countries are in recession, which may be severe and prolonged. These conditions may lead to a further decline in net asset value and/or decline in valuations of our portfolio companies. Although we cannot predict future market conditions, we continue to believe that our current cash and U.S. government security holdings and our ability to adjust our investment pace will provide us with adequate liquidity to execute our current business strategy.

Except for a rights offering, we are also generally not able to issue and sell our Common Stock at a price below our net asset value per share, exclusive of any distributing commission or discount, without shareholder approval. As of March 31, 2009, our net asset value per share was $4.22 per share and our closing market price was $3.70 per share. We do not have shareholder approval to issue or sell shares below our net asset value per share.

December 31, 2008

At December 31, 2008, and December 31, 2007, our total net primary liquidity was $53,701,819 and $61,183,136, respectively.

Our net primary sources of liquidity, which consist of cash, U.S. government obligations and receivables, are adequate to cover our gross cash operating expenses. Our gross cash operating expenses for 2008 and 2007 totaled $6,397,424 and $6,263,510, respectively.

The decrease in our primary liquidity from December 31, 2007, to December 31, 2008, is primarily owing to the use of funds for investments and payment of net operating expenses, partially offset by the proceeds received through the registered direct stock offering.

On June 25, 2007, we completed the sale of 1,300,000 shares of our Common Stock from the shelf registration statement for gross proceeds of $14,027,000; net proceeds of this offering, after placement agent fees and offering costs of $1,033,832, were $12,993,168. We used the net proceeds of this offering to make new investments in nanotechnology, as well as for follow-on investments in our existing venture capital investments and for working capital. Through December 31, 2008, we have used all of the net proceeds from this offering for these purposes.

On June 20, 2008, we completed the sale of 2,545,000 shares of our Common Stock, for total gross proceeds of $15,651,750; net proceeds of this offering, after placement agent fees and offering costs of $1,268,253, were $14,383,497. We intend to use, and have been using, the net proceeds of this offering to make new investments in nanotechnology, as well as for follow-on investments in our existing venture capital investments and for working capital. Through December 31, 2008, we have used $11,723,553 of the net proceeds from this offering for these purposes.

On April 17, 2003, we signed a seven-year sublease for office space at 111 West 57th Street in New York City. On December 17, 2004, we signed a sublease for additional office space at our current location. The subleases expire on April 29, 2010. Total rent expense for our office space in New York City was $186,698 in 2008, $178,167 in 2007, and $174,625 in 2006. The minimum sublease payments in 2009 will be $197,700 and $65,969 thereafter for the remaining term.

On July 1, 2008, we signed a five-year lease for office space at 420 Florence Street, Suite 200, Palo Alto, California, commencing on August 1, 2008, and expiring on August 31, 2013. Total rent expense for our office space in Palo Alto was $51,525 in 2008. Future minimum lease payments in each of the following years are: 2009 - $125,206; 2010 - $128,962; 2011 - $132,831; 2012 - $136,816 and 2013 - $93,135.

December 31, 2007

At December 31, 2007, and December 31, 2006, our total net primary liquidity was $61,183,136 and $61,323,306, respectively.

Our gross cash operating expenses for 2007 and 2006 totaled $6,263,510 and $5,285,448, respectively.

The increase in our primary liquidity from December 31, 2006, to December 31, 2007, is primarily owing to the proceeds received through a registered direct stock offering from a shelf registration statement and proceeds received from stock option exercises, offset by the use of funds for investments and payment of net operating expenses.

RISK FACTORS

Investing in our Common Stock involves significant risks relating to our business and investment objective. You should carefully consider the risks and uncertainties described below 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 materialize, 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 related to the companies in our portfolio.

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

The global financial markets are in turmoil, and the economies of the U.S. and many other countries are in recession, which may be severe and prolonged. This status results in severely diminished opportunities for liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates, and uncertainty about overall economic stability, and there can be no assurance against further decline. These conditions adversely affect the availability of capital to meet the funding needs of our portfolio companies as the majority of our portfolio companies, and venture-backed companies in general, have negative cash flows, and thus require follow-on financings to continue operations. A substantial decrease in the availability of this necessary capital would dramatically increase the risk of these companies. We define non-performance as the risk that a portfolio company will be unable to raise additional capital. In these circumstances, the portfolio company could be recapitalized at a valuation significantly lower than the post-money valuation implied by our valuation method, sold at a loss to our investment or shut down.

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.

Beginning in about 2001, many fewer venture capital-backed companies per annum have been able to complete initial public offerings (IPOs) than in the years of the previous decade. During the first quarter of 2009, according to the National Venture Capital Association, no venture capital-backed companies completed initial public offerings, which is the second consecutive quarter without at least one being completed. In 2008, according to Dow Jones VentureSource, the six venture capital-backed companies that completed IPOs had a median age of about 8.3 years. According to data published in The New York Times, the average valuation of venture capital-backed companies sold in merger and acquisition (M&A) transactions decreased by 65 percent from the fourth quarter of 2008, and by 56 percent for the same period in 2008. More than half of the venture capital-backed companies sold in the first quarter of 2009 returned less than the amount invested to the investors, compared with 29 percent in the same period last year.

