HARRIS & HARRIS GROUP INC /NY/
Form N-2/A
July 08, 2015

As filed with the Securities and Exchange Commission on July 8, 2015

Securities Act Registration No. 333-204031

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

FORM N-2

Registration Statement Under The Securities Act Of 1933: x

Pre-Effective Amendment No. 1
Post-Effective Amendment No.

HARRIS & HARRIS GROUP, INC.

(Exact Name of Registrant as Specified in its Charter)

1450 Broadway
24th Floor
New York, New York, 10018

(Address of Principal Executive Offices)

(212) 582-0900

(Registrant s Telephone Number, including Area Code)

Douglas W. Jamison
Chairman and Chief Executive Officer
1450 Broadway
24th Floor
New York, New York, 10018

(Name and Address of Agent for Service)

Copies to:

Steven B. Boehm
John J. Mahon
Sutherland Asbill & Brennan LLP
700 Sixth Street, NW
Washington, DC 20001
(202) 383-0100

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. x

It is proposed that this filing will become effective (check appropriate box):

o when declared effective pursuant to section 8(c).

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Proposed Maximum Aggregate Offering Price[1]	Amount of Registration Fee[1]
Common Stock, $0.01 par value per share[2][3]		
Preferred Stock, $0.10 par value per share[2]		
Subscription Rights[2]		
Debt Securities[4]		
Warrants[5]		
Total[6]	$ 10,000,000	$ 1,162.00 [7]

(1) Estimated pursuant to Rule 457(o) under the Securities Act of 1933 solely for the purpose of determining the registration fee. The proposed maximum offering price per security will be determined, from time to time, by the Registrant in connection with the sale by the Registrant of the securities registered under this Registration Statement.

(2) Subject to Note 6 below, there is being registered hereunder an indeterminate number of shares of common stock or preferred stock, or subscription rights to purchase shares of common stock as may be sold, from time to time.

(3) Includes such indeterminate number of shares of common stock as may, from time to time, be issued upon conversion or exchange of other securities registered hereunder, to the extent any such securities are, by their terms, convertible or exchangeable for common stock.

(4) Subject to Note 6 below, there is being registered hereunder an indeterminate number of debt securities as may be sold, from time to time. If any debt securities are issued at an original issue discount, then the offering price shall be in such greater principal amount as shall result in an aggregate price to investors not to exceed $10,000,000.

(5) Subject to Note 6 below, there is being registered hereunder an indeterminate number of warrants as may be sold, from time to time.

(6) In no event will the aggregate offering price of all securities issued from time to time pursuant to this registration statement exceed $10,000,000.

(7) Previously paid.

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 of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these 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 jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED , 2015

PROSPECTUS

$10,000,000

Harris & Harris Group, Inc.

Common Stock
Preferred Stock
Subscription Rights
Debt Securities
Warrants

Harris & Harris Group, Inc.®, is an internally managed non-diversified closed-end management investment company that has elected to be treated as a business development company (a BDC) under the Investment Company Act of 1940, as amended (the 1940 Act). We focus on making investments in transformative companies enabled by disruptive science, particularly ones that are enabled by BIOLOGY+. We define our investment focus of BIOLOGY+ as investments in interdisciplinary life science companies where biology innovation is intersecting with innovations in areas such as electronics, physics, materials science, chemistry, information technology, engineering and mathematics. Our investment objective is to achieve long-term capital appreciation by making venture capital investments. We define venture capital investments as the money and resources made available to privately held and publicly traded small businesses that we believe have exceptional growth potential. Our investment approach is comprised of an examination of available opportunities, thorough due diligence and close involvement with and assistance provided to management of our portfolio companies. We are overseen by our Board of Directors, managed by our officers and have no external investment adviser.

We expect to invest a substantial portion of our assets in securities that we consider to be private venture capital equity investments. These private venture capital equity investments usually do not pay interest or dividends and typically are subject to legal or contractual restrictions on resale that may adversely affect the liquidity and marketability of such securities. Our investments generally do not produce current income, and we have not paid a cash dividend on our common stock since 2000.

We may offer, from time to time, in one or more offerings, up to $10,000,000 of our common stock, preferred stock, subscription rights to purchase shares of our common stock, debt securities, and warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, which we refer to, collectively, as our securities. The preferred stock, subscription rights, warrants and debt securities offered hereby may be convertible or exchangeable into shares of our common stock. The securities may be offered at prices and on terms to be described in one or more supplements to this prospectus.

The offering price per share of our common stock less any underwriting commissions or discounts will generally not be less than the net asset value per share of our common stock at the time we make the offering. However, we may in the future seek to issue shares of our common stock pursuant to this prospectus at a price per share that is less than our net asset value per share (i) with the prior approval of the majority of shareholders of our common stock, (ii) in connection with one or more rights offerings to our existing shareholders or (iii) under such other circumstances as the SEC may permit. In addition, even if we seek and obtain shareholder approval to sell our common stock at a price below our net asset value per share, we cannot do so unless our Board of Directors determines that it would be in our and our shareholders best interests to do so.

Our securities may be offered directly to one or more purchasers, or through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to an offering will identify any agents or underwriters involved in the sale of our securities, and will disclose 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. See Plan of Distribution. We may not sell any of our securities through agents, underwriters or dealers or otherwise without delivery of this prospectus and a prospectus supplement describing the method and terms of the offering of securities. This prospectus and any accompanying prospectus supplement will together constitute the prospectus for an offering of securities.

Our common stock is traded on the Nasdaq Global Market under the symbol TINY. Our net asset value per share of our common stock as of March 31, 2015 was $3.39. On July 7, 2015, the last reported sales price on the Nasdaq Global Market for our common stock was $2.77 per share, representing a 18.3% discount to our net asset value as of March 31, 2015.

This prospectus, and any accompanying prospectus supplement, contains important information about us that a prospective investor should know before investing in our securities. Please read this prospectus, and any accompanying prospectus supplement, before investing and keep it for future reference. We will file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission, or the SEC. This information will be available free of charge by contacting us by mail at 1450 Broadway, 24th Floor, New York, NY 10018, by telephone at (212) 582-0900 or on our website at *http://www.hhvc.com*. The SEC also maintains a website at *http://www.sec.gov* that contains such information. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider that information to be part of this prospectus.

An investment in our securities is subject to risks and involves a heightened risk of total loss of investment. In particular, shares of closed-end investment companies, including BDCs, such as our company, frequently trade at a discount to their net asset value. In addition, the companies in which we invest are subject to special risks. For example, a substantial portion of our portfolio consists of investments in preferred stock and bridge loans that are not rated by rating agencies and would likely be rated below investment grade if they were rated. Below investment grade securities, which are often referred to as high yield and junk, have predominantly speculative characteristics with respect to the issuer s capacity to pay interest and repay principal. See Risk Factors beginning on page 16 to read about factors you should consider, including the risk of leverage, before investing in our securities.

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

This prospectus may not be used to consummate sales of securities unless accompanied by a prospectus supplement.

The date of this prospectus is , 2015.

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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.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission, or SEC, using the shelf registration process. Under the shelf registration process, which constitutes a delayed offering in reliance on Rule 415 under the Securities Act of 1933, as amended, or the Securities Act, we may offer, from time to time, in one or more offerings, up to $10,000,000 of our common stock, preferred stock, subscription rights to purchase shares of our common stock, debt securities, and warrants representing rights to purchase shares of our common stock, preferred stock or debt securities on such terms to be determined at the time of the offering. Our securities may be offered at prices and on terms described in one or more supplements to this prospectus. This prospectus provides you with a general description of our securities. Each time we use this prospectus to offer our securities, we will provide a prospectus supplement that will contain specific information about the terms of such offering. In particular, such prospectus supplement will include updated risk factors, financial data, portfolio holdings and their respective valuations, and other disclosure that will be tailored to address the pertinent market and other conditions that are prevalent at the time of such offering. Such disclosure will include, for example, the per share dollar amount of dilution, if any, that investors in such offering will incur. A prospectus supplement may also add, update or change information contained in this prospectus. If there is any inconsistency between information in this prospectus and the accompanying prospectus supplement, you should rely only on the information contained in the accompanying prospectus supplement. Please carefully read this prospectus and the accompanying prospectus supplement together with any exhibits and the additional information described under the headings Prospectus Summary, Risk Factors and Further Information before you make an investment decision.

You should rely on the information contained in this prospectus. We have not authorized any dealer, salesman or other person to provide you with different information or to make representations as to matters not stated in this prospectus or any accompanying prospectus supplement. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus, and any accompanying prospectus supplement, does not constitute an offer to sell or a solicitation of any offer to buy any security other than the registered securities to which they relate, nor do they constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus or any accompanying prospectus supplement. We will amend or supplement this prospectus and any accompanying prospectus supplement in the event of any material change to the information contained herein or therein during any applicable distribution period.

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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 16.

In this Prospectus, unless otherwise indicated, Harris & Harris, Company, us, our and we refer to Harris & Ha Group, Inc.® Harris & Harris Group, Inc. is a registered service mark. This Prospectus also includes trademarks owned by other persons.

Overview

Harris & Harris Group, Inc.® (the Company, us, our, and we), is an internally managed non-diversified closed-en venture capital company that builds transformative companies from disruptive science. We have elected to be regulated as a business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act). For tax purposes, we have elected to be treated as a regulated investment company (RIC) under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code). We were incorporated under the laws of the state of New York in August 1981. Our investment objective is to achieve long-term capital appreciation by making venture capital investments. Generation of current income is a secondary objective. We define venture capital investments as the money and resources made available to privately held and publicly traded small businesses that we believe have exceptional growth potential. Our investment approach is comprised of a patient examination of available opportunities, thorough due diligence and close involvement with management of our portfolio companies. As a venture capital company, we invest in and offer managerial assistance to our portfolio companies, many of which, in our opinion, have significant potential for growth. We are overseen by our Board of Directors, managed by our officers and have no external investment adviser.

We expect to invest a substantial portion of our assets in securities that we consider to be private venture capital equity investments. These private venture capital equity investments usually do not pay interest or dividends and typically are subject to legal or contractual restrictions on resale that may adversely affect the liquidity and marketability of such securities. Some of our convertible bridge notes may result in payment-in-kind (PIK) interest, which typically accrues over the life of the bridge note and often converts into equity of the portfolio company issuer upon a financing event. Our investments generally do not produce current income. As such, we have not paid a cash dividend on our common stock since 2000.

Our business model is simple. We help build transformative companies by identifying interesting investment spaces, by being the first investors, by building value in these companies over a multi-year period, and by realizing returns from our investments most commonly through acquisitions or through sales of publicly traded securities following initial public offerings (IPOs) or other forms of public listings, and reinvesting some of the returns on our investments into new portfolio companies that can drive future growth. We believe our evergreen structure is a competitive advantage over traditional, time-limited venture capital private partnerships as most of those entities do not have permanent capital to invest in portfolio companies. We believe we are a unique company with our focus on being actively involved investors in the formation and building of early-stage companies founded on disruptive science as a liquid, publicly traded company.

Our investment focus has two primary characteristics: (1) we found, incubate and help build transformative companies from disruptive science and (2) we focus on BIOLOGY+ companies. We define our investment focus of BIOLOGY+

as investments in interdisciplinary life science companies where biology innovation is intersecting with innovations in areas such as electronics, physics, materials science, chemistry, information technology, engineering and mathematics. We focus on this intersection because we believe interdisciplinary innovation will be required in order to address many of the life science challenges of the future. As of March 31, 2015, approximately 70% of the value of our venture capital portfolio is invested in BIOLOGY+ companies. Since 2008, more than 80% of our initial investments have been in BIOLOGY+ companies. Our focus on BIOLOGY+ is not a fundamental policy, and we will not be required to give notice to shareholders prior to making a change from this focus.

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To the investor, we offer:

- an established firm with a positive track record of investing in venture capital-backed companies as further discussed in Investments and Current Investment Pace on page 57;
- a team of professionals, including five full-time members of management, four of whom are designated as Managing Directors: Douglas W. Jamison, Daniel B. Wolfe, Misti Ushio and Alexei A. Andreev, to evaluate and monitor investments. These four professionals collectively have expertise in venture capital investing, intellectual property and BIOLOGY+-related disciplines;
- access to disruptive science-enabled companies, particularly ones that are enabled by BIOLOGY+ that would otherwise be difficult to access or inaccessible for most current and potential shareholders;
- an existing portfolio of companies at varying stages of maturity that provide for a potential pipeline of investment returns over time;
- access to a vehicle that can invest opportunistically in a range of types of securities to take advantage of market inefficiencies;
- access to venture capital investments in a vehicle that, unlike private venture capital firms, has permanent capital, is transparent and is liquid.

We have demonstrated that we have the ability to discover, diligence, invest, build and realize gains in transformative companies built from disruptive science. We spend a tremendous amount of time with these companies, often playing managerial roles in the earliest stages of their development. Our technical knowledge is important at this stage. Our success in building management teams and focusing on key market opportunities is critical at this stage. As these companies develop, we continue to invest in them, and we invite other investors with complementary skill-sets to invest and add value. In many of these companies, there is a round of capital that has an asymmetrical or outsized return potential compared to other rounds. By being in the companies early, and by recognizing this opportunity, we believe we have the potential to deliver outsized returns even though the investment time period may be long. We also believe we have an investment thesis and an interdisciplinary team that are difficult to replicate and give us a competitive advantage.

We identify investment opportunities primarily through four channels:

- our involvement in BIOLOGY+-related fields;
- proactively identifying market opportunities that we believe will be growth opportunities five to seven years from the date of our initial investment;
- research institutions, universities, and corporations that seek to transfer their scientific discoveries to the private sector; and
- referrals from our portfolio companies.

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

- about 30% will qualify for an initial presentation;
- about 5-10% will become the subject of formal due diligence; and
- less than 2% will be voted upon by our investment team.

We invest primarily in common and preferred equity securities or securities that are convertible into equity securities, including convertible bridge notes. Our investments in preferred equity securities often include anti-dilution protection that provides for the issuance of additional shares in the event a company raises capital at a price per share lower than the price per share we paid for the preferred securities. This anti-dilution protection also often includes a liquidation preference that can be senior to, or pari passu with, other outstanding classes of preferred stock, but is senior to common stock. Our preferred equity securities do not commonly pay or accrue dividends to us and are non-income producing. Our preferred equity securities

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often convert into shares of common stock on a one-for-one basis, subject to adjustments for anti-dilution protection, stock splits and other customary adjustments.

Our investments in convertible bridge notes often include the ability to accrue, rather than pay in cash, interest. This interest is most commonly converted into equity securities of the investee company once a new round of equity financing is complete. At the time of such financing, the principal and accrued and unpaid interest convertible bridge notes often convert into shares of convertible preferred stock sold in such financing at the same price per share or at a discount to the price per share paid to purchase such convertible preferred equity securities. From time to time, we also invest in debt securities that may or may not be convertible and that may pay cash interest. These notes may be secured or unsecured.

BIOLOGY+

Currently, we plan to focus all our efforts on building new companies enabled by our BIOLOGY+ thesis. The slide below identifies five fields within BIOLOGY+ that we are actively involved with and where we are continuing to look for future investment opportunities. A defining feature of our interdisciplinary team and our BIOLOGY+ focus is that many of these companies may intersect other areas of our interest as well.

There are very few people and very few venture capital firms still in existence that have the expertise to find, incubate and build these types of companies. The disruptive science comes from leading laboratories at premier research institutions. It takes time, experience and often partnerships with leading, global scientific companies to bring the technology to market. Our team, with scientific backgrounds in chemistry, biochemical engineering, physics, genetics and material science, is uniquely qualified to identify, diligence and invest in these opportunities.

Investment Opportunity

We believe our portfolio and the areas we are now investing in are positioned well for the critical high growth areas of the next decade and hold the potential to generate outsized returns for our shareholders in the mid and long-term. That said, realizing these returns requires that our portfolio companies and we have access to capital. The number of venture capital firms that invest in similar types of companies as us have decreased substantially in the past decade. This shift presents opportunities and challenges for us. The opportunities lie in the ability for us to dictate better terms and valuations that may lead to better returns on invested capital than otherwise might be available if the funding environment was more competitive. The challenge is that without such capital being available from traditional funding sources and with regulatory and other structural issues in the capital markets that make it more difficult for small companies to access the public markets for capital, we are required to invest more capital than we otherwise may have been required to invest historically. While these challenges are not easy to overcome, we believe the balance of these two factors is currently weighted to the side of opportunity.

Our ability to raise capital to fund additional investments provides a number of possible benefits to our shareholders, including the following:

Protecting or increasing ownership in existing portfolio companies that we believe have the best potential to generate future returns on invested capital;
Greater number of and larger investment opportunities may be available with a larger capital base;
Additional capital may reduce our operating expenses per share;
Higher market capitalization and greater liquidity may make our common stock more attractive to investors;

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Our ability to raise additional capital may help reduce or eliminate our stock price discount to net asset value.