Now that some of our companies are becoming more mature, a continuing lack of IPO opportunities and decrease in the number and size of M&A transactions for venture capital-backed companies could lead to companies staying longer in our portfolio as private entities that may require additional funding. In the best case, such stagnation would dampen returns, and in the worst case, could lead to write-downs and write-offs as some companies run short of cash and have to accept lower valuations in private financings or are not able to access additional capital at all. A continuing lack of IPO opportunities and the decrease in the number and size of M&A transactions for venture capital-backed companies are also causing some venture capital firms to change their strategies. Accordingly, some venture capital firms are reducing funding of their portfolio companies, making it more difficult for such companies to access capital and to fulfill their potential. In some cases this leads to write-downs and write-offs of such companies by other venture capital firms, such as ourselves, who are co-investors in such companies.

Investing in small, private companies involves a high degree of risk and is highly speculative.

We have invested a substantial portion of our assets in privately held development stage or start-up companies, the securities of which are inherently illiquid. These businesses tend to lack management depth, to have limited or no history of operations and to have not attained profitability. Companies commercializing products enabled by nanotechnology or microsystems are especially risky, involving scientific, technological and commercialization risks. Because of the speculative nature of these investments, these securities have a significantly greater risk of loss than traditional investment securities. Some of our venture capital investments are likely to be complete losses or unprofitable, and some will never realize their potential. We have been and will continue to be risk seeking rather than risk averse in our approach to venture capital and other investments. Neither our investments nor an investment in our Common Stock is intended to constitute a balanced investment program.

We may invest in companies working with technologies or intellectual property that currently have few or no proven commercial applications.

Nanotechnology, in particular, is a developing area of technology, of which much of the future commercial value is unknown, difficult to estimate and subject to widely varying interpretations. It is sets of enabling technologies that are applicable to a diverse set of industries. As such, nanotechnology-enabled products must compete against existing products or enable a completely new product in a given industry. There are as of yet relatively few nanotechnology-enabled products commercially available. The timing of additional future commercially available nanotechnology-enabled products and the industries on which nanotechnology will have the most significant impact is highly uncertain.

Our portfolio companies may not successfully develop, manufacture or market their products.

The technology of our portfolio companies is new and in many cases unproven. Their potential products require significant and lengthy product development, manufacturing and marketing efforts. To date, some of our portfolio companies have not developed any commercially available products. In addition, our portfolio companies may not be able to manufacture successfully or to market their products in order to achieve commercial success. Further, the products may never gain commercial acceptance. If our portfolio companies are not able to develop, manufacture or market successful nanotechnology-enabled products, they will be unable to generate product revenue or build sustainable or profitable businesses. Adverse conditions in the target markets of our portfolio companies may limit or prevent commercial success regardless of the contribution of nanotechnology to these products.

Our portfolio companies working with nanotechnology and microsystems may be particularly susceptible to intellectual property litigation.

Research and commercialization efforts in nanotechnology and microsystems are being undertaken by a wide variety of government, academic and private corporate entities. As additional commercially viable applications of nanotechnology emerge, ownership of intellectual property on which these products are based may be contested. From time to time, our portfolio companies are or have been involved in intellectual property disputes and litigation. Any litigation over the ownership of, or rights to, any of our portfolio companies' technologies or products could have a material adverse effect on those companies' values.

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.

Nanotechnology has received both positive and negative publicity and is the subject increasingly of public discussion and debate. For example, debate regarding the production of materials that could cause harm to the environment or the health of individuals could raise concerns in the public's perception of nanotechnology, not all of which might be rational or scientifically based. Nanotechnology in particular is currently the subject of health and environmental impact research. If health or environmental concerns about nanotechnology or microsystems were to arise, whether or not they had any basis in fact, our portfolio companies might incur additional research, legal and regulatory expenses, and might have difficulty raising capital or marketing their products. Government authorities could, for social or other purposes, prohibit or regulate the use of nanotechnology. Legislation could be passed that could circumscribe the commercialization of any of these technologies.

Our Nanotech for CleantechSM and Nanotech for ElectronicsSM portfolios are currently the largest portion of our venture capital portfolio, and, therefore, fluctuations in the value of the companies in these portfolios value may adversely affect our net asset value per share to a greater degree than other sectors of our portfolio.

The two largest portions of our portfolio are our Nanotech for CleantechSM and Nanotech for ElectronicsSM portfolios. Our Nanotech for CleantechSM portfolio consists of companies commercializing nanotechnology-enabled products targeted at cleantech-related markets. There are risks in investing in companies that target cleantech-related markets, including the rapid and sometimes dramatic price fluctuations of commodities, particularly oil and public equities, the reliance on the capital and debt markets to finance large capital outlays and the dependence on government subsidies to be cost-competitive with non-cleantech solutions. For example, the attractiveness of alternative methods for the production of biobutanol and biodiesel can be adversely affected by a decrease in the demand or price of oil. The demand for solar cells is driven partly by government subsidies and the availability of credit to finance the purchase and installation of the system. Adverse developments in any of these sectors may significantly affect the value of our Nanotech for CleantechSM portfolio, and thus our venture capital portfolio as a whole. Additionally, companies with alternative energy (cleantech) platforms are currently in favor with the media and investors. Cleantech companies in general may have a harder time accessing capital in the future if this level of interest subsides.

Our Nanotech for ElectronicsSM portfolio consists of companies commercializing and integrating nanotechnology-enabled products targeted at electronics-related markets. There are risks in investing in companies that target electronics-related markets, including rapid and sometimes dramatic price erosion of products, the reliance on capital and debt markets to finance large capital outlays including fabrication facilities and inherent cyclicality of the electronics market in general. Additionally, electronics-related companies are currently out of favor with many venture capital firms. Therefore access to capital may be difficult or impossible for companies in our portfolio that are pursuing these markets.

Our portfolio companies may generate revenues from the sale of products that are not enabled by nanotechnology.

We consider a company to be enabled by nanotechnology or microsystems if a product or products, or intellectual property covering a product or products, that we consider to be at the microscale or smaller is material to its business plan. The core business of some of these companies may not be nanotechnology-enabled products, and therefore their success or failure may not be dependent upon the nanotechnology aspects of their business. In addition to developing products that we consider nanotechnology, some of these companies may also develop products that we do not consider enabled by nanotechnology. Some of these companies will generate revenues from the sale of non-nanotechnology-enabled products. Additionally, it is possible that a portfolio company may decide to change its business focus after our initial investment and decide to develop and commercialize non-nanotechnology-enabled products.

Our portfolio companies may incur debt that ranks senior to our investments in such companies.

We sometimes make investments in our portfolio companies in the form of bridge notes that typically convert into preferred stock issued in the next round of financing of that portfolio company. The portfolio companies usually have, or may be permitted to incur, other debt that ranks senior to the debt securities in which we invest. By their terms, debt instruments may provide that the holders are entitled to receive payment of interest and principal on or before the dates on which we are entitled to receive payments in respect of the debt securities in which we invest. Also, in the case of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligations to us. In addition, in companies where we have made investments in the form of bridge notes, we may also have investments in equity in the form of preferred shares. In such a case, a bankruptcy court may subordinate our bridge notes to debt holders that do not have equity in the portfolio company.

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.

Most of our investments are or will be equity or equity-linked securities acquired directly from small companies. These equity securities are generally subject to restrictions on resale or otherwise have no established trading market. The illiquidity of most of our portfolio of equity securities may adversely affect our ability to dispose of these securities at times when it may be advantageous for us to liquidate these investments. We may never be able to dispose of these securities.

Unfavorable regulatory changes could impair our ability to engage in liquidity events.

Recent government reforms affecting publicly traded companies, stock markets, investment banks and securities research practices have made it more difficult for privately held companies to complete successful initial public offerings of their equity securities, and such reforms have increased the expense and legal exposure of being a public company. Slowdowns in initial public offerings may also be having an adverse effect on the frequency and prices of acquisitions of privately held companies. A lack of merger and/or acquisition opportunities for privately held companies also may be having an adverse effect on the ability of these companies to raise capital from private sources. Public equity market response to companies offering nanotechnology-enabled products is uncertain. An inability to engage in liquidity events could negatively affect our liquidity, our reinvestment rate in new and follow-on investments and the value of our portfolio.

Even if some of our portfolio companies complete initial public offerings, the returns on our investments in those companies would be uncertain.

When companies in which we have invested as private entities complete initial public offerings of their securities, these newly issued securities are by definition unseasoned issues. Unseasoned issues tend to be highly volatile and have uncertain liquidity, which may negatively affect their price. In addition, we are typically subject to lock-up provisions that prohibit us from selling our investments into the public market for specified periods of time after initial public offerings. The market price of securities that we hold may decline substantially before we are able to sell these securities. Most initial public offerings of technology companies in the United States are listed on the Nasdaq Global Market. Government reforms of the Nasdaq Global Market have made market-making by broker-dealers less profitable, which has caused broker-dealers to reduce their market-making activities, thereby making the market for unseasoned stocks less liquid than they might be otherwise.

Risks related to our Company.

Our business may be adversely affected by the recent financial crisis and our ability to access the capital markets.

The global financial markets are in turmoil, and the economies of the United States and many other countries are in recession, which may be severe and prolonged. This status results in severely diminished opportunities for liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates, and uncertainty about overall economic stability, and there can be no assurance against further decline. We are unable to predict the likely duration and severity of this global financial turmoil, and if the current uncertainty continues or economic conditions further deteriorate, our business and the business of our portfolio companies could be materially and adversely affected.