Loan Facility

On September 30, 2013, we entered into a four-year, $20,000,000, multi-draw term loan credit facility with Orix Corporate Capital, Inc. (the Loan Facility), which may be used to fund investments in portfolio companies. The Loan Facility, among other things, matures on September 30, 2017, and bears interest at 10% per annum in cash. We have the option to have interest accrue at a rate of 13.5% per annum if we decide not to pay interest in cash monthly. We currently plan to pay interest in cash if and when any borrowings are outstanding. The Loan Facility also requires payment of a draw fee on each borrowing equal to 1.0% of such borrowing and an unused commitment fee of 1.0% per annum. Interest and fee payments under the Loan Facility are made quarterly in arrears. The Company may prepay the loans or reduce the aggregate commitments under the Loan Facility at any time prior to the maturity date, as long as certain conditions are met, including payment of required prepayment or termination fees. The Loan Facility is secured by all of our assets and those of our wholly owned subsidiaries, subject to certain customary exclusions. The Loan Facility contains certain affirmative and negative covenants, including without limitation: (a) maintenance of certain minimum liquidity requirements; (b) maintenance of an eligible asset leverage ratio of not less than 4.0:1.0; (c) limitations on liens; (d) limitations on the incurrence of additional indebtedness; and (e) limitations on structural changes, mergers and disposition of assets (other than in the normal course of our business activities). There were no borrowings at closing. At March 31, 2015 and December 31, 2014, we had $5,000,000 and $0, respectively, in debt outstanding under the Loan Facility. The remaining capacity under the Loan Facility was $15,000,000 at March 31, 2015. For the year ended December 31, 2014, we paid $202,778 in non-utilization fees and amortized $174,880 in closing costs related to the Loan Facility. For the three months ended March 31, 2015, we paid $50,000 in non-utilization fees and amortized $43,720 in closing costs related to the Loan Facility. We did not pay any interest in connection with the Loan Facility during the year ended December 31, 2014, or during the three months ended March 31, 2015.

Operational and Regulatory Structure

We incorporated under the laws of the state of New York in August 1981. In 1983, we completed an IPO. 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 BDC. As a BDC, we are required to meet regulatory tests, including the requirement to invest at least 70% of our gross assets in qualifying assets. Qualifying assets generally include, among other things, securities of eligible portfolio companies. Eligible portfolio companies generally include U.S. companies that are not investment companies and that do not have securities listed on a national exchange. If at any time less than 70% of our gross assets are comprised of qualifying assets, including as a result of an increase in the value of any non-qualifying assets or decrease in the value of any qualifying assets, we would generally not be permitted to acquire any additional non-qualifying assets until such time as 70% of our then current gross assets were comprised of qualifying assets. We would not be required, however, to dispose of any non-qualifying assets in such circumstances. See Regulation as a Business Development Company. For tax purposes, we have elected to be treated as a RIC under Subchapter M of the Code. We filed for the 1999 tax year to elect treatment as a RIC under Subchapter M of the Code and qualified for the same treatment for the years 2000 through 2013. However, there can be no assurance that we will qualify as a RIC for 2014 or subsequent years.

In the case of a RIC that furnishes capital to development corporations, there is an exception to the rule relating to the diversification of investments required to qualify for RIC treatment. This exception is available only to RICs that the

SEC determines to be principally engaged in the furnishing of capital to other corporations that are principally engaged in the development or exploitation of inventions, technological improvements, new processes, or products not previously generally available (SEC Certification). We have received SEC Certification since 1999, including for 2013, but it is possible that we may not receive SEC Certification in future years. We intend to apply for certification for 2014.

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Risk Factors

Set forth below is a summary of certain risks that you should carefully consider before investing in our securities. See Risk Factors beginning on page 16 for a more detailed discussion of the risks of investing in our securities.

Risks related to our Company and an investment in our securities.

Regulations governing our operation as a BDC may limit our ability to, and the way in which we, raise additional capital, which could have a material adverse impact on our liquidity, financial condition and results of operations.
We are a non-diversified investment company within the meaning of the 1940 Act, and therefore we are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer.
If we do not invest a sufficient portion of our assets in qualifying assets, we could fail to qualify as a BDC or be precluded from investing according to our current business strategy.
Failure to maintain our status as a BDC could reduce our operating flexibility.
We are uncertain of our sources for funding our future capital needs; if we cannot obtain capital from realized investments to reinvest or obtain debt or equity financing on acceptable terms, our ability to acquire investments and to expand our operations will be adversely affected.
Our ability to enter into transactions with our affiliates is restricted.
Our business may be adversely affected by the small size of our market capitalization.
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.
We expect to continue to experience material write-downs of securities of portfolio companies.
Unfavorable regulatory changes could impair our ability to engage in liquidity events and dampen our returns.
We are subject to risks associated with our strategy of increasing assets under management by raising third-party funds to manage.
Our shares of common stock are trading at a discount from net asset value and may continue do so in the future.
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 failure in cyber security systems, as well as the occurrence of events unanticipated in our disaster recovery systems and management continuity planning, could impair our ability to conduct business effectively.
We are dependent on information systems and systems failures could disrupt our business, which may, in turn, negatively affect the market price of our common stock.
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 shareholders of our common stock more volatile.

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If we are unable to comply with the covenants or restrictions of the Loan Facility, our business could be materially adversely affected.

We may expose ourselves to risks if we engage in hedging transactions.

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 (RIC) could reduce our net asset value and distributable income.

We may elect not to be treated as a RIC if we are not able to qualify as a RIC in any given year.

A deemed dividend election could affect the value of our stock.

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.

Investment in foreign securities could result in additional risks.

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

Our strategy of writing covered calls and buying put options on public portfolio company securities held by us could result in us receiving a lower return for such investments than if we had not employed such strategy.

Our compensation structure as an internally managed BDC could be materially different than our compensation structure if we were externally managed.

The Board of Directors intends to grant restricted stock pursuant to the Amended and Restated Harris & Harris Group, Inc. 2012 Equity Incentive Plan (the Stock Plan). These equity awards may have a dilutive effect on existing shareholders.

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

Risks related to our investments.

Approximately 47.6% of the net asset value attributable to our equity-focused venture capital investment portfolio, or 39.0% of our net asset value, as of March 31, 2015, is concentrated in Adesto Technologies Corporation, Metabolon, Inc., D-Wave Systems, Inc. and HZO, Inc.

The difficult venture capital investment and capital market climates for the types of companies in which we invest could increase the non-performance risk for our portfolio companies.

Changes in valuations of early-stage small businesses tend to be more volatile than changes in prices of established, more mature securities.

The capital markets may experience periods of disruption and instability. Such market conditions may materially and adversely affect debt and equity capital markets in the United States, which may have a negative impact on our business and operations.

Investing in small, privately held and publicly traded companies involves a high degree of risk and is highly speculative.

We have historically invested in sectors including life sciences, energy and electronics that are subject to specific risks related to each industry.

The three main industry sectors around which our investments have developed are all capital intensive.

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Our Board of Directors may change our investment objective, operating policies and strategies without prior notice or shareholder approval, the effects of which may be adverse.
We invest in illiquid securities and may not be able to dispose of them when it is advantageous to do so, or ever.
Successful portfolio companies do not always result in positive investment returns.
Our investments in debt and preferred equity securities of portfolio companies may be extremely risky, and we could lose all or part of our investments.
To the extent we use debt to finance our investments, changes in interest rates could affect our cost of capital and net investment income.
Our portfolio companies may incur debt that ranks senior to our investments in such companies.
Our portfolio companies face risks associated with international sales.
The effect of global climate change may impact our operations and the operations of our portfolio companies.
Uncertainty about the financial stability of the United States and of several countries in the European Union (EU) could have a significant adverse effect on our business, financial condition and results of operations.

Risks related to offerings pursuant to this prospectus.

Our common stock price may be volatile and may decrease substantially.
Our shares have at times traded, and may in the future trade at premiums that may prove to be unsustainable or at discounts from net asset value.
There is a risk that you may not receive dividends or that our dividends may not grow over time, particularly since we invest primarily in securities that do not produce current income.
We will have broad discretion over the use of proceeds from any future offering pursuant to this prospectus and any accompanying prospectus supplement, to the extent any such offering if successful, and will use proceeds in part to satisfy operating expenses.
Investors in any future offering pursuant to this prospectus and any accompanying prospectus supplement may incur immediate and substantial dilution.
Your interest in us may be diluted if you do not fully exercise your subscription rights in any rights offering.
If we issue preferred stock, debt securities or convertible debt securities the net asset value and market value of our common stock will likely become more volatile.
Holders of any preferred stock we might issue would have the right to elect members of our Board of Directors and class voting rights on certain matters.
The trading market or market value of any future publicly issued debt securities may fluctuate.
Terms relating to redemption may materially adversely affect your return on any debt securities that we may issue.
Our credit ratings, if any, may not reflect all risks of an investment in our debt securities.

See Risk Factors beginning on page 16 and the other information included in this prospectus for additional discussion of factors you should carefully consider before deciding to invest in our securities.

Our Corporation Information

Our Principal office is located at 1450 Broadway, 24th Floor, New York, NY 10018, and our telephone number is 212-582-0900.

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Offerings

We may offer, from time to time, up to $10,000,000 of our common stock, preferred stock, subscription rights to purchase shares of our common stock, debt securities, and warrants representing rights to purchase shares of our common stock, preferred stock or debt securities on terms to be determined at the time of the offering and set forth in one or more supplements to this prospectus. The offering price per share of our common stock, less any underwriting commissions or discounts, generally will not be less than the net asset value per share of our common stock at the time of an offering. However, we may in the future seek to issue shares of our common stock pursuant to this prospectus at a price per share that is less than our net asset value per share (i) with the prior approval of the majority of the shareholders of our common stock, (ii) in connection with one or more rights offerings to our existing shareholders or (iii) under such other circumstances as the SEC may permit. In addition, even if we seek and obtain shareholder approval to sell our common stock at a price below our net asset value per share, we cannot do so unless our Board of Directors determines that it would be in our and our shareholders best interests to do so.

Our securities may be offered directly to one or more purchasers, or through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to an offering will identify any agents or underwriters involved in the sale of our securities, and will disclose 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. See Plan of Distribution. We may not sell our securities through agents, underwriters or dealers without delivery of this prospectus and a prospectus supplement describing the method and terms of the offering of our securities.

Set forth below is additional information regarding offerings of our securities:

Use of Proceeds

Unless otherwise specified in a prospectus supplement, we plan to invest the net proceeds from the sale of our securities pursuant to this prospectus and any accompanying prospectus supplement in portfolio companies in accordance with our investment objective and strategies described in this prospectus. 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 be used only for follow-on investments. Pending investment in portfolio companies, we intend to invest the net proceeds of any offering of our securities 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. See Use of Proceeds.

NASDAQ Global Market Symbol

Our common stock is listed on the NASDAQ Global Market under the symbol TINY

Distributions

The timing and amount of our dividends, if any, will be determined by our Board of Directors. Any dividends to our shareholders will be declared out of assets legally available for distribution. As we focus on making primarily capital gains-based investments in equity securities, we do not anticipate that we will pay dividends on a quarterly basis or become a predictable distributor of dividends, and

we expect that our dividends, if any, will be less consistent than the dividends of other BDCs that primarily make debt investments.

To the extent that we retain any net capital gain, we may make deemed capital gain distributions. If we do make a deemed capital gain distribution, you will not receive a cash distribution, but instead you will receive a tax credit and increase in basis equal to your proportionate share of the tax paid by us on your behalf. We currently intend to retain our net capital gains for investment and pay the associated federal corporate income tax. We may change this policy in the future.

Taxation

We have elected to be treated for U.S. federal income tax purposes as a RIC under Subchapter M of the Code. As a RIC, we generally do not have to pay corporate-level U.S. federal income taxes on any ordinary income or capital gains that we distribute to our shareholders as dividends. To maintain our RIC tax status, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. See Distributions and Certain United States Federal Income Tax Considerations.

Leverage

We may borrow for investment purposes and, if we do borrow, we would be exposed to the risks of leverage, which may be considered a speculative investment technique. The use of leverage magnifies the potential for gain and loss on amounts invested and therefore increases the risks associated with investing in our securities.

Trading

Shares of closed-end investment companies frequently trade at a discount to their net asset value. The risk that our shares may trade at a discount to our net asset value is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our shares will trade above, at or below net asset value.

Certain Anti-Takeover Measures

Our charter and bylaws, as well as certain statutory and regulatory requirements, contain certain provisions that may have the effect of discouraging a third party from making an acquisition proposal for us. These anti-takeover provisions may inhibit a change in control in circumstances that could give the holders of our securities the opportunity to realize a premium over the market price for our securities. See Description of Our Capital Stock.

Risk Factors

Investing in our securities involves a high degree of risk. You should consider carefully the information found under the heading Risk Factors. If we fail to qualify as a RIC, we could become subject to federal income tax on all of our income, which could have a material adverse effect on our financial performance. We invest in small businesses with little to no operating history. These activities may involve a high degree of business and financial risk. We are also subject to risks associated with access to additional capital, fluctuating quarterly results and variation in our portfolio value.

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Available Information

We have filed with the SEC a registration statement on Form N-2 together with all amendments and related exhibits under the Securities Act. The registration statement contains additional information about us and the securities being offered by this prospectus.

We are required to file periodic reports, current reports, proxy statements and other information with the SEC. This information is available at the SEC s public reference room at 100 F Street, NE, Washington, D.C. 20549 and on the SEC s website at *http://www.sec.gov*. The public may obtain information on the operation of the SEC s public reference room by calling the SEC at (202) 551-8090. This information is also available free of charge by contacting us at Harris & Harris Group, Inc., 1450 Broadway, 24th Floor, New York, NY 10018, by telephone at (212) 582-0900, or on our website at *http://www.hhvc.com*.

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FEES AND EXPENSES

The following table is intended to assist you in understanding the various costs and expenses that an investor in this offering will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and may vary. The following table should not be considered a representation of our future expenses. The footnotes to the fee table state which items are estimates, and actual expenses may be greater or less than shown. Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by you, us, or Harris & Harris Group, or that we will pay fees or expenses, shareholders will indirectly bear such f or expenses as investors in Harris & Harris Group, Inc.; however, your responsibility for such fees or expenses is limited to your investment in Harris & Harris Group, Inc.

Shareholder Transaction Expenses:	
Sales Load (as a percentage of offering price)	[1]
Offering Expenses (as a percentage of offering price)	[2]
Total shareholder transaction expenses (as a percentage of the public offering price)	[3]
Annual Expenses (as a percentage of net assets attributable to common stock):[10]	
Other Expenses	**6.94%**[4]
Salaries and Benefits	3.99%[5]
Administration and Operations	1.75%[6]
Professional Fees	1.20%[7]
Acquired Fund Fees and Expenses	0.0%[8]
Interests and fees paid in connection with borrowed funds	0.51%[9]
Total Annual Expenses	**7.44%**[11]

(1) In the event that our securities are sold to or through underwriters, a corresponding prospectus supplement will disclose the applicable sales load.

(2) In the event that we conduct an offering of our securities, a corresponding prospectus supplement will disclose the estimated offering expenses.

(3) Total shareholder transaction expenses may include sales load and will be disclosed in a future prospectus supplement, if any.

(4) Other Expenses are based on projected amounts for the fiscal year ended December 31, 2015.

(5) Salaries and Benefits includes non-cash, stock-based compensation expenses. We do not have an investment adviser and are internally managed by our executive officers under the supervision of our Board of Directors. As a result, we do not pay investment advisory fees, but instead we pay the operating costs associated with employing investment management professionals. This figure reflects our estimated Salaries and Benefits expense for the fiscal year ending December 31, 2015.

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

(7) Professional Fees includes legal and accounting expenses.

(8) Amount reflects our estimated expenses for the twelve months ending December 31, 2015 relating to the temporary investment of proceeds in money market funds pending our investment of such proceeds in portfolio companies in accordance with our investment objective and strategies described in this prospectus.

(9) Interest and fees paid in connection with borrowed funds represents, as applicable, all of the commitment fees, interest expense, amortized financing costs of the Loan Facility, liabilities of our subsidiaries, and the fees and expenses of issuing and servicing any other borrowings or leverage that we expect to incur during the next twelve months.

(10) Net assets attributable to common stock equals the weighted average net assets for the three-month period ended March 31, 2015, which was approximately $116,690,890, and an assumed $10.0 million of preferred stock with a preferred rate of 8.0% per annum.

(11) This figure includes all of the fees and expenses of our consolidated subsidiaries.

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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 hypothetical $1,000 investment, assuming a 5% annual return:*

1 Year	3 Years	5 Years	10 Years
$73	**$215**	**$350**	**$659**

* This example includes non-cash, stock-based compensation. Excluding the non-cash, stock-based compensation, you would pay expenses of $67 in 1 year, $197 in 3 years, $323 in 5 years and $619 in 10 years, on a $1,000 investment, assuming a 5% 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 5% 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.**

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SELECTED FINANCIAL AND OTHER DATA

The selected financial and other data below should be read in conjunction with our Management s Discussion and Analysis of Financial Condition and Results of Operations included in this prospectus. Financial information at and for the fiscal years ended December 31, 2014, 2013, 2012, 2011 and 2010 is derived from our financial statements that were audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm. The data for the three months ended March 31, 2015 and 2014 has been derived from unaudited financial statements, which, in the opinion of management, include all adjustments consisting only of normal recurring adjustments, necessary for a fair statement of the results for the unaudited interim periods. Historical data is not necessarily indicative of the results to be expected for any future period. See Management s Discussion and Analysis of Financial Condition and Results of Operations below for more information.

	As of and for the Three Months Ended		As of and for the Years Ended				
	March 31, 2015	March 31, 2014	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Total assets	$113,020,168	$118,665,224	$112,094,861	$125,063,946	$131,990,250	$150,343,653	$149,289,168
Total liabilities	$7,127,434	$2,182,425	$2,440,434	$2,362,371	$3,553,476	$4,645,246	$2,435,256
Net assets	$105,892,734	$116,482,799	$109,654,427	$122,701,575	$128,436,774	$145,698,407	$146,853,912
Net asset value per outstanding share	$3.39	$3.73	$3.51	$3.93	$4.13	$4.70	$4.76
Cash dividends paid	$0.00	$0.00	$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	$0.00	$0.00
Shares outstanding, end of year	31,280,843	31,197,438	31,280,843	31,197,438	31,116,881	31,000,601	30,878,164

(1) Included in total expenses is non-cash, stock-based compensation expense of $857,006 in 2014; $1,249,756 in 2013; $2,928,943 in 2012; $1,894,800 in 2011; and $2,088,091 in 2010.