Our business and results of operations could be impacted adversely by a number of follow-on effects of the financial crisis, including the inability of our portfolio companies to obtain sufficient financing to continue to operate as a going concern, an increase in our funding costs or the limitation on our access to the capital markets. A prolonged period of market illiquidity may have an adverse effect on our business, financial condition, and results of operations. Our nonperforming assets are likely to increase, and the value of our portfolio is likely to decrease during these periods. These events could limit our investment activity, limit our ability to grow and negatively impact our operating results.

The financial crisis and changes in regulations of the financial industry have adversely affected coverage of us by financial analysts. A number of analysts that have covered us in the past are no longer able to continue to do so owing to changes in employment, to restrictions on the size of companies they are allowed to cover and/or their firms have shut down operations. An inability to attract analyst coverage may adversely affect our ability to raise capital from investors, particularly institutional investors. Our inability to access the capital markets on favorable terms, or at all, may adversely affect our future financial performance. The inability to obtain adequate financing capital sources could force us to seek debt financing, self-fund strategic initiatives or even forgo certain opportunities, which in turn could potentially harm our current and future performance.

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.

There is generally no public market for the private equity securities in which we invest. Pursuant to the requirements of the 1940 Act, we value all of the private equity securities in our portfolio at fair value as determined in good faith by a committee of independent members of our Board of Directors, which we call the Valuation Committee, pursuant to Valuation Procedures established by the Board of Directors. Determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment pursuant to specified valuation principles and processes. We are required by the 1940 Act to value specifically each individual investment on a quarterly basis and record unrealized depreciation for an investment that we believe has become impaired. Conversely, we must record unrealized appreciation if we believe that a security has appreciated in value. Our valuations, although stated as a precise number, are necessarily within a range of values that vary depending on the significance attributed to the various factors being considered.

We use the Black-Scholes-Merton option pricing model to determine the fair value of warrants held in our portfolio. Option pricing models, including the Black-Scholes-Merton model, require the use of subjective input assumptions, including expected volatility, expected life, expected dividend rate, and expected risk-free rate of return. In the Black-Scholes-Merton model, variations in the expected volatility or expected term assumptions have a significant impact on fair value. Because the securities underlying the warrants in our portfolio are not publicly traded, many of the required input assumptions are more difficult to estimate than they would be if a public market for the underlying securities existed.

Without a readily ascertainable market value and because of the inherent uncertainty of valuation, the fair value that we assign to our investments may differ from the values that would have been used had an efficient market existed for the investments, and the difference could be material. Any changes in fair value are recorded in our consolidated statements of operations as a change in the "Net (decrease) increase in unrealized appreciation on investments."

In the venture capital industry, even when a portfolio of early-stage, high-technology venture capital investments proves to be profitable over the portfolio's lifetime, it is common for the portfolio's value to undergo a so-called "J-curve" valuation pattern. This means that when reflected on a graph, the portfolio's valuation would appear in the shape of the letter "J," declining from the initial valuation prior to increasing in valuation. This J-curve valuation pattern results from write-downs and write-offs of portfolio investments that appear to be unsuccessful, prior to write-ups for portfolio investments that prove to be successful. Because early-stage companies typically have negative cash flow and are by their nature inherently fragile, a valuation process can more readily substantiate a loss of value than an increase in value. Even if our venture capital investments prove to be profitable in the long run, such J-curve valuation patterns could have a significant adverse effect on our net asset value per share and the value of our Common Stock in the interim. Over time, as we continue to make additional nanotechnology investments, this J-curve pattern may be less relevant for our portfolio as a whole, because the individual J-curves for each investment, or series of investments, may overlap with previous investments at different stages of their J-curves.

Changes in valuations of our privately held, early stage companies tend to be more volatile than changes in prices of publicly traded securities.

Investments in privately held, early-stage companies are inherently more volatile than investments in more mature businesses. Such immature businesses are inherently fragile and easily affected by both internal and external forces. Our investee companies can lose much or all of their value suddenly in response to an internal or external adverse event. Conversely, these immature businesses can gain suddenly in value in response to an internal or external positive development. Moreover, because our ownership interests in such investments are valued only at quarterly intervals by our Valuation Committee, a committee made up of all of the independent members of our Board of Directors, changes in valuations from one valuation point to another tend to be larger than changes in valuations of marketable securities which are revalued in the marketplace much more frequently, in some highly liquid cases, virtually continuously. Information pertinent to our portfolio companies is not always known immediately by us, and, therefore, its availability for use in determining value may not always coincide with the timeframe of our valuations required by the federal securities laws.

We may continue to experience material write-downs of securities of portfolio companies.

Write-downs of securities of our privately held companies have always been a by-product and risk of our business. We may continue to experience material write-downs of securities of privately held portfolio companies. Write-downs of such companies occur at all stages of their development. Such write-downs may increase in dollar terms, frequency and as a percentage of our net asset value as our dollar investment activity in privately held companies continues to increase, and the number of such holdings in our portfolio continues to grow. Because the average size of each of our investments in nanotechnology has increased from year to year and continues to increase, the average size of our write-downs may also increase.

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 do not choose investments based on a strategy of diversification. We also do not rebalance the portfolio should one of our portfolio companies increase in value substantially relative to the rest of the portfolio. Therefore, the value of our portfolio may be more vulnerable to events affecting a single sector or industry and therefore subject to greater volatility than a company that follows a diversification strategy. Accordingly, an investment in our Common Stock may present greater risk to you than an investment in a diversified company.

We are dependent upon key management personnel for future success, and may not be able to retain them.

We are dependent upon the diligence and skill of our senior management and other key advisers for the selection, structuring, closing and monitoring of our investments. We utilize lawyers, and we utilize outside consultants, including one of our directors, Lori D. Pressman, to assist us in conducting due diligence when evaluating potential investments. There is generally no publicly available information about the companies in which we invest, and we rely significantly on the diligence of our employees and advisers to obtain information in connection with our investment decisions. Our future success to a significant extent depends on the continued service and coordination of our senior management team, particularly on Douglas W. Jamison, our Chairman and Chief Executive Officer and a Managing Director; on Daniel B. Wolfe, our President, Chief Operating Officer, Chief Financial Officer and a Managing Director; on Alexei A. Andreev and Michael A. Janse, each an Executive Vice President and Managing Director; and on Sandra M. Forman, our General Counsel, Chief Compliance Officer and Director of Human Resources. The departure of any of our executive officers, key employees or advisers could materially adversely affect our ability to implement our business strategy. We do not maintain for our benefit any key-man life insurance on any of our officers or employees.

The market for venture capital investments, including nanotechnology investments, is highly competitive.

We face substantial competition in our investing activities from many competitors, including but not limited to: private venture capital funds; investment affiliates of large industrial, technology, service and financial companies; small business investment companies; hedge funds; wealthy individuals; and foreign investors. Our most significant competitors typically have significantly greater financial resources than we do. Greater financial resources are particularly advantageous in securing lead investor roles in venture capital syndicates. Lead investors typically negotiate the terms and conditions of such financings. Many sources of funding compete for a small number of attractive investment opportunities. Hence, we face substantial competition in sourcing good investment opportunities on terms of investment that are commercially attractive.

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.

We are required to disclose on a quarterly basis the names and business descriptions of our portfolio companies and the type and value of our portfolio securities. Most of our competitors are not subject to these disclosure requirements. Our obligation to disclose this information could hinder our ability to invest in some portfolio companies. Additionally, other current and future regulations may make us less attractive as a potential investor than a competitor not subject to the same regulations.

Our failure to make follow-on investments in our portfolio companies could impair the value of our portfolio.

Following an initial investment in a portfolio company, we may make additional investments in that portfolio company as "follow-on" investments, in order to: (1) increase or maintain in whole or in part our ownership percentage; (2) exercise warrants, options or convertible securities that were acquired in the original or subsequent financing; or (3) attempt to preserve or enhance the value of our investment.

We may elect not to make follow-on investments or lack sufficient funds to make such investments. We have the discretion to make any follow-on investments, subject to the availability of capital resources. The failure to make a follow-on investment may, in some circumstances, jeopardize the continued viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a successful operation, or may cause us to lose some or all preferred rights pursuant to "pay-to-play" provisions that have become common in venture capital transactions. These provisions require proportionate investment in subsequent rounds of financing in order to preserve preferred rights such as anti-dilution protection, liquidation preferences and preemptive rights to invest in future rounds of financing. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we may not want to increase our concentration of risk, because we prefer other opportunities or because we are inhibited by compliance with business development company requirements or the desire to maintain our tax status.

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.

Use of debt or preferred stock as a source of capital entails two primary risks. The first is the risk of leverage, which is the use of debt to increase the pool of capital available for investment purposes. The use of debt leverages our available common equity capital, magnifying the impact on net asset value of changes in the value of our investment portfolio. For example, a business development company that uses 33 percent leverage (that is, $50 of leverage per $100 of common equity) will show a 1.5 percent increase or decline in net asset value for each 1 percent increase or decline in the value of its total assets. The second risk is that the cost of debt or preferred stock financing may exceed the return on the assets the proceeds are used to acquire, thereby diminishing rather than enhancing the return to common shareholders. If we issue preferred shares or debt, the common shareholders would bear the cost of this leverage. To the extent that we utilize debt or preferred stock financing for any purpose, these two risks would likely make our total return to common shareholders more volatile. In addition, we might be required to sell investments, in order to meet dividend, interest or principal payments, when it might be disadvantageous for us to do so.