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SELECTED QUARTERLY FINANCIAL DATA

The following table sets forth certain quarterly financial data for the fiscal years ended December 31, 2014, 2013, 2012 and 2011, and the three months ended March 31, 2015. This data is derived from our unaudited financial statements but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Results for any quarter are not necessarily indicative of results for the full year or for any future quarter.

(1) Weighted average common shares were 31,280,843 as of March 31, 2015.

(2) Weighted average common shares were 31,197,438, 31,201,574, 31,245,664, and 31,246,046 for the three months ended March 31, 2014, June 30, 2014, September 30, 2014, and December 31, 2014 respectively.

(3) Weighted average common shares were 31,116,881, 31,118,358, 31,159,256, and 31,159,569 for the three months ended March 31, 2013, June 30, 2013, September 30, 2013, and December 31, 2013 respectively.

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RISK FACTORS

Investing in our securities involves a number of significant risks. In addition to the other information contained in this prospectus, you should consider carefully the following information before making an investment in our securities. The risk factors described below are the principal risk factors associated with an investment in our securities, as well as those factors generally associated with an investment company with investment objectives, investment policies, capital structure or trading markets similar to ours. In addition, the risk factors described below also describe the special risks of investing in a BDC, including the risks associated with investing in a portfolio of small and developing or financially troubled businesses. Although the risks described below represent our material risks, they are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us might also impair our operations and performance. If any of the following events occur, our business, financial condition and results of operations could be materially and adversely affected. In such case, our net asset value and the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks related to our Company and an investment in our securities.

Regulations governing our operation as a BDC may limit our ability to, and the way in which we, raise additional capital, which could have a material adverse impact on our liquidity, financial condition and results of operations.

Our business will in the future require a substantial amount of capital in addition to the proceeds of this offering sourced from either proceeds from realized investments or from subsequent offerings. We may acquire additional capital from the issuance of senior securities (including debt and preferred stock), the issuance of additional shares of our common stock or from securitization transactions. However, we may not be able to raise additional capital in the future on favorable terms or at all. Additionally, we may only issue senior securities up to the maximum amount permitted by the 1940 Act. The 1940 Act permits us to issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such issuance or incurrence. If our assets decline in value and we fail to satisfy this test, we may be required to liquidate a portion of our investments and repay a portion of our indebtedness at a time when such sales or repayment may be disadvantageous, which could have a material adverse impact on our liquidity, financial condition and results of operations.

Senior Securities. As a result of issuing senior securities, we would also be exposed to typical risks associated with leverage, including an increased risk of loss. If we issue preferred securities, such securities would rank senior to common stock in our capital structure, resulting in preferred shareholders having separate voting rights and possibly rights, preferences or privileges more favorable than those granted to holders of our common stock. Furthermore, the issuance of preferred securities could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for our common shareholders or otherwise be in your best interest.
Additional Common Stock. Our Board of Directors may decide to issue common stock to finance our operations rather than issuing debt or other senior securities. As a BDC, we are generally not able to issue our common stock at a price below net asset value without first obtaining required approvals from our shareholders and our independent directors. In any such case, the price at which our securities are to be issued and sold may not be less than a price, that in the determination of our Board of Directors, closely approximates the market value of such securities at the relevant time. We may also make rights offerings to our shareholders at prices per share less than the net asset value per share, subject to the requirements of the 1940 Act. If we raise additional funds by issuing more common stock or senior securities convertible into, or exchangeable for, our common stock, the percentage ownership of our shareholders at that time would decrease, and such shareholders may experience dilution.

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We are a non-diversified investment company within the meaning of the 1940 Act, and therefore we are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer.

We are classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. To the extent that we assume large positions in the securities of a small number of issuers, our net asset value may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market s assessment of the issuer. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. We do not have fixed guidelines for diversification, and therefore our investments could be concentrated in relatively few portfolio companies.

If we do not invest a sufficient portion of our assets in qualifying assets, we could fail to qualify as a BDC or be precluded from investing according to our current business strategy.

As a BDC, we may not acquire any assets other than qualifying assets unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets, which may prevent us from making certain investments that we would otherwise view as attractive opportunities. See Regulation as a Business Development Company.

We believe that most of the investments that we may acquire in the future will constitute qualifying assets. However, we may be precluded from investing in what we believe are attractive investments if the investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could be found to be in violation of the 1940 Act provisions applicable to BDCs, which would have a material adverse effect on our business, financial condition and results of operations. Rules under the 1940 Act could prevent us, for example, from making follow-on investments in existing portfolio companies (which could result in the dilution of our position and/or other punitive actions on our securities of those companies). If, in order to make additional investments, we need to dispose of such investments quickly, it could be difficult to dispose of such investments on favorable terms. We may have difficulty in such a case in finding a buyer and, even if we do find a buyer, we may have to sell the investments at a substantial loss.

Failure to maintain our status as a BDC could reduce our operating flexibility.

We have elected to be regulated as a BDC under the 1940 Act. The 1940 Act imposes numerous constraints on the operations of BDCs. For example, BDCs must invest at least 70% of their gross assets in specified types of securities, primarily in private companies or thinly traded U.S. public companies, cash, cash equivalents, U.S. government securities and other high quality debt investments that mature in one year or less. Furthermore, any failure to comply with the requirements imposed on BDCs by the 1940 Act could cause the SEC to bring an enforcement action against us and/or expose us to claims of private litigants. In addition, upon approval of a majority of our shareholders, we may elect to withdraw our status as a BDC. If we decide to withdraw our election, or if we otherwise fail to qualify or maintain our qualification as a BDC, we may be subject to the substantially greater regulation under the 1940 Act as a registered closed-end investment company. Compliance with such regulations would significantly decrease our operating flexibility, and could significantly increase our costs of doing business and adversely impact your investment in us.

We are uncertain of our sources for funding our future capital needs; if we cannot obtain capital from realized investments to reinvest or obtain debt or equity financing on acceptable terms, our ability to acquire investments and to expand our operations will be adversely affected.

Any working capital reserves we maintain and capital obtained from realized investments may not be sufficient for investment purposes, and we may require debt or equity financing to operate. Accordingly, in the event that we develop a need for additional capital in the future for investments or for any other reason, these sources of funding may not be available to us. The net proceeds from the sale of securities will be used in accordance with our investment objectives and strategies described in this prospectus. If we cannot obtain capital from realized investments or obtain debt or equity financing on acceptable terms, our ability to acquire investments and to expand our operations will be adversely affected. In such cases, we could be unable to make follow-on investments in existing portfolio companies (which could result in the dilution of our position and/or other punitive actions on our securities of those companies), which may negatively impact our net asset value per share, our investment returns and our ability to make distributions to our shareholders.

Our ability to enter into transactions with our affiliates is restricted.

We are prohibited under the 1940 Act from participating in certain transactions with certain of our affiliates without the prior approval of a majority of the independent members of our Board of Directors and, in some cases, the SEC. Any person that owns, directly or indirectly, 5% or more of our outstanding voting securities will be our affiliate for purposes of the 1940 Act and we will generally be prohibited from buying or selling any securities from or to such affiliate, absent the prior approval of our Board of Directors. The 1940 Act also prohibits certain joint transactions with certain of our affiliates, which could include investments in the same portfolio company (whether at the same or closely related times), without prior approval of our Board of Directors and, in some cases, the SEC. If a person acquires more than 25% of our voting securities, we will be prohibited from buying or selling any security from or to such person or certain of that person s affiliates, or entering into prohibited joint transactions with such persons, absent the prior approval of the SEC.

Our business may be adversely affected by the small size of our market capitalization.

Changes in regulations of the financial industry have adversely affected coverage of small capitalization companies such as ours 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 the liquidity of our stock and 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 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 privately held equity and debt securities in our portfolio at fair value as determined in good faith by the Valuation Committee, a committee made up of all of the independent members of our Board of Directors, 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 currently use option pricing models to determine and/or allocate the fair value of a significant portion of the privately held securities 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 privately held securities 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 Statement of Operations as a change in the Net (decrease) increase in unrealized depreciation on investments.

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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 small businesses 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 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.

We expect to 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 expect to 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. As the average size of each of our investments increases, the average size of our write-downs may also increase.

Option pricing models place a high weighting on liquidation preferences, which means that small differences in how the preferences are structured can have a material effect on the fair value of our securities at the time of valuation and also on future valuations should additional rounds of financing occur with senior preferences. As such, valuations calculated by option pricing models may not increase if (1) rounds of financing occur at higher prices per share, (2) liquidation preferences include multiples on investment, (3) the amount of invested capital is small and/or (4) liquidation preferences are senior to prior rounds of financing.

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

We rely on the ability to generate realized returns on our investments through liquidity events such as IPOs and M&A transactions.

When companies in which we have invested as private entities complete IPOs 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 IPOs. The market price of securities that we hold may decline substantially before we are able to sell these securities. Government reforms that affect the trading of securities in the United States have made market-making activities 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.

We also invest in companies that may complete public listings through reverse mergers with publicly traded shell companies. The securities owned prior to the completion of the reverse merger are subject to sale restrictions of at least one year from the effective date of the reverse merger as long as the publicly traded company continues to comply with the requirements of Rule 144. In addition, shareholders deemed to be affiliates of the publicly traded company are subject to volume restrictions once the stock owned by those entities is tradable. Furthermore, in 2011, the SEC established new rules for seasoning periods for former shell companies to uplist to a national exchange. These rules may negatively affect the liquidity of our stock of these companies as well as the ability of the publicly traded companies to raise additional capital, if needed. These factors could negatively affect the performance of the publicly traded companies and our returns on investments in these companies.

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In addition, the structural changes in the public markets that currently value near-term cash flows and predictable revenues versus long-term prospects for growth, and the regulatory burden imposed on publicly traded companies by governments worldwide, have reduced the appetite for some of our portfolio companies to pursue IPOs or other steps that would increase the liquidity of our ownership in these portfolio companies. This trend may lengthen the time that our portfolio companies remain as privately held entities in our portfolio, and our returns on these investments may be dampened by the need or choice to seek monetization of such illiquid assets.

An inability to generate realized returns on our investments could negatively affect our liquidity, our reinvestment rate in new and follow-on investments and the value of our investment portfolio.

We are subject to risks associated with our strategy of increasing assets under management by raising third-party funds to manage.

We have announced our strategy to grow assets under management by raising one or more third-party funds to manage. It is possible that we will invest our capital alongside or through these funds in portfolio companies. There is no assurance when and if we will be able to raise such fund(s) or, if raised, whether they will be successful.

Our executive officers and employees, in their capacity as the investment adviser of a fund, may manage other investment funds in the same or a related line of business as we do. Accordingly, they may have obligations to such other entities, the fulfillment of which obligations may not be in the best interests of us or our shareholders.

Our shares of common stock are trading at a discount from net asset value and may continue do so in the future.

Shares of closed-end investment companies have frequently traded at a market price that is less than the net asset value that is attributable to those shares. In part as a result of adverse economic conditions and increasing pressure within the financial sector of which we are a part, our common stock traded below our net asset value per share during some periods in 2010 and consistently throughout 2011 through 2014. Our common stock may continue to trade at a discount to net asset value in the future. The possibility that our shares of common stock may trade at a discount from net asset value over the long term is separate and distinct from the risk that our net asset value will decrease. We cannot predict whether shares of our common stock will trade above, at, or below our net asset value. On March 31, 2015, our stock closed at $3.08 per share, a discount of $0.31, or 9.1%, to our net asset value per share of $3.39 as of March 31, 2015. On July 7, 2015, our stock closed at $2.77 per share, a discount of $0.62, or 18.3%, to our net asset value per share as of March 31, 2015.

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.

None of our employees are subject to employment agreements. Our ability to attract and retain personnel with the requisite credentials, experience and skills will depend on several factors including, but not limited to, our ability to offer competitive wages, benefits and professional growth opportunities. Many of the entities with which we will compete for experienced personnel, including investment funds (such as venture capital funds) and traditional financial services companies, will have greater resources than us.

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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 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. The departure of any of our senior management or key advisers could materially adversely affect our ability to implement our business strategy. We do not maintain for our benefit any key-person life insurance on any of our officers or employees. The terms of our Loan Facility require that Douglas W. Jamison and Daniel B. Wolfe, or replacements suitable to our lender, devote substantially all of their time to Company matters, and failure to do so could trigger default.

The failure in cyber-security systems, as well as the occurrence of events unanticipated in our disaster recovery systems and management continuity planning, could impair our ability to conduct business effectively.

The occurrence of a disaster such as a cyber-attack, a natural catastrophe, an industrial accident, a terrorist attack or war, events unanticipated in our disaster recovery systems, or a support failure from external providers, could have an adverse effect on our ability to conduct business and on our results of operations and financial condition, particularly if those events affect our computer-based data processing, transmission, storage, and retrieval systems or destroy data. If a significant number of our managers were unavailable in the event of a disaster, our ability to effectively conduct our business could be severely compromised.

We depend upon computer systems to perform necessary business functions. Despite our implementation of a variety of security measures, our computer systems could be subject to cyber attacks and unauthorized access, such as physical and electronic break-ins or unauthorized tampering. Like other companies, we may experience threats to our data and systems, including malware and computer virus attacks, unauthorized access, system failures and disruptions. If one or more of these events occurs, it could potentially jeopardize the confidential, proprietary and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations, which could result in damage to our reputation, financial losses, litigation, increased costs, regulatory penalties and/or shareholder dissatisfaction or loss.

We are dependent on information systems and systems failures could disrupt our business, which may, in turn, negatively affect the market price of our common stock.

Our business is dependent on our and third party communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third-party service providers, could cause delays or other problems in our activities. Our financial, accounting, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors, including events that are wholly or partially beyond our control, and adversely affect our business. There could be:

- sudden electrical or telecommunications outages;
- natural disasters such as earthquakes, tornadoes and hurricanes;
- disease pandemics;
- events arising from local or larger scale political or social matters, including terrorist acts; and
- cyber attacks.

These events, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our common stock.

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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 BDC 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 shareholders of our common stock 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 BDC that uses 33% leverage (that is, $50 of leverage per $100 of common equity) will show a 1.5% increase or decline in net asset value for each 1% 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 shareholders of our common stock. If we issue preferred shares or debt, the shareholders of our common stock 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 shareholders of our common stock 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% 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 RIC under the Code, which would, in most circumstances, be materially adverse to the holders of our common stock.

As of March 31, 2015, we had $5,000,000 in borrowings under the Loan Facility, and we did not have any preferred stock outstanding.

If we are unable to comply with the covenants or restrictions of the Loan Facility, our business could be materially adversely affected.

The Loan Facility contains certain affirmative and negative covenants, including without limitation: (a) maintenance of certain minimum liquidity requirements; (b) maintenance of an eligible asset leverage ratio of not less than 4.0:1.0; (c) limitations on liens; (d) limitations on the incurrence of additional indebtedness; and (e) limitations on structural changes, mergers and disposition of assets (other than in the normal course of

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our business activities). Complying with these restrictions may prevent the Company from taking actions that we believe would help it to grow its business or are otherwise consistent with its investment objectives. These restrictions could also limit the Company s ability to plan for or react to market conditions or meet extraordinary capital needs or otherwise restrict corporate activities. For example, these restrictions, as currently in effect, would prohibit the Company from, or subject it to limitations on, incurring any additional indebtedness, which would include issuing any debt securities and buying back shares of the Company s stock.

The breach of any of the covenants or restrictions, unless cured within the applicable grace period, would result in a default under the Loan Facility that would permit the lenders thereunder to declare all amounts outstanding to be due and payable. Because the Loan Facility is secured by all the assets of the Company, in such an event, the Company may be forced to sell assets to repay such indebtedness. As a result, any default could cause the Company to sell portfolio company securities at a time that may not be advantageous and could have serious consequences to our financial condition. The Company may not be granted waivers or amendments to the Loan Facility if, for any reason, it is unable to comply with it, and the Company may not be able to refinance the Loan Facility on terms acceptable to it, or at all.

We may expose ourselves to risks if we engage in hedging transactions.

If we engage in hedging transactions, we may expose ourselves to risks associated with such transactions. We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in market conditions, currency exchange rates and market interest rates. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the underlying portfolio positions should increase. It may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of factors not related to currency fluctuations.

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 RIC could reduce our net asset value and distributable income.

We have elected to qualify, have qualified and currently intend to continue to qualify as a RIC under the Code. As a RIC, 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 RIC status in 2014 or beyond, we would be taxed in the same manner as an ordinary corporation and distributions to our shareholders would not be deductible in computing our taxable income, which could materially adversely impact the amount of cash available for distribution to our shareholders. In addition, to the extent that we had unrealized appreciation, we would have to establish reserves for taxes, which would reduce our net asset value, accordingly. To requalify as a RIC in a subsequent taxable year, we would be required to satisfy the RIC qualification requirements for that year and dispose of any earnings and profits from any year which we failed to qualify as a RIC. Subject to a limited exception applicable to RICs that qualified as such under Subchapter M of the Code for at least one year prior to disqualification and that requalify as a RIC no later than the second year following the nonqualifying year, we could be subject to tax on any unrealized net built-in gain in the assets held by us during the period in which we failed to qualify as a RIC that are recognized within the subsequent 10 years (or shorter applicable period), unless we made a special election to pay corporate-level tax at the time of our requalification as a RIC.

We will not be eligible to be treated as a RIC if we are not able to qualify as a RIC in any given year. In order to qualify for the special treatment accorded to RICs, we must meet certain income source, asset diversification and annual distribution requirements. Recent changes in our business, including our strategy of taking larger positions in our portfolio companies and increased holding periods to exit through IPOs or M&A transactions, have created more risk specifically relating to the asset diversification requirements of maintaining our special tax status. To qualify as a RIC, we must meet certain asset diversification requirements at the end of each quarter of our taxable year. Failure to meet these tests in any year may result in the loss of RIC status. Because our ownership percentages in our portfolio have grown over the last several years, as of March 31, 2015 we had at least six companies with significant valuations that are not qualifying assets for the purpose of the RIC test. As long as the aggregate values of our non-qualifying assets remain below 50% of total assets, we will continue to qualify as a RIC. It becomes more difficult to pass this test when companies in our portfolio are successful and we want to invest more capital in those companies to increase our investment returns. Rather than selling portfolio companies that are performing well in order to pass our RIC diversification tests, we may opt instead to not qualify as a RIC. If we fail to qualify for special tax treatment accorded to RICs for failure of our RIC diversification tests, or for any other reason, we will be subject to corporate-level income tax on our income.

A deemed dividend election could affect the value of our stock.

If we, as a RIC, decide to make a deemed distribution of realized net capital gains and retain the net realized capital gains for any taxable year, also referred to as a deemed dividend, 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. Additionally, if we decide to make a deemed distribution and changes in tax law occur that would increase the dividend tax rates for individuals and corporations, the net benefit to shareholders from a deemed distribution could be adversely affected. Such changes, therefore, could reduce the overall benefit to our shareholders from our status as a RIC.

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, public disclosure and market regulation, including the Sarbanes-Oxley Act of 2002 and the Dodd Frank Act, new SEC regulations, new federal accounting standards and Nasdaq Stock Market rules, create additional expense and uncertainty for publicly traded 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

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revenue-generating activities to compliance activities. 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. 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 price 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 life sciences-, energy- or electronics-related fields in general;
announcements regarding government funding and initiatives associated with the development of life sciences-, energy- or electronics-related products;
a mismatch between the long-term nature of our business and the short-term focus of many investors;
significant volatility in the market price and trading volume of securities of BDCs, RICs or other financial services companies;
changes in regulatory policies or tax guidelines with respect to BDCs or RICs; general economic conditions and trends; and/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. In the past, following periods of volatility in the market price of a company s securities, securities class action litigation has often been brought against that company. Due to the potential volatility of our stock price, we may therefore be the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management s attention and resources from our business.

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.

Investment in foreign securities could result in additional risks.

We may invest in foreign securities, and had one investment in a foreign security as of March 31, 2015. 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

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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 investment that is denominated in a foreign currency is 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.

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

Our investment objectives 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 small businesses 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 and in the semiconductor and information technology, life sciences, materials science and other high-technology industries, including energy, may also affect the price of our common stock.

Our strategy of writing covered calls and buying put options on public portfolio company securities held by us could result in us receiving a lower return for such investments than if we had not employed such strategy.

There are several risks associated with transactions in options on securities. For example, there are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. As the writer of a covered call option, the Company forgoes, during the option s life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but has retained the risk of loss should the price of the underlying security decline. The writer of an option has no control over the time when it may be required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security at the exercise price.

As the buyer of a put option, we may incur losses if the price per share of the underlying stock to that option is above the strike price of the put option at the time of expiration, which would result in our put option expiring without value. Such expiration would reduce our overall returns on our investment in those publicly traded securities once they are sold.

Our compensation structure as an internally managed BDC could be materially different than our compensation structure if we were externally managed.

As an internally managed BDC, our compensation structure is determined and set by our Board of Directors. This structure currently includes salary and bonus and incentive compensation, which is issued through grants and subsequent vesting of restricted stock. We are not generally permitted to employ an incentive compensation structure that directly ties performance of our investment portfolio and results of operations to compensation owing to our granting of restricted stock as incentive compensation.

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This compensation structure contrasts to that of an externally managed BDC, where management fees used to pay salaries and bonuses of the employees of the external adviser are determined based on a percentage of total (gross) assets, and cash-based incentive compensation is determined based on the performance of the BDC s investment portfolio and operating performance.

The differences between the compensation structure of our internally managed BDC and that of an externally managed BDC could lead to material differences in the compensation of our management team when compared with such compensation that would have been due if we were externally managed. For example, for the fiscal year ended December 31, 2014, salaries and benefits (excluding compensation costs related to restricted stock) accounted for approximately 2.7% of total assets. Owing primarily to a reduction in the number of full-time employees, we currently expect salaries and benefits to be approximately 2.3 2.5% of total assets for the fiscal year ending December 31, 2015, under the assumption that our total assets remains constant with those as of the end of 2014. This percentage could be higher if our total assets decrease as of the end of 2015 or could be lower if our total assets increase as of the end of 2015. If we were externally managed, the management fees that would be used to pay such expenses would be fixed based on the investment advisory agreement between the BDC and the adviser. This percentage is commonly set at 2.0% of total assets.

Incentive compensation is paid to our employees through grants of restricted stock. This restricted stock vests in part over time and in part when the volume-weighted stock price is at or above pre-determined stock price targets over a 30-day period. In 2014, approximately 83,400 shares of restricted stock vested based on time and no restricted stock vested based on stock price. The company recognized approximately $765,000 in compensation expense related to restricted stock in 2014. While a portion of the amount of restricted stock that vests is directly correlated to our stock price, there is no specific direct correlation between vesting and performance of the BDC s investment portfolio and operating performance. If we were externally managed, we would pay our adviser in cash a portion of our net realized gains less unrealized depreciation. This percentage is commonly set at 20%. If we were externally managed in 2014, we would not have paid incentive compensation to our adviser.

The Board of Directors intends to grant restricted stock pursuant to the Amended and Restated Harris & Harris Group, Inc. 2012 Equity Incentive Plan (the Stock Plan). These equity awards may have a dilutive effect on existing shareholders.

In accordance with the Stock Plan, the Company s Board of Directors plans to grant equity awards in the form of restricted stock from time to time for up to 10% of the total shares of stock issued and outstanding as of the effective date of the Stock Plan (June 7, 2012). Issuance of shares of restricted stock 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.

Risks Related to Our Investments.

Approximately 47.6% of the net asset value attributable to our equity-focused venture capital investment portfolio, or 39.0% of our net asset value, as of March 31, 2015, is concentrated in Adesto Technologies Corporation, Metabolon, Inc., D-Wave Systems, Inc. and HZO, Inc.

At March 31, 2015, we valued our investment in Adesto, which had a historical cost to us of $10,482,417, at

$16,176,632, our investment in Metabolon, which had a historical cost to us of $7,231,212, at $10,510,299, our investment in D-Wave, which had a historical cost to us of $5,787,955, at $7,622,785, and our investment in HZO, which had a historical cost to us of $8,376,505, at $7,032,725, which collectively represent 47.6% of the net asset value attributable to our equity-focused venture capital investment portfolio, excluding our rights to potential future milestone payments from the sale of BioVex to Amgen, or 39.0% of our net asset value.

Any downturn in the business outlook and/or substantial changes in the funding requirements of Adesto, Metabolon, D-Wave or HZO could have a significant effect on the value of our current investments in those companies, and the overall value of our portfolio, and could have a significant adverse effect on the value of our common stock. In addition, the unrealized appreciation in the value of D-Wave Systems, HZO and Metabolon represents approximately 70% of the unrealized appreciation in value of our investment portfolio. Many of our other investments have experienced unrealized depreciation in value. Accordingly, any reduction in the value of our investment in these three companies could materially and adversely impact our net asset value per share.

The difficult venture capital investment and capital market climates for the types of companies in which we invest could increase the non-performance risk for our portfolio companies.

While the public markets and corporate growth are improving, unemployment remains relatively high on a historical basis, and the potential for future global instabilities and inflation remain of concern. Even with signs of economic improvement, the availability of capital for venture capital firms that focus on investments in capital-intensive, science-enabled, small businesses, such as the ones in which we invest, continues to be limited. Historically, difficult venture environments have resulted in a higher than normal number of small businesses not receiving financing and being subsequently closed down with a loss to venture investors, and other small businesses receiving financing but at significantly lower valuations than the preceding financing rounds. This issue is compounded by the fact that a number of our investments include participation from venture capital funds that have few remaining years of investment and available capital owing to the finite lifetime of these funds. Additionally, even if a firm were able to raise a new fund, commonly new venture capital funds are not permitted to invest with old funds in existing investments. As such, improvements in the liquidity environment for venture-backed companies through IPOs and M&A transactions and the currently improving public markets in general may not translate to an increase in the available capital to the types of venture-backed companies we invest in. Further, many of our portfolio companies receive non-dilutive funding through government contracts and grants. Reductions in government spending could have a direct and significant reduction in our portfolio companies contract or grant awards. Such reductions can also result in reduced budgets at research facilities, which would reduce the volume of products they could potentially purchase from our portfolio companies.

We believe that these factors continue to contribute to the potential for non-performance risk for our portfolio companies that need to raise additional capital or that require substantial amounts of capital to execute on their business plans, as measured on an individual portfolio company basis. We define non-performance as the risk that the price per share (or implied valuation of a portfolio company) or the effective yield of a debt security of a portfolio company, as applicable, does not appropriately represent the risk that a portfolio company that requires or seeks to raise additional capital 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 of the most recent round of financing. 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. In addition, significant changes in the capital markets, including periods of extreme volatility and disruption, have had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. We believe further that the long-term effects of the difficult venture capital investment and difficult, but improving, liquidity environments will continue to affect negatively the fundraising ability of some small businesses regardless of near-term improvements in the overall global economy and public markets.

Changes in valuations of early-stage small businesses tend to be more volatile than changes in prices of established, more mature securities.

Investments in early- and mid-stage small businesses may be 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 small businesses can gain suddenly in value in response to an internal or external positive development. Moreover, because of the lack of daily pricing mechanisms of our privately held companies, our ownership interests in such investments are generally valued only at quarterly intervals by our Valuation Committee. Thus, changes in valuations from one valuation point to another may be larger than changes in valuations of marketable securities that are revalued in the

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marketplace much more frequently, in some highly liquid cases, virtually continuously. Although we carefully monitor each of our portfolio companies, 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.

As of March 31, 2015, our shares of Champions Oncology, Inc., and a portion of our shares of Enumeral Biomedical Holdings, Inc., which trade on an OTC exchange, were valued using the closing price at the end of the quarter as required by the 1940 Act owing to our determination that the common stock of these companies traded in an active market as of the valuation date. If in future quarters, shares of Champions Oncology and Enumeral Biomedical do not continue to trade in an active market as of the dates of valuation, the value of our shares could be materially different.

Additionally, we may price or invest in rounds at lower valuations than prior rounds of financing and/or previously reported valuations in order to receive more favorable terms, such as increased ownership percentages or liquidation preferences, which may result in decreased valuations in the interim. These decreases could be material.

The capital markets may experience periods of disruption and instability. Such market conditions may materially and adversely affect debt and equity capital markets in the United States, which may have a negative impact on our business and operations.

From time to time, capital markets may experience periods of disruption and instability. For example, between 2008 and 2009, the global capital markets were unstable as evidenced by periodic disruptions in liquidity in the debt capital markets, significant write-offs in the financial services sector, the re-pricing of credit risk in the broadly syndicated credit market and the failure of major financial institutions. Despite actions of the U.S. federal government and foreign governments, these events contributed to declining general economic conditions that materially and adversely impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular. While market conditions have experienced relative stability in recent years, there have been continuing periods of volatility, and there can be no assurance that adverse market conditions will not reoccur in the future.

Equity capital may be difficult to raise during periods of adverse or volatile market conditions because, subject to some limited exceptions, as a BDC, we are generally not able to issue additional shares of our common stock at a price below our net asset value without first obtaining approval for such issuance from our shareholders and our independent directors.

Significant changes or volatility in the capital markets may also have a negative effect on the valuations of our investments. While most of our investments are not publicly traded, applicable accounting standards require us to assume as part of our valuation process that our investments are sold in a principal market to market participants. Significant changes in the capital markets may also affect the pace of our investment activity and the potential for liquidity events involving our investments. Thus, the illiquidity of our investments may make it difficult for us to sell such investments, and, as a result, we could realize significantly less than the amount at which we have valued our investments if we were required to sell them for liquidity purposes. An inability to raise or access capital could have a material adverse effect on our business, financial condition or results of operations.

Investing in small, privately held and publicly traded companies involves a high degree of risk and is highly speculative.

A substantial portion of our portfolio consists of investments in preferred stock and bridge loans that were not rated by any rating agency, and if such investments were rated, they would likely receive a rating below investment grade or junk. A below investment grade or junk rating means that, in the rating agency s view, there is an increased risk that the obligor on such debt will be unable to pay interest and repay principal on its debt in full. In addition, we have invested a substantial portion of our assets in privately held companies, the securities of which are inherently illiquid. We may seek to invest in publicly traded small businesses that we believe have exceptional growth potential. Our privately held companies may transition to publicly traded companies through routes other than traditional IPOs and be listed on OTC rather than

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national exchanges. Although these companies are publicly traded, their stock may not trade at high volumes, and prices can be volatile, which may restrict our ability to sell our positions. These privately held and publicly traded small businesses tend to lack management depth, to have limited or no history of operations and to not have attained profitability. Companies commercializing products enabled by disruptive science 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 have historically invested in sectors including life sciences, energy and electronics that are subject to specific risks related to each industry.

We have historically invested the three largest portions of our portfolio in life sciences, energy and electronics companies. All of our life sciences investments can be characterized as BIOLOGY+ companies, which we refer to as investments in interdisciplinary life science companies where biology innovation is intersecting with innovations in areas such as electronics, physics, materials science, chemistry, information technology, engineering and mathematics. Our focus for new investments is in companies focused on BIOLOGY+, which often operate in life science-related industries and markets.

Our life sciences portfolio consists of companies that commercialize and integrate products in life sciences-related industries, including biotechnology, pharmaceuticals, diagnostics and medical devices. There are risks in investing in companies that target life sciences-related industries, including, but not limited to, the uncertainty of timing and results of clinical trials to demonstrate the safety and efficacy of products; failure to obtain any required regulatory approval of products; failure to develop manufacturing processes that meet regulatory standards; competition, in particular from companies that develop rival products; and the ability to protect proprietary technology. Adverse developments in any of these areas may adversely affect the value of our life sciences portfolio.

This life sciences industry is dominated by large multinational corporations with substantial greater financial and technical resources than generally will be available to the portfolio companies. Such large corporations may be better able to adapt to the challenges presented by continuing rapid and major scientific, regulatory and technological changes as well as related changes in governmental and third-party reimbursement policies.

Within the life sciences industry, the development of products generally is a costly and time-consuming process. Many highly promising products ultimately fail to prove to be safe and effective. There can be no assurance that the research or product development efforts of our portfolio companies or those of their collaborative partners will be successfully completed, that specific products can be manufactured in adequate quantities at an acceptable cost and with appropriate quality, or that such products can be successfully marketed or achieve customer acceptance. There can be no assurance that a product will be relevant and/or be competitive with products from other companies following the costly, time-consuming process of its development.

The research, development, manufacturing, and marketing of products developed by some life sciences companies are subject to extensive regulation by numerous government authorities in the United States and other countries. There can be no assurance that products developed by the portfolio companies will ever be approved by such governmental authorities.

Many life sciences portfolio companies will depend heavily upon intellectual property for their competitive position. There can be no assurance that the portfolio companies will be able to obtain patents for key inventions. Moreover, within the life sciences industry, patent challenges are frequent. Even if patents held by the portfolio companies are upheld, any challenges thereto may be costly and distracting to the portfolio companies management.

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Some of the life sciences portfolio companies will be at least partially dependent for their success upon governmental and third-party reimbursement policies that are under constant review and are subject to change at any time. Any such change could adversely affect the viability of one or more portfolio companies.

We will continue to make follow-on investments in our energy companies. Additionally, our current and future BIOLOGY+ portfolio companies may address needs in energy-related industries and markets. Our energy portfolio consists of companies that commercialize and integrate products targeted at energy-related markets. There are risks in investing in companies that target energy-related markets, including the rapid and sometimes dramatic price fluctuations of commodities, particularly oil and sugar, and of public equities, the reliance on the capital and debt markets to finance large capital outlays, change in climate, including climate-related regulations, and the dependence on government subsidies to be cost-competitive with non-renewable or energy-efficient solutions. For example, the attractiveness of alternative methods for the production of biobutanol and biodiesel has been and may continue to be adversely affected by the rapid and dramatic decrease in the price of oil. Adverse developments in this market may significantly affect the value of our energy portfolio, and thus our venture capital portfolio as a whole.

We will continue to make follow-on investments in our electronics companies. Additionally, our current and future BIOLOGY+ portfolio companies may address needs in electronics-related industries and markets. Our electronics portfolio consists of companies that commercialize and integrate 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, the reliance on partners outside of the United States, particularly in Asia, 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.

The three main industry sectors around which our investments have developed are all capital intensive.

The industry sectors where we have historically made investments, life sciences, energy and electronics, are all capital intensive. Currently, financing for capital-intensive companies remains difficult. In some successful companies, we believe we may need to invest more than we currently have planned to invest in these companies. There can be no assurance that we will have the capital necessary to make such investments. In addition, investing greater than planned amounts in our portfolio companies could limit our ability to pursue new investments and fund follow-on investments. Both of these situations could cause us to miss investment opportunities or limit our ability to protect existing investments from dilution or other actions or events that would decrease the value and potential return from these investments.

Our Board of Directors may change our investment objective, operating policies and strategies without prior notice or shareholder approval, the effects of which may be adverse.

In 2013 we announced the refinement of our investment focus for new investments in BIOLOGY+ companies. We define BIOLOGY+ as investments in interdisciplinary life science companies where biology innovation is intersecting with innovations in areas such as electronics, physics, materials science, chemistry, information technology, engineering and mathematics. Our focus on BIOLOGY+ is not a fundamental policy, and we will not be required to give notice to shareholders prior to making a change from this focus.

Our Board of Directors has the authority to modify or waive our investment objective, current operating policies, investment criteria and strategies without prior notice and without shareholder approval. We cannot predict the effect any changes to our current operating policies, investment criteria and strategies would have on our business, net asset value, operating results and the value of our stock. However, the effects might be adverse, which could negatively impact our ability to pay you dividends and cause you to lose all or part of your 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, equity-linked, or debt securities acquired directly from small businesses. These securities are generally subject to restrictions on resale or otherwise have no established trading market. The illiquidity of most of our portfolio of 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.