As provided in the 1940 Act and subject to some exceptions, we can issue debt or preferred stock so long as our total assets immediately after the issuance, less some ordinary course liabilities, exceed 200 percent of the sum of the debt and any preferred stock outstanding. The debt or preferred stock may be convertible in accordance with SEC guidelines, which might permit us to obtain leverage at more attractive rates. The requirement under the 1940 Act to pay, in full, dividends on preferred shares or interest on debt before any dividends may be paid on our Common Stock means that dividends on our Common Stock from earnings may be reduced or eliminated. An inability to pay dividends on our Common Stock could conceivably result in our ceasing to qualify as a regulated investment company under the Code, which would in most circumstances be materially adverse to the holders of our Common Stock. As of the date hereof, we do not have any debt or preferred stock outstanding.

We are authorized to issue preferred stock, which would convey special rights and privileges to its owners senior to those of Common Stock shareholders.

We are currently authorized to issue up to 2,000,000 shares of preferred stock, under terms and conditions determined by our Board of Directors. These shares would have a preference over our Common Stock with respect to dividends and liquidation. The statutory class voting rights of any preferred shares we would issue could make it more difficult for us to take some actions that might, in the future, be proposed by the Board and/or holders of Common Stock, such as a merger, exchange of securities, liquidation or alteration of the rights of a class of our securities, if these actions were perceived by the holders of the preferred shares as not in their best interests. The issuance of preferred shares convertible into shares of Common Stock might also reduce the net income and net asset value per share of our Common Stock upon conversion.

Loss of status as a regulated investment company would reduce our net asset value and distributable income.

We have elected to qualify, qualified and intend to continue to qualify as a regulated investment company under the Code. As a regulated investment company, we do not have to pay federal income taxes on our income (including realized gains) that is distributed to our shareholders. Accordingly, we are not permitted under accounting rules to establish reserves for taxes on our unrealized capital gains. If we failed to qualify for regulated investment company status in 2009 or beyond, to the extent that we had unrealized gains, we would have to establish reserves for taxes, which would reduce our net asset value, accordingly. To qualify again to be taxed as a regulated investment company in a subsequent year, we would be required to distribute to our shareholders our earnings and profits attributable to non-regulated investment company years reduced by an interest charge of 50 percent of such earnings and profits payable by us to the IRS. In addition, if we failed to qualify as a regulated investment company for a period greater than two taxable years, then, in order to qualify as a regulated investment company in a subsequent year, we would be required to elect to recognize and pay tax on any net built-in gain (the excess of aggregate gain, including items of income, over aggregate loss that would have been realized if we had sold our property to an unrelated party for fair market value) or, alternatively, be subject to taxation on such built-in gain recognized for a period of 10 years. In addition, if we, as a regulated investment company, were to decide to make a deemed distribution of realized net capital gains and retain the net realized capital gains, we would have to establish appropriate reserves for taxes that we would have to pay on behalf of shareholders. It is possible that establishing reserves for taxes could have a material adverse effect on the value of our Common Stock. See "Taxation."

We operate in a heavily regulated environment, and changes to, or non-compliance with, regulations and laws could harm our business.

We are subject to substantive SEC regulations as a BDC. Securities and tax laws and regulations governing our activities may change in ways adverse to our and our shareholders' interests, and interpretations of these laws and regulations may change with unpredictable consequences. Any change in the laws or regulations that govern our business could have an adverse impact on us or on our operations. Changing laws, regulations and standards relating to corporate governance, valuation and public disclosure, including the Sarbanes-Oxley Act of 2002, new SEC regulations, new federal accounting standards and Nasdaq Stock Market rules, are creating additional expense and uncertainty for publicly held companies in general, and for BDCs in particular. These new or changed laws, regulations and standards are subject to varying interpretations in many cases because of their lack of specificity, and as a result, their application in practice may evolve over time, which may well result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

We are committed to maintaining high standards of corporate governance and public disclosure. As a result, our efforts to comply with evolving laws, regulations and standards have and will continue to result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In particular, our efforts to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal controls over financial reporting has required the commitment of significant financial and managerial resources.

Moreover, even though BDCs are not mutual funds, they must comply with several of the regulations applicable to mutual funds, such as the requirement for the implementation of a comprehensive compliance program and the appointment of a Chief Compliance Officer. Further, our Board members, Chief Executive Officer and Chief Financial Officer could face an increased risk of personal liability in connection with the performance of their duties. As a result, we may have difficulty attracting and retaining qualified Board members and executive officers, which could harm our business, and we have significantly increased both our coverage under, and the related expense for, directors' and officers' liability insurance. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies, our reputation may be harmed. Also, as business and financial practices continue to evolve, they may render the regulations under which we operate less appropriate and more burdensome than they were when originally imposed. This increased regulatory burden is causing us to incur significant additional expenses and is time consuming for our management, which could have a material adverse effect on our financial performance.