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 IPOs. After a portfolio company completes an IPO, its shares are generally subject to lock-up restrictions for a period of time. These lock-up restrictions apply to us and our shares of the portfolio company, potentially including any shares purchased by us in the IPO, and generally include provisions that stipulate that we are not permitted to offer, pledge or sell our shares, including selling covered call options on our shares, prior to the expiration of the lock-up period. We are also prohibited from entering into securities lending arrangements for these securities during the lock-up period. The market price of securities that we hold may decline substantially before we are able to sell these securities.

We may also hold securities of privately held companies that transition to publicly traded companies through reverse mergers into publicly traded shell companies. In such transactions, holders of shares of the privately held company prior to the reverse merger may be subject to limitations on the sale of securities held including time and volume restrictions. These restrictions may limit our ability to dispose of these securities at times when it may be advantageous for us to liquidate these investments, and the market price of securities that we hold may decline substantially before we are able to sell these securities.

Successful portfolio companies do not always result in positive investment returns.

Depending on the amount and timing of our investments in our portfolio companies, even if a portfolio company is ultimately successful, the returns on our investment in such portfolio company may not be positive. Our portfolio companies often receive capital from venture capitalists and/or other investors in rounds of financing. Depending on the amount of capital that it takes to operate a company until it either becomes cash flow positive or seeks to exit through an IPO or M&A transaction, each round of financing may have different terms, including liquidation preferences and control over company decisions. Depending on which rounds of financings the Company participates in and the terms of the last round of financing, the investment returns for any particular round may be higher or lower than others. Furthermore, our portfolio companies often require more capital than originally expected, and the ultimate value of those companies at realization may not be greater than the capital invested. Each of these scenarios and others could lead to a realized loss on an investment in an ultimately successful company.

Our investments in debt and preferred equity securities of portfolio companies may be extremely risky, and we could lose all or part of our investments.

When we make an investment in a secured debt instrument of a portfolio company, we generally take a security interest in the available assets of the portfolio company, including the equity interests of its subsidiaries, which we expect to help mitigate the risk that we will not be repaid. However, there is a risk that the collateral securing our loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital, and, in some circumstances, our lien could be subordinated to claims of other creditors. In addition, deterioration in a portfolio company s financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan. Consequently, the fact that a loan is secured does not guarantee that we will receive principal and interest payments according to the loan s terms, or at all, or that we will be able to collect on the loan should we be forced to enforce our remedies.

When we make an investment in preferred equity securities of a portfolio company, these securities are generally structured as unsecured convertible securities that are non-income producing and thus are not meant to be viewed or considered debt securities. As such, our preferred equity securities are generally subordinated to claims by outstanding debt and other creditors. Deterioration in a portfolio company s financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan.

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A portfolio company s failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its assets, which could trigger cross-defaults under other agreements and jeopardize our portfolio company s ability to meet its obligations under the debt securities that we hold and may not result in proceeds to return for our holdings of preferred stock. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company. In addition, if a portfolio company goes bankrupt, even though we may have structured our interest as senior debt, depending on the facts and circumstances, including the extent to which we actually provided significant managerial assistance to that portfolio company and/or that we hold equity securities of the portfolio company, a bankruptcy court might recharacterize our debt holding and subordinate all or a portion of our claim to that of another creditor.

To the extent we use debt to finance our investments, changes in interest rates could affect our cost of capital and net investment income.

To the extent we borrow money to make investments, our net investment income will depend, in part, upon the difference between the rate at which we borrow funds and the return from invested funds. As a result, we can offer no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income in the event we use debt to finance our investments. In periods of rising interest rates, our cost of funds could increase, which could reduce our net investment income. In addition, an increase in interest rates would make it more expensive to use debt to finance our investments. As a result, a significant increase in market interest rates could increase our cost of capital, which would reduce our net investment income. A decrease in market interest rates may adversely impact our returns on our cash invested in treasury securities, which would reduce our net investment income and cash available to fund operations. We may also use the proceeds from borrowings to invest in non-income-producing investments. Under this scenario, we would incur costs associated with the borrowings without any income to offset those costs until such investment is monetized. It is possible we may not be able to cover the costs of such borrowings from the returns on those investments.

On September 30, 2013, the Company entered into the Loan Facility, which is a multi-draw credit facility that may be used by the Company to fund investments in portfolio companies. The Loan Facility requires payment of an unused commitment fee of 1% per annum on any unused borrowings. Borrowings under the Loan Facility bear interest at 10% per annum in cash. The Company has the option to have interest accrue at a rate of 13.5% per annum if the Company decides not to pay interest in cash when due. The Company currently plans to pay interest in cash if and when any borrowings are outstanding. As of March 31, 2015, we had $5,000,000 in debt outstanding under the Loan Facility.

Illustration. The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns on the portfolio, net of expenses. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing in the table below.

Assumed Return on Portfolio (Net of Expenses)	-10 %	-5 %	0 %	5 %	10 %
Corresponding Return to Shareholders[1]	-14 %	-9 %	-4 %	1 %	6 %

(1) Assumes $113 million in total assets and $5 million in total debt outstanding, which reflects our total assets and total debt outstanding as of March 31, 2015. Actual interest payments may be different.

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

We may 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 or other forms of convertible and non-convertible debt securities. Our 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 on 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

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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 or other debt securities, we may also have investments in equity in the form of preferred shares. In some cases, a bankruptcy court may subordinate our bridge notes and/or other debt securities to debt holders that do not have equity in the portfolio company.

Our portfolio companies face risks associated with international sales.

We anticipate that certain of our portfolio companies could generate revenue from international sales. Risks associated with these potential future sales include:

- Political and economic instability;
- Export controls and other trade restrictions;
- Changes in legal and regulatory requirements;
- U.S. and foreign government policy changes affecting the markets for the technologies;
- Changes in tax laws and tariffs;
- Convertibility and transferability of international currencies; and
- International currency exchange rate fluctuations.

The effect of global climate change may impact our operations and the operations of our portfolio companies.

There may be evidence of global climate change. Climate change creates physical and financial risk, and some of our portfolio companies may be adversely affected by climate change. For example, the needs of customers of energy companies vary with weather conditions, primarily temperature and humidity. To the extent weather conditions are affected by climate change, energy use could increase or decrease depending on the duration and magnitude of any changes. Increases in the cost of energy could adversely affect the cost of operations of our portfolio companies if the use of energy products or services is material to their business. A decrease in energy use owing to weather changes may affect some of our portfolio companies financial condition through decreased revenues. Extreme weather conditions in general may disrupt our operations and the operations of our portfolio companies and require more system backups and redundancies, adding to costs, and can contribute to increased system stresses, including service interruptions.

Uncertainty about the financial stability of the United States and of several countries in the European Union (EU) could have a significant adverse effect on our business, financial condition and results of operations.

Owing to federal budget deficit concerns, S&P downgraded the federal government s credit rating from AAA to AA+ for the first time in history on August 5, 2011. Further, Moody s and Fitch had warned that they may downgrade the federal government s credit rating. Further downgrades or warnings by S&P or other rating agencies, and the U.S. government s credit and deficit concerns in general, could cause interest rates and borrowing costs to rise, which may negatively impact both the perception of credit risk associated with our debt portfolio and our ability to access the debt markets on favorable terms. In addition, a decreased U.S. government credit rating could create broader financial turmoil and uncertainty, which may weigh heavily on our financial performance and the value of our common stock.

In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these nations to continue to service their sovereign debt obligations. While the financial stability of such countries has improved, risks resulting from any future debt crisis in Europe or any similar crisis could have a detrimental impact on the global economic recovery, sovereign and non-sovereign debt in these countries and the financial condition of European financial institutions. Market and economic disruptions have affected, and may in the future affect, consumer confidence levels and spending, personal bankruptcy rates, levels of incurrence and default on consumer debt and home prices, among other factors. We cannot assure you that market disruptions in Europe, including the increased cost of funding for certain governments and

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financial institutions, will not impact the global economy, and we cannot assure you that assistance packages will be available or, if available, be sufficient to stabilize countries and markets in Europe or elsewhere affected by a financial crisis. To the extent uncertainty regarding any economic recovery in Europe negatively impacts consumer confidence and consumer credit factors, our business, financial condition and results of operations could be significantly and adversely affected.

In October 2014, the Federal Reserve announced that it was concluding its bond-buying program, or quantitative easing, which was designed to stimulate the economy and expand the Federal Reserve s holdings of long-term securities, suggesting that key economic indicators, such as the unemployment rate, had showed signs of improvement since the inception of the program. It is unclear what effect, if any, the conclusion of the Federal Reserve s bond-buying program will have on the value of our investments. However, it is possible that, without quantitative easing by the Federal Reserve, these developments, along with the U.S. government s credit and deficit concerns and the European sovereign debt crisis, could cause interest rates and borrowing costs to rise, which may negatively impact our portfolio company s ability to access the debt markets on favorable terms.

Risks related to offerings pursuant to this prospectus.

Our common stock price may be volatile and may decrease substantially.

The trading price of our common stock may fluctuate substantially. The price of our common stock that will prevail in the any future offering may be higher or lower than the price you pay, depending on many factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include, but are not limited to, the following:

- price and volume fluctuations in the overall stock market from time to time;
- investor demand for our shares;
- significant volatility in the market price and trading volume of securities of RICs, BDCs or other financial services companies;
- changes in regulatory policies or tax guidelines with respect to RICs or BDCs;
- failure to qualify as a RIC for a particular taxable year, or the loss of RIC status;
- actual or anticipated changes in our earnings or fluctuations in our operating results or changes in the expectations of securities analysts;
- general economic conditions and trends;
- fluctuations in the valuation of our portfolio investments;
- operating performance of companies comparable to us;
- market sentiment against technology-related companies; or
- departures of any of the senior investment professionals.

Due to the potential volatility of our stock price, we may be the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management s attention and resources from our business.

Our shares have at times traded, and may in the future trade at premiums that may prove to be unsustainable or at discounts from net asset value.

Shares of BDCs like us may, during some periods, trade at prices higher than their net asset value per share and, during other periods, as frequently occurs with closed-end investment companies, trade at prices lower than their net asset value per share. The perceived value of our investment portfolio may be affected by a number of factors including perceived prospects for individual companies we invest in, market conditions for common stock generally, for IPOs and other exit events for venture capital-backed companies, and the mix of companies in our investment portfolio over time. Negative or unforeseen developments affecting the

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perceived value of companies in our investment portfolio could result in a decline in the trading price of our common stock relative to our net asset value per share.

The possibility that our shares will trade at a discount from net asset value or at premiums that are unsustainable 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. As of July 7, 2015 the closing price of our common stock on the NASDAQ Global Market was $2.77 per share, which represented an approximately 18.3% discount to our net asset value per share as of March 31, 2015.

There is a risk that you may not receive dividends or that our dividends may not grow over time, particularly since we invest primarily in securities that do not produce current income.

We cannot assure you that we will achieve investment results or maintain a tax status that will allow or require any specified level of cash distributions or year-to-year increases in cash distributions. As we intend to focus on making primarily capital gains-based investments in equity securities, which generally will not be income producing, we do not anticipate that we will pay dividends on a quarterly basis or become a predictable issuer of dividends, and we expect that our dividends, if any, will be less consistent than other BDCs that primarily make debt investments. We have not paid a cash dividend on our common stock since 2000.

We will have broad discretion over the use of proceeds from any future offering pursuant to this prospectus and any accompanying prospectus supplement, to the extent any such offering is successful, and will use proceeds in part to satisfy operating expenses.

We will have significant flexibility in applying the proceeds of this offering and may use the net proceeds from any future offering pursuant to this prospectus and any accompanying prospectus supplement in ways with which you may not agree, or for purposes other than those contemplated at the time of any such offering. We cannot assure you that we will be able to successfully utilize the proceeds within the timeframe contemplated. We will also pay operating expenses, and may pay other expenses such as due diligence expenses of potential new investments, from the net proceeds of any such offering. Our ability to achieve our investment objective may be limited to the extent that the net proceeds of any such offering, pending full investment, are used to pay operating expenses. In addition, we can provide you no assurance that any future offering will be successful, or that by increasing the size of our available equity capital our aggregate expenses, and correspondingly, our expense ratio, will be lowered.

Investors in any future offering pursuant to this prospectus and any accompanying prospectus supplement may incur immediate and substantial dilution.

Commissions and discounts payable to any underwriters, together with our organization expense and other expenses of any future offering, will reduce the net proceeds of any such offering available for us to invest. As of March 31, 2015 our net asset value was $105,892,734 or $3.39 per share. Depending upon the public offering price, and after deducting the underwriting discounts and commissions and the related offering expenses payable by us, in connection with any offering pursuant to this prospectus, investors in any such offering may be subject to an immediate and substantial dilution.

Your interest in us may be diluted if you do not fully exercise your subscription rights in any rights offering.

In the event we issue subscription rights to purchase shares of our common stock, shareholders who do not fully exercise their rights should expect that they will, at the completion of the offer, own a smaller proportional interest in us than would otherwise be the case if they fully exercised their rights. We cannot state precisely the amount of any such dilution in share ownership because we do not know at this time what proportion of the shares will be purchased as a result of the offer.

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In addition, if the subscription price is less than our net asset value per share, then our shareholders would experience an immediate dilution of the aggregate net asset value of their shares as a result of the offer. The amount of any decrease in net asset value is not predictable because it is not known at this time what the subscription price and net asset value per share will be on the expiration date of the rights offering or what proportion of the shares will be purchased as a result of the offer. Such dilution could be substantial.

If we issue preferred stock, debt securities or convertible debt securities the net asset value and market value of our common stock will likely become more volatile.

We cannot assure you that the issuance of preferred stock and/or debt securities would result in a higher yield or return to the holders of our common stock. The issuance of preferred stock, debt securities or convertible debt would likely cause the net asset value and market value of our common stock to become more volatile. If the dividend rate on the preferred stock, or the interest rate on the debt securities, were to approach the net rate of return on our investment portfolio, the benefit of leverage to the holders of our common stock would be reduced. If the dividend rate on the preferred stock, or the interest rate on the debt securities, were to exceed the net rate of return on our portfolio, the use of leverage would result in a lower rate of return to the holders of common stock than if we had not issued the preferred stock or debt securities. Any decline in the net asset value of our investment would be borne entirely by the holders of our common stock. Therefore, if the market value of our portfolio were to decline, the leverage would result in a greater decrease in net asset value to the holders of our common stock than if we were not leveraged through the issuance of preferred stock. This decline in net asset value would also tend to cause a greater decline in the market price for our common stock.

There is also a risk that, in the event of a sharp decline in the value of our net assets, we would be in danger of failing to maintain required asset coverage ratios which may be required by the preferred stock, debt securities, convertible debt or units or of a downgrade in the ratings of the preferred stock, debt securities, convertible debt or units or our current investment income might not be sufficient to meet the dividend requirements on the preferred stock or the interest payments on the debt securities. If we do not maintain our required asset coverage ratios, we may not be permitted to declare dividends. In order to counteract such an event, we might need to liquidate investments in order to fund redemption of some or all of the preferred stock, debt securities or convertible debt. In addition, we would pay (and the holders of our common stock would bear) all costs and expenses relating to the issuance and ongoing maintenance of the preferred stock, debt securities, convertible debt or any combination of these securities. Holders of preferred stock, debt securities or convertible debt may have different interests than holders of common stock and may at times have disproportionate influence over our affairs.

Holders of any preferred stock we might issue would have the right to elect members of our Board of Directors and class voting rights on certain matters.

Holders of any preferred stock we might issue, voting separately as a single class, would have the right to elect two members of our Board of Directors at all times and in the event dividends become two full years in arrears would have the right to elect a majority of the directors until such arrearage is completely eliminated. In addition, shareholders of our preferred stock have class voting rights on certain matters, including changes in fundamental investment restrictions and conversion to open-end status, and accordingly can veto any such changes. Restrictions imposed on the declarations and payment of dividends or other distributions to the holders of our common stock and preferred stock, both by the 1940 Act and by requirements imposed by rating agencies, if any, or the terms of our credit facilities, if any, might impair our ability to maintain our qualification as a RIC for federal income tax purposes. While we would intend to redeem our preferred stock to the extent necessary to enable us to distribute our income as required to maintain our qualification as a RIC, there can be no assurance that such actions could be effected in time to meet the tax requirements.

The trading market or market value of any future publicly issued debt securities may fluctuate.

Any future public issued debt securities may or may not have an established trading market. We cannot assure you that a trading market for our publicly issued debt securities will ever develop or be maintained if developed. In addition to our creditworthiness, many factors may materially adversely affect the trading market for, and market value of, future potential publicly issued debt securities. These factors include, but are not limited to, the following:

- the time remaining to the maturity of these debt securities;
- the outstanding principal amount of debt securities with terms identical to these debt securities;
- the ratings assigned by national statistical ratings agencies;
- the general economic environment;
- the supply of debt securities trading in the secondary market, if any;
- the redemption or repayment features, if any, of these debt securities;
- the level, direction and volatility of market interest rates generally; and
- market rates of interest higher or lower than rates borne by the debt securities. You should also be aware that there may be a limited number of buyers when you decide to sell your debt securities. This too may materially adversely affect the market value of the debt securities or the trading market for the debt securities.

Terms relating to redemption may materially adversely affect your return on any debt securities that we may issue.

If your debt securities are redeemable at our option, we may choose to redeem your debt securities at times when prevailing interest rates are lower than the interest rate paid on your debt securities. In addition, if your debt securities are subject to mandatory redemption, we may be required to redeem your debt securities also at times when prevailing interest rates are lower than the interest rate paid on your debt securities. In this circumstance, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as your debt securities being redeemed.

Our credit ratings, if any, may not reflect all risks of an investment in our debt securities.

Our credit ratings, if any, will be an assessment by third parties of our ability to pay our obligations. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of our debt securities. Our credit ratings, however, may not reflect the potential impact of risks related to market conditions generally or other factors discussed above on the market value of or trading market for the publicly issued debt securities.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve substantial risks and uncertainties. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about Harris & Harris Group, our current and prospective portfolio investments, our industry, our beliefs, and our assumptions. Words such as anticipates, expects, intends, plans, will, may, continue, believ estimates, would, could, should, targets, projects, and variations of these words and similar expressions are ir identify forward-looking statements. The forward-looking statements contained in this prospectus involve risks and uncertainties, including statements as to:

- our future operating results;
- our business prospects and the prospects of our portfolio companies;
- the impact of investments that we expect to make;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- the adequacy of our cash resources and working capital; and
- the timing of cash flows, if any, from the operations and/or monetization of our positions in our portfolio companies.

These statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements, including without limitation:

- an economic downturn could impair our portfolio companies ability to continue to operate, which could lead to the loss of some or all of our investments in such portfolio companies;
- a contraction of available credit and/or an inability to access the equity markets could impair our investment activities;
- interest rate volatility could adversely affect our results, particularly if we elect to use leverage as material part of our venture debt investment strategy;
- currency fluctuations could adversely affect the results of our investments in foreign companies, particularly to the extent that we receive payments denominated in foreign currency rather than U.S. dollars; and
- the risks, uncertainties and other factors we identify in Risk Factors and elsewhere in this prospectus and in our other filings with the SEC.

Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions also could be inaccurate. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this prospectus should not be regarded as a representation by us that our plans and objectives will be achieved. These risks and uncertainties include those described or identified in Risk Factors and elsewhere in this prospectus. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this prospectus. Except as required by the federal securities laws, we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, to reflect events or circumstances occurring after the date of this prospectus. In this regard, we will update this prospectus in the event of any material change to the information contained herein during the pendency of any offering as required by the federal securities laws.

The forward-looking statements contained in this prospectus are excluded from the safe harbor provisions set forth in Section 27A of the Securities Act and in Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act).

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USE OF PROCEEDS

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 securities 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. We cannot assure you we will achieve our targeted investment pace. Pending such investments, we will invest the net proceeds of any such offering primarily in cash, cash equivalents, U.S. government securities and other high-quality debt investments.

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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.

	Market Price		Net Asset Value (end of period)(1)	Premium or (Discount) As % of NAV(2)	
Quarter Ended	High	Low		High	Low
March 31, 2013	$ 3.94	$ 3.35	$ 4.11	(4.1)%	(18.5)%
June 30, 2013	3.70	3.01	4.24	(12.7)%	(29.0)%
September 30, 2013	3.23	2.95	4.18	(22.7)%	(29.4)%
December 31, 2013	3.26	2.95	3.93	(17.0)%	(24.9)%
March 31, 2014	$ 3.94	$ 2.83	$ 3.73	5.6 %	(24.1)%
June 30, 2014	3.91	3.12	3.87	1.0 %	(19.4)%
September 30, 2014	3.43	2.90	3.85	(10.9)%	(24.7)%
December 31, 2014	3.09	2.51	3.51	(12.0)%	(28.5)%
March 31, 2015	$ 3.85	$ 2.86	$ 3.39	13.6 %	(15.6)%
June 30, 2015	3.15	2.56	*	*	*
July 1 through July 7, 2015	2.79	2.75	*	*	*

(1) NAV per share is determined as of the last day in the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low sales prices. The NAV per share figures shown are based on outstanding shares at the end of each period.

(2) Calculated as the respective high or low sales price less NAV per share, divided by NAV per share.

* Not determinable as of the date of this prospectus.

On July 7, 2015, the last reported sales price of our common stock was $2.77 per share.

Shares of BDCs may trade at a market price that is less than the value of the net assets attributable to those shares. The possibility that our shares of common stock will trade at premiums that are unsustainable over the long term or at a discount from net asset value are separate and distinct from the risk that our net asset value will decrease. Since our IPO in 1983, our shares of common stock have traded at both a discount and a premium to the net assets attributable to those shares. As of July 7, 2015, our shares of common stock traded at a discount equal to approximately 18.3% of the net assets attributable to those shares based upon our $3.39 NAV per share as of March 31, 2015. It is not possible to predict whether the notes offered hereby will trade at, above, or below net asset value.

The timing and amount of our dividends, if any, will be determined by our Board of Directors. Any dividends to our shareholders will be declared out of assets legally available for distribution. We are also restricted in our ability to issue certain dividends to our shareholders by the terms of our Loan Facility. We intend to focus on making capital gains-based investments from which we will derive primarily capital gains. As a consequence, we do not anticipate that we will pay dividends on a quarterly basis or become a predictable distributor of dividends, and we expect that our dividends, if any, will be much less consistent than the dividends of other BDCs that primarily make debt investments.

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RATIOS OF EARNINGS TO FIXED CHARGES

The following contains our ratio of earnings to fixed charges for the periods indicated, computed as set forth below. You should read these ratios of earnings to fixed charges in connection with our consolidated financial statements, including the notes to those statements, included in this prospectus.

	For the three months ended March 31, 2015	For the year ended December 31, 2014	For the year ended December 31, 2013	For the year ended December 31, 2012	For the year ended December 31, 2011	For the year ended December 31, 2010
Earnings to Fixed Charges[(1)]	(27.3)	(35.9)	(66.7)	(415.0)	(95.7)	(0.00)

For purposes of computing the ratios of earnings to fixed charges, earnings represent net increase in shareholders equity resulting from operations plus (or minus) income tax expense (benefit) including excise tax expense plus fixed charges. Fixed charges include interest and credit facility fees expense. The ratio coverage for the three months ended March 31, 2015 and the years ended December 31, 2014, 2013, 2012 and 2011 was less than 1:1. We would have needed to generate additional earnings of $4.1 million, $13.9 million, $7.9 million, $20.0 million and $3.6 million, respectively, to achieve a coverage ratio of 1:1 for each of those periods.

(1) Earnings include net realized and unrealized gains or losses. Net realized and unrealized gains or losses can vary substantially from period to period.

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

Background and Overview

We incorporated under the laws of the state of New York in August 1981. In 1983, we completed an IPO. 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 BDC subject to the provisions of Sections 55 through 65 of the 1940 Act.

We believe we provide five core benefits to our shareholders. First, we are an established firm with a positive track record of investing in venture capital-backed companies as further discussed in Management s Discussion and Analysis of Financial Condition and Results of Operations Investments and Current Investment Pace on page 57. Second, we provide shareholders with access to disruptive science-enabled companies, particularly ones that are enabled by BIOLOGY+, that would otherwise be difficult to access or inaccessible for most current and potential shareholders. Third, we have an existing portfolio of companies at varying stages of maturity that provide for a potential pipeline of investment returns over time. Fourth, we are able to invest opportunistically in a range of types of securities to take advantage of market inefficiencies. Fifth, we provide access to venture capital investments in a vehicle that, unlike private venture capital firms, has permanent capital, is transparent and is liquid.

We build transformative companies from disruptive science. We make venture capital investments in companies enabled by multidisciplinary, disruptive science. We define venture capital investments as the money and resources made available to privately held and publicly traded small businesses with exceptional growth potential.

In 2002, we focused our efforts investing in companies that were enabled at the micro and nanoscale. Many of the disruptive scientific breakthroughs that are the basis of the transformative companies we build occur at the nanoscale. This focus permitted the Company to become a leader investing in this emerging space. Additionally, our interdisciplinary scientific backgrounds led us to identify interesting breakthroughs that were occurring ever more often at the intersection of different scientific disciplines.

Two things have become clear to us over the past six years. First, many of the most interesting scientific breakthroughs are occurring at the intersection of different scientific disciplines, usually with biology as one of these disciplines. Two, companies that intersect with healthcare or the life sciences are yielding increased venture capital returns. In our own portfolio, companies in the life science sector have outperformed portfolio companies in the electronics and energy sectors significantly since 2002. Thus, beginning in 2008, the majority of our investments have been in companies that we define as BIOLOGY+, which refers to investments in interdisciplinary life science companies where biology innovation is intersecting with innovations in areas such as electronics, physics, materials science, chemistry, information technology, engineering and mathematics. We expect our future investments to be within the category of BIOLOGY+.

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Our business model is simple. We help build transformative companies by being the first investors, building value in these companies over a multi-year period, realizing returns from our investments through acquisitions or IPOs, and reinvesting some of the returns on our investments into new portfolio companies that can drive future growth. We believe our evergreen structure is a competitive advantage over traditional, time-limited venture capital private partnerships as most of those entities do not have permanent capital to invest in portfolio companies. We believe we are a unique company with our focus on being actively involved investors in the formation and building of early-stage companies founded on disruptive science as a liquid, U.S. exchange listed, publicly traded company.

As of March 31, 2015, we had 28 privately held, equity-focused companies in our portfolio that have yet to complete liquidity events (e.g., IPOs onto national exchanges or M&A transactions). This does not include 1) our publicly traded and unrestricted shares of Solazyme, Inc., and Champions Oncology, Inc.; 2) our publicly traded shares of Enumeral Biomedical Holdings, Inc., which are subject to restrictions on their sale; 3) our venture debt deal with NanoTerra, Inc.; and 4) our rights to milestone payments from Amgen, Inc., Laird Technologies, Inc., and Canon, Inc. As of March 31, 2015, we valued our 28 privately held equity-focused companies at $78,075,037. Including the companies referenced above, we valued our total venture capital portfolio at $90,456,608 as of March 31, 2015. At March 31 2015, from first dollar in, the average and median holding periods for the 28 privately held equity-focused investments were 5.6 years and 4.8 years, respectively. Historically, as measured from first dollar in to last dollar out, the average and median holding periods for the 72 investments we have fully exited were 4.5 years and 3.5 years, respectively.

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Our execution strategy over the next five years has four parts: 1) Realize returns to increase shareholder value; 2) Invest for growth to increase shareholder value; 3) Partner to more effectively create value; and 4) Return value to our shareholders.

Realize

Realize refers to realizing value in our venture capital portfolio. Since our investment in Otisville in 1983 through March 31, 2015, we have made a total of 103 equity-focused venture capital investments. We have completely exited 72 and partially exited three of these 103 investments, recognizing aggregate net realized gains of $83,711,896 on invested capital of $129,669,354, or 1.6 times invested capital. For the securities of the 28 companies in our equity-focused portfolio held at March 31, 2015, we have net unrealized depreciation of $26,376,322 on invested capital of $104,451,359. We have aggregate net realized gains on our exited companies, offset by unrealized depreciation for our 28 currently held equity-focused investments of $57,335,574 on invested capital of $234,120,713.

The amount of net realized gains includes:

Realized gains of $3,948,694 from the sale of the semiconductor lithography equipment business of Molecular Imprints, Inc., to Canon, Inc. We had invested a total of $2,848,041 in Molecular Imprints;
Realized gains of $17,801,322 from the sale of shares of Solazyme, Inc., on invested capital of $5,326,098. In addition, we generated $1,757,610 in realized gains on our sale and/or purchase of written call option and put option contracts covered by our shares of Solazyme, Inc.;
Realized gains of $296,972 from the sale of shares of Champions Oncology, Inc., on invested capital of $576,971;
Realized gains of $536,813 from rights to milestone payments resulting from the achievement during the third quarter of 2014 of the first milestone associated with Amgen, Inc. s acquisition of BioVex Group, Inc.;
Realized loss of $7,299,533 on our investment in Kovio, Inc., on invested capital of $7,299,533. On January 21, 2014, substantially all of Kovio s assets were sold by Square 1 Bank, Kovio s secured creditor, to Thin Film Electronics ASA. Our shares were subsequently declared worthless on February 19, 2014; and
Realized loss of $4,488,576 on our investment in Contour Energy Systems, Inc., on invested capital of $4,509,995. On August 15, 2014, the stockholders of Contour Energy Systems were given official notice of its liquidation and dissolution, which was approved by its board of directors following the approval of the majority of the stockholders.

The aggregate net realized gains and the cumulative invested capital do not reflect the cost or value of our freely tradable shares of Solazyme, Inc., and Champions Oncology, Inc., that we owned as of March 31, 2015. The aggregate net realized gains also do not include potential milestone payments that could occur as part of the acquisitions of BioVex Group, Inc., Nextreme Thermal Solutions, Inc., or Molecular Imprints, Inc., at points in time in the future. If these amounts were included as of March 31, 2015, our aggregate net realized gains and cumulative invested capital from 1983 through March 31, 2015, would be $90,963,653 and $133,797,360, respectively, or 1.7 times invested capital. These amounts also do not include our shares of Enumeral Biomedical Holdings, Inc., that, while traded publicly, are restricted and/or are subject to lock-up agreements.

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Recent and Potential Liquidity Events From Our Portfolio as of March 31, 2015

On April 18, 2014, Canon, Inc., completed its acquisition of Molecular Imprints, Inc. s semiconductor lithography equipment business. We could receive an additional $625,000 from amounts held in escrow as well as up to $1.7 million upon the achievement of certain milestones. As of March 31, 2015, we valued potential milestone payments from the sale of Molecular Imprints at $630,711. We have not received any milestone payments as of March 31, 2015, and there can be no assurance as to the timing and how much of this amount we will ultimately realize in the future, if any.

With the closing of the transaction, a new spin-out company, which retained the name Molecular Imprints, Inc., was formed to continue development and commercialization of nanoscale patterning in consumer and biomedical applications. We are a shareholder of this new company. On April 8, 2015, the board of directors of Molecular Imprints approved an Agreement and Plan of Merger with the MII Acquirer. As a result of the merger, Molecular Imprints will become a wholly owned subsidiary of the MII Acquirer. The Merger Agreement provides for both cash consideration and stock consideration in the form of shares of Series B Preferred Stock of the MII Acquirer. This transaction closed on May 1, 2015. We expect to receive $705,633 in cash and $287,809 in Series B Preferred Stock of the MII Acquirer at the close of the transaction. An additional $126,972 in cash and $50,795 in Series B Preferred Stock of the MII Acquirer is held in escrow to settle indemnity claims until May 1, 2016.

As of March 31, 2015, we valued the remaining potential milestone payments from the sale of BioVex Group, Inc., at $2,564,070. If all the remaining milestone payments were to be paid by Amgen, Inc., we would receive an additional $7,455,438. There can be no assurance as to the timing and how much of this amount we will ultimately realize in the future.

As of March 31, 2015, we valued potential milestone payments from the sale of Nextreme Thermal Solutions, Inc., to Laird Technologies, Inc., at $0.

Enumeral Biomedical Holdings is traded publicly on the OTC market under the symbol ENUM. Certain of the Company s shares of Enumeral Biomedical Holdings are subject to restrictions on transfer, and we are also subject to a lock-up agreement that restricts our ability to trade all securities of Enumeral owned by us, exclusive of the general restriction on the transfer of unregistered securities. The lock-up period on our 7,966,368 shares of Enumeral Biomedical Holdings expires on January 31, 2016. ENUM s stock closed trading on July 7, 2015, at $0.58 per share.

On May 5, 2015, OpGen, Inc., completed an IPO. As of that date, the company s common stock and warrants trade on the NASDAQ Capital Market under the symbols OPGN and OPGNW, respectively. With the close of the offering, our preferred stock and certain of our bridge notes were converted into shares of common stock of OpGen. We invested $1.8 million in the IPO, inclusive of $650,000 in outstanding demand notes. Certain of our shares and warrants of OpGen are subject to restrictions on transfer and/or lock-up agreements. The lock-up period on these securities expires on November 1, 2015. OpGen s common stock closed trading on July 7, 2015 at $3.35 per share, and OpGen s warrants closed trading on July 7, 2015 at $0.67 per share.

Our companies often plan for and/or begin the process of pursuing potential sales and/or IPOs of those companies by hiring bankers and/or advisers to attempt to pursue such liquidity events. We consider these efforts to be in the ordinary course of business for those companies until the potential and timing of a transaction become tangible through events such as acceptance of letters of intent to acquire a company and/or the beginning of a road show to pursue an IPO.

Strategy for Managing Publicly Traded Positions

Our equity-focused portfolio companies may seek to raise capital and provide liquidity to shareholders through IPOs. It is generally rare that pre-IPO investors are afforded the ability to sell a portion of shares owned in the IPO. These pre-IPO shares, and sometimes shares purchased in the IPO by us, are often subject to lock-up provisions that prevent the sale of those shares, options against those shares or other transactions associated with those shares until expiration of the lock-up period, which is often 180 days from the date of a standard IPO. This lock-up period may be longer in other public offering transactions or transitions from a privately held company to a publicly traded company through processes such as a reverse merger with a publicly traded shell company. We commonly plan to hold our shares of our publicly traded portfolio companies following the expiration of the lock-up restrictions if we believe that the prospects for future growth of the portfolio company and the underlying value of our shares are as great or greater than other opportunities we are currently encountering. We believe we are able to make such assessments using our extensive knowledge of the companies having actively worked with them and their management teams over multiple years as pre-IPO investors. As such, we may hold our shares of publicly traded portfolio companies for extended periods of time from the date of IPO. That said, we may also elect to sell our shares of publicly traded companies before such growth has occurred if we believe there are better growth opportunities for that capital or if we require that capital to make other investments and/or to fund operations of the Company.