Market prices of our Common Stock will continue to be volatile.

We expect that the market price of our Common Stock will continue to be volatile. The price of the Common Stock may be higher or lower than the price you pay for your shares, depending on many factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include the following:

- stock market and capital markets conditions;
- internal developments in our Company with respect to our personnel, financial condition and compliance with all applicable regulations;
- announcements regarding any of our portfolio companies;
- announcements regarding developments in the nanotechnology or cleantech-related fields in general;
- environmental and health concerns regarding nanotechnology, whether real or perceptual;
- announcements regarding government funding and initiatives related to the development of nanotechnology or cleantech-related products;
- general economic conditions and trends; and/or
- additions or departures of key personnel.

We will not have control over many of these factors, but expect that our stock price may be influenced by them. As a result, our stock price may be volatile, and you may lose all or part of your investment.

Quarterly results fluctuate and are not indicative of future quarterly performance.

Our quarterly operating results fluctuate as a result of a number of factors. These factors include, among others, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we and our portfolio companies encounter competition in our markets and general economic and capital markets conditions. As a result of these factors, results for any one quarter should not be relied upon as being indicative of performance in future quarters.

To the extent that we do not realize income or choose not to retain after-tax realized net capital gains, we will have a greater need for additional capital to fund our investments and operating expenses.

As a regulated investment company, we must annually distribute at least 90 percent of our investment company taxable income as a dividend and may either distribute or retain our realized net capital gains from investments. As a result, these earnings may not be available to fund investments. If we fail to generate realized net capital gains or to obtain funds from outside sources, it would have a material adverse effect on our financial condition and results of operations as well as our ability to make follow-on and new investments. Because of the structure and objectives of our business, we generally expect to experience net operating losses and rely on proceeds from sales of investments, rather than on investment income, to defray a significant portion of our operating expenses. These sales are unpredictable and may not occur. In addition, as a BDC, in order to pay dividends or repurchase shares, we are generally required to maintain a ratio of at least 200 percent of total assets to total borrowings and preferred stock, which may restrict our ability to borrow to fund these requirements. Lack of capital could curtail our investment activities or impair our working capital.

Investment in foreign securities could result in additional risks.

We may invest in foreign securities, and we currently have one investment in a foreign security. When we invest in securities of foreign issuers, we may be subject to risks not usually associated with owning securities of U.S. issuers. These risks can include fluctuations in foreign currencies, foreign currency exchange controls, social, political and economic instability, differences in securities regulation and trading, expropriation or nationalization of assets and foreign taxation issues. In addition, changes in government administrations or economic or monetary policies in the United States or abroad could result in appreciation or depreciation of our securities and could favorably or unfavorably affect our operations. It may also be more difficult to obtain and enforce a judgment against a foreign issuer. Any foreign investments made by us must be made in compliance with U.S. and foreign currency restrictions and tax laws restricting the amounts and types of foreign investments.

Although most of our investments are denominated in U.S. dollars, our investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency may change in relation to the U.S. dollar, in which currency we maintain financial statements and valuations. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

Risks related to this offering.

Investing in our stock is highly speculative and an investor could lose some or all of the amount invested.

Our investment objective and strategies result in a high degree of risk in our investments and may result in losses in the value of our investment portfolio. Our investments in portfolio companies are highly speculative and, therefore, an investor in our Common Stock may lose his or her entire investment. The value of our Common Stock may decline and may be affected by numerous market conditions, which could result in the loss of some or all of the amount invested in our Common Stock. The securities markets frequently experience extreme price and volume fluctuations that affect market prices for securities of companies in general, and technology and very small capitalization companies in particular. Because of our focus on the technology and very small capitalization sectors, and because we are a very small capitalization company ourselves, our stock price is especially likely to be affected by these market conditions. General economic conditions, and general conditions in nanotechnology in particular and in the semi-conductor and information technology, life sciences, materials science and other high technology industries, including cleantech, may also affect the price of our Common Stock.

We will have discretion over the use of proceeds of this offering.

We will have flexibility in applying the proceeds of this offering. We may pay operating expenses, including due diligence expenses on potential new investments, from the net proceeds. Our ability to achieve our investment objective may be limited to the extent that the net proceeds of the offering, pending full investment, are used to pay operating expenses.

Our shares might trade at discounts from net asset value or at premiums that are unsustainable over the long term.

Shares of BDCs like us may, during some periods, trade at prices higher than their net asset value and during other periods, as frequently occurs with closed-end investment companies, trade at prices lower than their net asset value. The possibility that our shares will trade at discounts from net asset value or at premiums that are unsustainable over the long term are risks separate and distinct from the risk that our net asset value per share will decrease. The risk of purchasing shares of a BDC that might trade at a discount or unsustainable premium is more pronounced for investors who wish to sell their shares in a relatively short period of time because, for those investors, realization of a gain or loss on their investments is likely to be more dependent upon changes in premium or discount levels than upon increases or decreases in net asset value per share. Our Common Stock may not trade at a price higher than or equal to net asset value per share. On July 21, 2009, our stock closed at $5.55 per share, a premium of $1.33 to our net asset value per share of $4.22 as of March 31, 2009.