In situations where a company becomes publicly traded through a reverse merger with a publicly traded shell company, we may be subject to additional restrictions on the sale of the securities under Rule 144. This rule stipulates that shares of the new publicly traded company cannot be sold outside of a registration statement unless the publicly traded company is current on its periodic filings with the SEC (other than Form 8-K filings) and a period of time of one year from the date of the filing of Form 10 information occurs. This date of filing is often set by the announcement of the reverse merger in an expanded Form 8-K that includes Form 10 information. An additional limitation is that there are restrictions on the volume of sales permitted by affiliates of the publicly traded company following the one-year period discussed above. Affiliates are those who are deemed to have control of the company. There is a rebuttable presumption that such control is achieved through ownership of more than 10% of the public company s class of voting securities or by serving as directors or officers of the company. We may be considered affiliates of these companies and, therefore, subject to these volume restrictions on the sale of our positions in these companies.

Following the expiration of the lock-up restrictions, we may pursue the sale of call options covered by our ownership of shares in our publicly traded portfolio companies. The Company will only sell or write options on common stocks held in the Company s portfolio. We will not sell naked call options, *i.e.*, options representing more shares of the stock than are held in the portfolio. These call options give the buyer the right to purchase our stock at a given price, the strike price, prior to a specific date, the expiration date. A call option whose strike price is above the current price of the underlying stock is called out-of-the-money. A call option whose strike price is below the current price of the underlying stock is called in-the-money. When stocks in the portfolio rise, call options that were out-of-the-money when written may become in-the-money, thereby increasing the likelihood that they could be exercised, and we would be forced to sell the stock. The opposite would occur for an in-the-money option that would become out-of-the-money if the stock were to fall below the strike price of the option. We have used and currently plan to continue to use both in-the-money and out-of-the-money options as part of our strategy for managing our ownership in publicly traded portfolio companies.

We may also purchase put options as a method of limiting the downside risk that the price per share of these companies may decrease substantially from current levels. A put option gives its holder the right to sell a specified number of shares of a specific security at a specific price (known as the exercise strike price) by a certain date. The buyer of a put option is betting that the price of the security will decrease before the option expires. The risk for us as the option holder is that the option expires unexercised, and we have lost the money spent on buying the option.

For conventional listed call options, the options expiration dates are commonly up to nine months from the date the call options are first listed for trading. Longer-term call options can have expiration dates up to three years from the date of listing. We currently expect the majority of written call options to be ones with expirations of equal to or shorter than one year from the date the call option is first listed for trading.

We believe this strategy of selling covered call options on our publicly traded portfolio companies provides at least three benefits:

1) We receive payment of a premium in cash at the time of the sale of the call option. The amount of the premium received is negotiated between the buyer and us and is influenced generally by the market price of the underlying stock, the volatility of the stock and the length of time between the date of sale of the call option and the expiration date. If the option expires out-of-the-money, we retain the premium as a gain on our investment.

2) If the option is exercised, it enables the monetization of the stock held by us in an orderly transaction that yields known returns. Our publicly traded portfolio companies currently trade at small average daily volumes of shares compared with our positions in these companies. As such, a decision by us to sell a portion or all of our shares in these companies in the public markets through brokers could negatively affect the price at which we would be able to sell these shares and, therefore, our ultimate returns. The sale of a call option sets a price at which our shares would sell if the option is exercised, which negates the potential impact of illiquidity or other market dynamics on our returns from the sale of these shares. That said, it also sets an upper limit for the proceeds we would receive in such sale. We plan to enter into such contracts at a price per share and in a timeframe that we would be willing to sell those shares. While we may repurchase call options when advantageous to us, we commonly do not sell call options with the expectation that we will repurchase them at a future date.

3) The sale of options may help generate interest and liquidity in the stock of our publicly traded portfolio companies. Current market dynamics make it difficult for small capitalization stocks to attract interest from institutional and retail investors. This difficulty leads to low average trading volumes and low liquidity options for existing shareholders. We believe the sale of call options may aid in increasing the interest and liquidity in the stock of these companies and may be beneficial to our future potential returns on these investments.

We have generated $2,469,676 in net cash premiums on call options sold and put options purchased of Solazyme since the company completed an IPO in May 2011. We have sold a total of 2,254,149 shares of Solazyme since its IPO for net proceeds, after commission, of $22,400,495 or an average sale price of $9.94 per share. Including premiums from call and put options, the average sale price for these shares was $11.03 per share. Our average cost basis in Solazyme is $2.36 per share. During the three months ended March 31, 2015, we did not sell any shares of Solazyme.

We have sold 769,295 shares of our position in Champions Oncology, Inc., in open market transactions for net proceeds, after commission, of $873,944 or an average sale price of $1.14 per share. Our average cost basis in Champions is $0.67 per share. During the three months ended March 31, 2015, we did not sell any shares of Champions.

These increases in primary liquidity are important for our efforts to continue to fund existing and new portfolio companies that could generate future investment returns.

Maturity of Current Equity-Focused Venture Capital Portfolio

There are three main drivers of our potential growth in value over the next four years. First, we have a larger portfolio of more mature companies than we have had historically. Second, we believe the quality of our existing portfolio is stronger than it has been historically. Third, we own larger percentages of the companies in the existing portfolio than we have owned historically.

Our equity-focused venture capital portfolio is comprised of companies at varying maturities facing different types of risks. We have defined these levels of maturity and sources of risk as: (1) Early Stage/Technology Risk, (2) Mid Stage/Market Risk and (3) Late Stage/Execution Risk. Early-stage companies have a high degree of technical, market and execution risk, which is typical of initial investments by venture capital firms, including us. Mid-stage companies are those that have overcome most of the technical risk associated with their products and are now focused on addressing the market acceptance for their products. Late-stage companies are those that have determined there is a market for their products, and they are now focused on sales execution and scale. Late-stage, life sciences companies are typically generating revenue

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from the commercial sale of one or more products or, in the case of therapeutic or medical device-focused life sciences companies, are in Phase III Clinical Trials, which are the pivotal trials before a possible FDA approval and commercial launch of a product.

Our current portfolio is comprised of BIOLOGY+ and other companies at varying stages of maturity in a diverse set of industries. As our portfolio companies mature, we seek to invest in new early- and mid-stage companies that may mature into mid- and late-stage companies. This continuous progression creates a pipeline of investment maturities that may lead to future sources of positive contributions to net asset value per share as these companies mature and potentially experience liquidity and exit events. Our pipeline of investment maturities for the 26 equity-focused companies in our portfolio that have yet to complete liquidity events (e.g., IPOs onto national exchanges or M&A transactions) and are not in the process of being shut down are shown in the figure below (our Active Portfolio).

We expect some of our portfolio companies to transition between stages of maturity over time. This transition may be forward if the company is maturing and is successfully executing its business plan or may be backward if the company is not successfully executing its business plan or decides to change its business plan substantially from its original plan. Transitions backward may be accompanied by an increase in non-performance risk, which reduces valuation. We discuss non-performance risk and its implications on value below in the section titled Valuation of Investments.

During the first quarter of 2015, we did not transition the state categorization of any of our portfolio companies. We categorized our two new portfolio companies in 2015, Orig3n, Inc., and Phylagen, Inc., as early-stage companies.

Portfolio Company Revenue

We aggregate the revenues of our equity-focused portfolio companies on an annual basis and report these aggregated amounts for the prior three calendar years. These revenues include contributions solely from those equity-focused portfolio companies that have yet to complete liquidity events (e.g., IPOs, up-listings, or M&A transactions) and are not in the process of being shut down as of December 31, 2014. This approach enables the comparison of aggregate revenues for our portfolio as of the end of a given year with those generated by

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the same set of companies in prior years. As such, the total revenues in a given historical year will fluctuate owing to the change of the composition of our equity-focused portfolio companies.

We had 20 of our 24 companies in our Active Portfolio as of December 31, 2014, that generate revenues ranging from nominal to significant from commercial sales of products and/or services, from commercial partnerships and/or from government grants. The following table lists the aggregate revenues and change between years for these 20 portfolio companies in 2012, 2013 and 2014, grouped by stage of development, as of December 31, 2014, and in total.

	2014 Aggregate Revenue ($ Million)	2013 Aggregate Revenue ($ Million)	Change in Revenues from 2013 to 2014	2012 Aggregate Revenue ($ Million)	Change in Revenues from 2012 to 2013
Early Stage	$ 4.6	$ 3.6	28 %	$ 7.3	-51 %
Mid Stage	$ 28.7	$ 29.1	-1 %	$ 31.0	-6 %
Late Stage	$ 239.6	$ 217.3	10 %	$ 131.8	65 %
Total	$ 272.9	$ 250.0	9 %	$ 170.1	47 %
Combined Mid and Late Stage	$ 268.3	$ 246.4	9 %	$ 162.8	51 %

The revenue amounts listed in the table above include revenues generated by our portfolio companies in the years reported, but do not include revenues from acquired businesses prior to the consummation of those transactions.

As of December 31, 2014, we had one equity-focused portfolio company, Solazyme, Inc., that is not included in the table above. Solazyme had revenues in 2014, 2013 and 2012 of $60.4 million, $39.8 million and $44.1 million, respectively.

We note that the revenues of our mid-stage companies decreased from 2012 to 2013 and 2013 to 2014. This decrease is related primarily to a transition of the source of revenues from government grants and contracts to the sale of products. We believe such transitions are often positive developments for companies even if they result in short-term decreases in revenues.

Ownership of our Portfolio Companies

By studying our portfolio in greater detail, it is evident to us that potential returns from approximately half of the companies in our portfolio could be the real drivers of net asset value growth over the coming years. These companies include ones in which we have substantial ownership and ones where we believe the potential value at exit is substantial. The table below provides some additional detail on our ownership of the 26 equity-focused companies in our portfolio that have yet to complete liquidity events (e.g., IPOs on national exchanges or M&A transactions) and are not in the process of being shut down, excluding Phylagen, Inc., in which we invested a note in a series seed financing and in which we do not have any voting rights.

Portfolio Company	Voting Ownership Range
EchoPixel, Inc. Produced Water Absorbents, Inc. ProMuc, Inc. Senova Systems, Inc. SiOnyx, Inc.	>20%

UberSEQ, Inc.	
ABSMaterials, Inc. Adesto Technologies Corp. Enumeral Biomedical Holdings, Inc. HZO, Inc. TARA Biosystems, Inc.	15 20%

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Portfolio Company	Voting Ownership Range
OpGen, Inc.	10 15%
Accelerator IV-New York Corporation AgBiome, LLC Ensemble Therapeutics Corporation Metabolon, Inc. ORIG3N, Inc.	5 10%
Bridgelux, Inc. Cambrios Technologies Corporation Mersana Therapeutics, Inc. Molecular Imprints, Inc. Nantero, Inc.	2.5 5%
Champions Oncology, Inc. D-Wave Systems, Inc. Nanosys, Inc.	0 2.5%

In previous communications with shareholders, we have discussed how we are managing our portfolio, feeding the fat hogs and starving the lean hogs to maximize our value at exit. Many of the leaner hogs have experienced write-downs in valuation, and we have de-emphasized them in terms of the time allocation of our team. These steps allow us to focus our time and capital on the companies we believe will be the drivers of our growth. This increases the risk and potential loss of invested capital in these portfolio companies, but it also may increase the potential returns if they are successful. We currently believe companies like D-Wave Systems, Inc., Metabolon, Inc., Adesto Technologies Corporation, HZO, Inc., Produced Water Absorbents, Inc., AgBiome, LLC, Senova Systems, Inc., Enumeral Biomedical Holdings, Inc., OpGen, Inc., and EchoPixel, Inc., may have the potential to be real drivers of growth in our portfolio in the coming years.

Level of Involvement in Our Portfolio Companies

The 1940 Act generally requires that BDCs offer to make available significant managerial assistance to portfolio companies. We are actively involved with our portfolio companies through membership on boards of directors, as observers to the boards of directors and/or through frequent communication with management. As of March 31, 2015, we held at least one board seat or observer rights on 21 of our 26 equity-focused portfolio companies that have yet to complete a liquidity event or an uplisting to a national exchange and are not in the process of being shut down (81%).

We may be involved actively in the formation and development of business strategies of our earliest stage portfolio companies. This involvement may include hiring management, licensing intellectual property, securing space and raising additional capital. We also provide managerial assistance to late-stage companies looking for potential exit opportunities by leveraging our relationships with the banking and investment community and our knowledge and experience in running a micro-capitalization publicly traded business.

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Invest

Investment Objective and Strategy

Our principal investment objective is to achieve long-term capital appreciation by making equity-focused venture capital investments in companies that we believe have exceptional growth potential. Therefore, a significant portion of our current venture capital investment portfolio provides little or no income in the form of dividends or interest. Current income is a secondary investment objective. We seek to reach the point where future growth is financed through reinvestment of our capital gains from our venture capital investments and where current income offsets significant portions of our annual expenses during periods of time between realizations of capital gains on our investments. We also plan to implement a strategy to grow assets under management and generate current income by raising one or more third-party funds to manage. It is possible that we will invest our capital alongside or through these funds in portfolio companies. These funds may be focused on specific sectors, such as life sciences, energy and electronics, that are enabled by scientific breakthroughs, including BIOLOGY+. There is no assurance when and if we will be able to raise such fund(s) or, if raised, whether they will be successful.

We have discretion in the investment of our capital to achieve our objectives. Our venture capital investments are made primarily in equity-related securities of companies that can range in stage from pre-revenue to generating positive cash flow. 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. These businesses may be privately held or publicly traded. We historically have invested in equity securities of these companies that are generally illiquid owing to restrictions on resale and to the lack of an established trading market. We refer to our portfolio of investments in equity and equity-related securities in sections of the Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) as our equity-focused portfolio of investments. We have historically, from time to time, taken advantage of opportunities to generate near-term cash flow by investing in non-convertible debt securities of small businesses. These businesses tend to be generating cash or have near-term visibility to reaching positive cash flow. We refer to our portfolio of investments in non-convertible debt in sections of the MD&A as our venture debt portfolio of investments. We do not currently expect to make a significant number of venture debt investments outside of portfolio companies in which we hold equity securities.

Our investments in preferred equity securities often include anti-dilution protection that provides for the issuance of additional shares in the event a company raises capital at a price per share lower than the price per share we paid for the preferred securities. This anti-dilution protection also often includes a liquidation preference that can be senior to, or pari passu with, other outstanding classes of preferred stock, but is senior to common stock. Our preferred equity securities do not commonly pay or accrue dividends to us and are non-income producing. Our preferred equity securities often convert into shares of common stock on a one-for-one basis, subject to adjustments for anti-dilution protection, stock splits and other customary adjustments. Our preferred equity securities often also include certain protective provisions that ascribe control to us and/or a portion of the holders of preferred stock for certain decisions affecting the portfolio company including revisions to articles of incorporation, including the terms of outstanding and new preferred securities, approval of any future equity issuances and rights to board seats or observer positions. These securities often also provide rights of first refusal to participate in future financings of the portfolio company.

Our investments in convertible bridge notes often include the ability to accrue, rather than pay in cash, interest. This interest is most commonly converted into equity securities of the investee company once a new round of equity financing is complete. At the time of such financing, the principal and accrued and unpaid interest convertible bridge notes often convert into shares of convertible preferred stock sold in such financing at the same price per share or at a discount to the price per share paid to purchase such convertible preferred equity securities. From time to time we also invest in debt securities that may or may not be convertible and that may pay cash interest. These convertible bridge notes often include protective provisions that require consent of all or a portion of the outstanding bridge notes to change any of the provisions of the convertible notes including liquidation preference, interest rate, maturity date and conversion ratios. These notes may be secured or unsecured.

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We are both early-stage and long-term investors. We seek to identify investment opportunities in industries and markets that will be growth opportunities three to seven years from the date of our initial investment. We expect to invest capital in these companies at multiple points in time subsequent to our initial investment. We refer to such investments as follow-on investments. Our efforts to identify and predict future growth industries and markets rely on patient and extensive due diligence in innovations developed at universities and corporate and government research laboratories, and the examination of macroeconomic and microeconomic trends and industry dynamics. We believe it is the early identification of and investments in these growth opportunities that will lead to investment returns for our shareholders, growth of our net assets, and capital for us to invest in tomorrow s growth opportunities.

We have always been involved with founding, incubating and building transformative companies from disruptive science. In fact, we have been the first institutional investor or syndicate of first institutional investors in two-thirds of the companies we have invested in since our founding. Our involvement may include hiring management, licensing intellectual property, securing space and raising additional capital. We also provide managerial assistance to late-stage companies looking for potential exit opportunities by leveraging our relationships with the banking and investment community and our knowledge and experience in running a micro-capitalization publicly traded business.

Beginning in 2008, the majority of our initial investments in privately held and early-stage publicly traded companies have been in companies that we define as BIOLOGY+.

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The table below discusses how certain of our portfolio companies have teamed innovations in biology with innovations in engineering, physics, electronics, IT, mathematics and material sciences. In the case of Enumeral Biomedical Corp., this combination enables the ability to interrogate cells at the single cell scale in unique ways for the first time. In the case of TARA Biosystems, Inc., the combination enables personal diagnostics and toxicity testing by using microfabrication to create environments where heart tissue can grow in an environment that is more similar to the human body than through other techniques. This increases the speed and reduces the cost of large-scale sequencing. In the case of D-Wave Systems, Inc., its quantum computer can be used to solve very complex protein folding problems to enable new therapeutic approaches.

Currently, we plan to focus all our efforts on building new companies enabled by our BIOLOGY+ thesis. We believe areas such as (1) personalized genomics, (2) novel therapeutics for cancer, and (3) 3D non-invasive imaging and diagnostics, as well as applications in agriculture, industrial biotechnology, water, functional foods and personal health will all be influenced by innovations in BIOLOGY+.

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There are very few people and very few venture capital firms still in existence that have the expertise to find, incubate and build these types of companies. The disruptive science comes from leading laboratories at premier research institutions. It takes time, experience and often partnerships with leading, global scientific companies to bring the technology to market. Our team, with scientific backgrounds in chemistry, biochemical engineering, physics, genetics and material science, is uniquely qualified to identify, diligence and invest in these opportunities.