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.

In accordance with the Company's Equity Incentive Plan, the Company's Board of Directors may grant options from time to time for up to 20 percent of the total shares of stock issued and outstanding. When options are exercised, net asset value per share will decrease if the net asset value per share at the time of exercise is higher than the exercise price. Alternatively, net asset value per share will increase if the net asset value per share at the time of exercise is lower than the exercise price. Therefore, existing shareholders will be diluted if the net asset value per share at the time of exercise is higher than the exercise price of the options. Even though issuance of shares pursuant to exercises of options increases the Company's capital, and regardless of whether such issuance results in increases or decreases in net asset value per share, such issuance results in existing shareholders owning a smaller percentage of the shares outstanding.

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

You do not have the right to require us to repurchase your shares of Common Stock.

FORWARD-LOOKING INFORMATION

This Prospectus 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. The forward-looking statements made in this Prospectus 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 Sections 27A(b)(2)(B) of the Securities Act of 1933 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 may not as a technical matter apply to statements made in connection with this offering.

USE OF PROCEEDS

We estimate the total net proceeds of the offering to be up to $36,199,500 based on the last reported price for our Common Stock on July 21, 2009 of $5.55.

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.

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 High	Market Price Low	Net Asset Value ("NAV") Per Share at End of Period	Premium or (Discount) as a % of NAV High	Premium or (Discount) as a % of NAV 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	—	—	—
Through July 21, 2009	6.09	5.01	—	—	—

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 July 21, 2009 was $5.55 per share. As of July 21, 2009, we had approximately 140 shareholders of record.

BUSINESS

We are a venture capital company that specializes in making investments in companies commercializing and integrating products enabled by nanotechnology and microsystems. We were incorporated as a New York corporation in 1981. In 1995, we elected to be regulated as a business development company under the 1940 Act. 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. We make our investments exclusively in companies commercializing or integrating products enabled by nanotechnology or microsystems. We sometimes use "tiny technology" to describe both of these disciplines. 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 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.

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, including five full-time members of management, four of whom are designated as Managing Directors: Douglas W. Jamison, Alexei A. Andreev, Michael A. Janse and Daniel B. Wolfe, and a Vice President, Misti Ushio, to evaluate and monitor investments. One of our directors is also a consultant to us, Lori D. Pressman. 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 or 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 March 31, 2009, 53.8 percent of our net assets and 100 percent of our venture capital portfolio were invested in companies commercializing or integrating products enabled by nanotechnology or microsystems.

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 matured around three main industry clusters: cleantech (46.8 percent of our venture capital portfolio on March 31, 2009); electronics, including semiconductors (35.0 percent of our venture capital portfolio on March 31, 2009); and healthcare (8.5 percent of our venture capital portfolio on March 31, 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 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. 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. 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.

As is usual in the venture capital industry, our venture capital investments are generally in convertible preferred stock, which is usually the most senior security in a portfolio company's equity capital structure until the company has substantial revenues, and which gives us seniority over the holders of common stock (usually including the founders) while preserving fully our participation in the upside potential of the portfolio company through the conversion feature. Our portfolio investments in some instances include a dividend right payable in kind (which increases our participation in the portfolio company) or potentially in cash. In-kind distributions are primarily made in additional shares of convertible preferred stock. We expect to continue to invest in convertible securities.

We have a long history of investing in venture capital and of business development. Our approach is traditional, including a patient examination of available early stage opportunities, thorough due diligence and close involvement with management. Unlike most private equity and venture capital funds, we will not be subject to any requirement to return capital to investors. Such requirements typically stipulate that these funds can only be invested once and, together with any capital gains on such investment, must be returned to investors, net of fees and carried interest in profits, after a pre-agreed time period. These provisions may cause private equity and venture capital funds to seek investments that are likely to be able to be sold relatively quickly or to seek returns on their investments through mergers, public equity offerings or other liquidity events more quickly than they otherwise might.

We make investments exclusively in companies that we believe are involved significantly in nanotechnology and microsystems. We may also make follow-on investments in any of our portfolio companies. The balance of our funds is primarily invested in short-term U.S. government and agency securities. We are an internally managed investment company because our officers and employees, under the general supervision of our Board of Directors, control our operations. We have no investment adviser.

Subject to our compliance with business development company and tax code requirements, there are no limitations on the types of securities or other assets, foreign or domestic, in which we may invest. Investments may include the following:

- equity, equity-related securities (including warrants) and debt with equity features from either private or public issuers, whether in corporate, partnership or other form, including development stage or start-up entities;

- debt obligations of all types having varying terms with respect to security or credit support, subordination, purchase price, interest payments and maturity; and

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