Growth in Ownership of Portfolio Companies

The chart below depicts the change in our ownership of our portfolio companies from 2001 through March 31, 2015 as our assets have increased. Our fully diluted, investment-weighted average ownership has increased from approximately 5% for initial investments made between 2001 and 2004 to approximately 15% for initial investments made between 2009 and March 31, 2015. This increasing ownership, which we have noted in previous shareholder communications, gives us more control over these companies to potentially affect outcomes beneficial to the Company. Over the coming five years, as companies where our initial investment was made between 2005 and the present continue to mature and exit, we believe our increased levels of ownership have the potential to provide greater returns than our historical investments.

Our goal with our new investments is to have even greater ownership at the time of the realization of our return than we have had historically for all of the reasons discussed above.

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Investments and Current Investment Pace

The following is a summary of our initial and follow-on equity-focused investments from January 1, 2011, to March 31, 2015. We consider a round led to be a round where we were the new investor or the leader of a group of investors in an investee company. Typically, but not always, the lead investor negotiates the price and terms of the deal with the investee company.

		2011	2012	2013	2014	Three Months Ended March 31, 2015
Total Incremental Investments		$17,688,903	$15,141,941	$18,076,288	$14,276,808	$2,615,301
No. of New Investments		4	2	2	3	2
No. of Follow-On Investment Rounds		31	26	37	33	9
No. of Rounds Led		4	3	9	8	3
Average Dollar Amount	Initial	$1,339,744	$1,407,500	$550,001	$338,677	$225,000
Average Dollar Amount	Follow-On	$397,740	$474,113	$449,359	$401,842	$240,589

Industry Sectors of Investment

We generally classify our investments in one of three industry sectors: Life Sciences, Energy and Electronics. The interdisciplinary nature of science-based inventions enables our portfolio companies to address needs in multiple sectors rather than being confined to addressing needs in one sector. As such, many of our portfolio companies can adjust their business foci to address needs in a secondary sector should opportunities in the company s primary sector decrease in number or magnitude.

We classify companies in our life sciences portfolio as those that address problems in life sciences-related industries, including biotechnology, agriculture, advanced materials and chemicals, diagnostics, healthcare, bioprocessing, water, industrial biotechnology, food, nutrition and energy. We classify companies that address life science-related problems as a primary or secondary sector as BIOLOGY+. With our focus on investing in BIOLOGY+ companies, we expect that the number of companies addressing life science-related industries as a primary focus will grow, while those that address electronics and energy-related sectors as a primary focus will decline. That said, we expect these companies may address electronics and energy-related sectors as a secondary sector given the interdisciplinary nature of BIOLOGY+ companies.

We classify companies in our energy portfolio as those that seek to improve performance, productivity or efficiency, and to reduce environmental impact, waste, cost, energy consumption or raw materials. Energy is a term used commonly to describe products and processes that solve global problems related to resource constraints. The term cleantech is also used commonly in a similar manner.

We classify companies in our electronics portfolio as those that address problems in electronics-related industries, including semiconductors, telecommunications and data communications, metrology and test and measurement.

Importance of Availability of Liquid Capital

Private venture capital funds are structured commonly as limited partnerships with a committed level of capital and finite lifetime. Capital is called from limited partners to make investments and pay for expenses of running the firm at various points within the lifetime of the fund. For each initial investment, the fund must reserve additional capital for follow-on investments at later stages of the life of the portfolio companies. These follow-on investments are required because often portfolio companies in areas in which we invest, whether privately held or publicly traded, operate with negative cash flow for lengthy periods of time. In general, the cumulative total of initial invested capital and reserves cannot exceed the committed level of capital of the fund.

Our strategy for investing capital is similar to this approach in some respects. We make initial investments in privately held and publicly traded companies and project the amount of capital that may be required should the company mature successfully. These projections, equivalent to the reserves of private venture capital funds, are reviewed weekly by management, are updated frequently and are a component of the data that guide our decisions on whether to make new and follow-on investments. As a publicly traded, internally managed venture capital company, our cash used to make investments and pay expenses is held by us and not called from external sources when needed. Accordingly, it is crucial that we operate the company with a substantial balance of liquid capital for this reason and for four additional reasons.

1) We manage the company and our investment criteria and pace such that our projected needs for capital to make new and follow-on investments do not exceed the total of our liquid investments. Although we use best efforts to predict when this capital will be required for use in new and follow-on investments, we cannot predict with certainty the timing for these investments. We would be unable to make new or follow-on investments in our portfolio companies without having substantial liquid resources of capital available to us.
2) Venture capital firms traditionally invest beside other venture capital firms in a process called syndication. The size of the fund and the amount of capital reserves available to syndicate partners is often an attribute that potential co-investors consider when deciding on syndicate partners. As we do not have committed capital from limited partners, we believe we must have adequate available liquid capital on our balance sheet to be able to have access to high-quality deal flow.
3) We rarely commit the total amount of cumulative capital intended for investment in any portfolio company at one point in time. Instead, our investments consist of multiple rounds of financing of a given portfolio company, in which we typically participate if we believe that the merits of such an investment outweigh the risks. We also commonly have preemptive rights to invest additional capital in our privately held portfolio companies. These rights are useful to protect and potentially increase the value of our positions in our portfolio companies as they mature. Commonly, the terms of such financings in privately held companies also include penalties for those investors that do not invest in these subsequent rounds of financing. Without available capital at the time of investment, our ownership in the company would be subject to these penalties that can lead to a partial or complete loss of the capital invested prior to that round of financing.
4) We may have the opportunity to increase ownership in late rounds of financing in some of our most mature companies. Many private venture capital funds that invested in these companies are reaching the end of the term associated with their limited partnerships. This issue may limit the available capital to these funds for follow-on investments, and the ability to take advantage of potentially valuable terms given to those who have investable capital. Having permanent, liquid capital available for investment and access to the capital markets allows us to take advantage of these opportunities as they arise.

On September 30, 2013, we secured the $20,000,000 Loan Facility from Orix Corporate Capital, Inc. This Loan Facility replaced the $10,000,000 facility we secured from TD Bank in February of 2011. Orix Corporate Capital is a diversified financial conglomerate with substantial assets that has extensive experience working with venture capital firms and venture capital-backed companies through its Orix Ventures unit. We believe this knowledge, combined with the quality of our portfolio companies and our investments in those companies, enabled us to obtain a credit facility secured, in part, by our portfolio of primarily privately held portfolio companies versus solely the cash security of our prior credit facility.

We believe the Loan Facility is beneficial for three primary reasons. First, we currently believe our existing portfolio of mid- and late-stage companies will generate meaningful returns in the next two-to-three years. That said, the exact timing of these realizations is uncertain. We currently believe our strong balance sheet of liquid assets (that is, cash and publicly traded securities) combined with this facility will allow us time and capital resources to realize these meaningful returns without materially compromising the rate of deployment of capital into investment opportunities that have the potential to build value for us.

Second, as we have said historically, there are a substantial number of investment opportunities in existing and new portfolio companies that we believe have the potential to build value through increasing our future returns on investment. The Loan Facility expands our financial resources for making such investments without resulting in dilution to our shareholders through the issuance of additional shares of our common stock.

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Third, the Loan Facility establishes a relationship between us and Orix Corporate Capital that could be beneficial to our portfolio companies, and thus us, in the future. Many of our portfolio companies secure lines of credit and other forms of access to capital. Orix Corporate Capital has the resources and capability to address many of these needs. We believe the combination of the financial and other resources of each of our firms will be a powerful collaboration that helps to build value in our portfolio companies, and thus value for us.

Our Sources of Liquid Capital

The sources of liquidity that we use to make our investments are classified as primary and secondary liquidity. As of March 31, 2015 and December 31, 2014, our total primary and secondary liquidity was $29,184,885 and $29,620,665, respectively. We do not include funds available and undrawn from our credit facility as primary or secondary liquidity. We believe it is important to examine both our primary and secondary liquidity when assessing the strength of our balance sheet and our future investment capabilities.

Primary liquidity is comprised of cash, U.S. government securities and certain receivables. As of March 31, 2015, we held $21,051,443 in cash and $226,463 in certain receivables. As of December 31, 2014, we held $20,748,314 in cash and $230,478 in certain receivables.

Payments upon achieving milestones of the BioVex Group, Inc., and Molecular Imprints sales would also add to our primary liquidity in future quarters if these milestones are achieved successfully. The probability-adjusted values of the future milestone payments for the sales of BioVex and Molecular Imprints, as determined at the end of each fiscal quarter, are included as an asset on our Consolidated Statements of Assets and Liabilities and will be included in primary liquidity only if and when payment is received for achievement of the milestones.

Our secondary liquidity is comprised of the stock of both unrestricted and restricted publicly traded companies. Although these companies are publicly traded, their stock may not trade at high volumes and prices may be volatile, which may restrict our ability to sell our positions at any given time. As of March 31, 2015, our secondary liquidity was $7,906,979. Solazyme, Inc., and Champions Oncology, Inc., account for $143,000 and $2,045,744, respectively, of the total amount of secondary liquidity based on the closing price of their common stock as of March 31, 2015. Enumeral Biomedical Holdings, Inc., accounts for $5,718,235 of the total amount of secondary liquidity based on the closing price of its common stock as of March 31, 2015, less a liquidity discount to reflect that a portion of these shares are subject to restrictions on transfer. We are also subject to a lock-up agreement that restricts our ability to trade our securities of Enumeral Biomedical Holdings, exclusive of the general restriction on the transfer of unregistered securities. The lock-up period on our 7,966,368 shares and warrants for the purchase of 1,755,120 shares of common stock of Enumeral Biomedical Holdings expires on January 31, 2016.

As of December 31, 2014, our secondary liquidity was $8,641,873. Solazyme, Inc., accounts for $129,000 of the total amount of secondary liquidity based on the closing price of its common stock of $2.58 as of December 31, 2014. Champions Oncology accounts for $1,261,695 of the total amount of secondary liquidity based on the closing price of its common stock of $0.50 as of December 31, 2014. Enumeral Biomedical Holdings accounts for $7,251,178 of the total amount of secondary liquidity based on the closing price of its common stock of $1.05 as of December 31, 2014, less a liquidity discount to reflect that these shares are subject to restrictions on transfer.

We also have the $20,000,000 Loan Facility, which we can draw on to increase liquidity. As of March 31, 2015, we had $5,000,000 in debt outstanding relating to this Loan Facility. For the three months ended March 31, 2015, we paid $50,000 in non-utilization fees and amortized $43,720 in closing costs related to the Loan Facility. We did not pay any interest in connection with the Loan Facility during the three months ended March 31, 2015.

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Partner

As the structure of the public markets has changed over the last decade, the time and dollars required to build transformative companies has increased. Scale and manufacturing expertise is now critical to get to a successful outcome. We believe this expertise is best accomplished by partnering with corporations at earlier stages in the development of the enterprise. Proper partnering can lead to more capital efficient businesses that provide better returns for investors.

We bring technology platforms and expertise in company building. Our corporate partners bring expertise in scale and manufacturing and access to end markets. We primarily partner with corporations as syndicate partners investing in and working with to build early-stage companies. A syndicate of financial investors besides key strategic corporations from the very first round of capital is becoming more common in our investments. Over three-fourths of our portfolio companies have significant corporate partnerships or investments, and most developed these relationships in the early-stages of development of those companies.

We are also exploring other ways to develop deep relationships with corporations and other entities that we believe will be beneficial to us and our portfolio companies including the potential for co-investment relationships.

One example of our partnership efforts comes through our investment in Accelerator IV-New York Corporation (Accelerator IV). Accelerator IV is a New York City-based biotechnology management company designed to leverage NYC s biotech research centers and universities to successfully invest in and develop early-stage life science technology. Accelerator IV supports emerging biotechnology innovations through its expertise, internal resources, and partner network. Its efforts are focused on the evolving healthcare

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and medical landscapes. Through a strategic partnership and collaboration, it uses this platform to specifically identify, evaluate, finance, and manage the commercialization of technologies and assets sourced from a broad range of proprietary sources. Other investors in Accelerator IV include Alexandria Real Estate Equities, Eli Lilly and Company, Johnson & Johnson Development Corporation and Pfizer Venture Investments. There is no assurance that we will be successful in securing other partnerships.

We have a long history working with U.S. universities to commercialize technologies discovered in their labs. We expect these relationships to become deeper as we focus on building companies developed from research from a select set of these universities going forward.

Return

Our plan for returning value to shareholders has three steps. Step one of our return plan was implemented over the past six years. It includes investing in early-stage companies where we believe we can own greater than 10% of the company at exit with invested capital of between $5 million and $10 million in each company.

Step two is our focus on BIOLOGY+. Our best investment returns over the past 10 years have come from companies that have businesses intersecting with the life sciences. We are now focusing our efforts on BIOLOGY+, as we believe the future returns for companies commercializing technologies that sell into the life science markets will be greater than those focused on other markets we have invested in historically. Since 2008, approximately 86% of our new initial investments have been in companies that fit our BIOLOGY+ investment thesis. This percentage will increase over the coming years. That said, we note that past performance may not be indicative of future performance.

Step three is our partnering efforts. We continue to pursue strategies to increase the return profile of early-stage investing, and to reduce the cost profile so that it shifts to a profile more representative of the venture capital industry of 15 to 20 years ago. We believe this will require an environment for doing early-stage investing that includes working with corporate partners earlier in the development of these companies to (1) ascertain if there is demand for the company s technology/products and (2) to help these start-ups prepare for scale and manufacturing in a way that permits seamless adoption by industry and the consumer. This is the basis of our partnership strategy.

We believe that execution of these three steps will generate returns for shareholders over the coming years. We are focused on increasing value for shareholders through growing net asset value per share,

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and we believe we may have an opportunity to reduce the number of shares outstanding and provide deemed dividends as well as cash dividends as we execute on this strategy.

Current Business Environment

The first quarter of 2015 ended with slight increases in value in the public market indices. These increases coincided with a decrease in the number of IPOs and a decrease in M&A transactions, compared with the first quarter of 2014. That said, fundraising by venture capital firms continued to be challenging and concentrated to a small number of funds. These dynamics continue to lead to a difficult fundraising environment for venture-backed companies, particularly those in the middle stages of development and those focused on sectors in which we invest.

Seventeen venture-backed companies raised $1.4 billion through IPOs in the first quarter of 2015, according to Thomson Reuters and the National Venture Capital Association (NVCA). Thirteen of the seventeen were U.S.-based companies. Seventy-six percent (thirteen) of the IPOs were in life science companies. For the first quarter of 2015, 86 venture-backed M&A transactions were reported. This is a decline from both the fourth quarter of 2014 (110) and the first quarter of 2014 (115).

Sixty-one U.S. venture capital funds raised $7.0 billion in the first quarter of 2015, according to Thomson Reuters and the NVCA. Compared with the fourth quarter of 2015, this is a 24% decrease in the number of funds raised, but a 21% increase in the amount of capital raised. Of the 61 funds that were raised, 18 were new funds.

Historically, difficult venture environments have resulted in a higher than normal number of companies not receiving financing and being subsequently closed down with a loss to venture investors, and other companies receiving financing but at significantly lower valuations than the preceding financing rounds. This issue is compounded by the fact that many existing venture capital firms with which we have co-invested historically in a number of our current portfolio companies have few remaining years of investment and available capital owing to the finite lifetime of the funds managed by these firms. Additionally, even if a firm were able to raise a new fund, commonly venture capital firms are not permitted to invest new funds in existing investments. This limitation of available capital can lead to fractured syndicates of investors. A fractured syndicate can result in a portfolio company being unable to raise additional capital to fund operations; this issue is especially acute in capital-intensive sectors that are enabled by science-related innovations, such as life sciences, energy and electronics, which are generally not in favor among venture capital firms. The result of these difficulties is that the portfolio company may be forced to sell before reaching its full potential or be shut down entirely if the remaining investors cannot financially support the company. As such, improvements in the exit environment for venture-backed companies through IPOs and M&A transactions may not translate to an increase in the available capital to venture-backed companies, particularly those that have investments from funds that are in the latter stage of life unless the markets improve for some time into the future.

Our overall goal remains unchanged. We want to maintain our leadership position in investing in science-enabled and BIOLOGY+ companies and increase our net asset value per share outstanding. The current environment for venture capital financings continues to favor those firms that have capital to invest regardless of the stage of the investee company. We continue to finance our new and follow-on equity and convertible debt investments from our cash reserves held in bank accounts. We may in the future invest borrowed capital to take advantage of opportunities that we believe will return greater than the cost of such borrowed capital. We have historically held, and may in the future again hold, our cash in U.S. Treasury securities. We believe the current status of the venture capital industry and the current economic climate provide opportunities to invest this capital at historically low valuations and under favorable terms in equity and convertible debt of new and existing privately held and publicly traded companies.

Valuation of Investments

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

The values of privately held, venture capital-backed companies are inherently more difficult to determine than those of publicly traded companies at any single point in time because securities of these types of companies are not actively traded. We believe, perhaps even more than in the past, that illiquidity, and the perception of illiquidity, can affect value. Management believes further that the long-term effects of the difficult venture capital market and difficult exit environments will continue to affect negatively the fundraising ability of weak companies regardless of near-term improvements in the overall global economy and public markets and that these factors can also affect value.

We note that while the valuations of our privately held, venture capital-backed companies may decrease, sometimes substantially, such decrease may facilitate an increase in our ownership of the overall company in conjunction with a follow-on investment in such company. In these cases, the ultimate return on our overall invested capital could be greater than it would have been without such interim decrease in valuation.

Effective September 30, 2014, the Company refined its valuation methodologies to include the option pricing model. While the Company s valuation procedures had always included the option pricing model as a possible valuation technique, it had not previously been utilized. The use of the option pricing model is emerging as a preferred industry practice. This change in valuation methodology is applied on a prospective basis.

Option pricing models use call option theory to derive the value of sets of classes of securities taking into account the financial rights and preferences of classes of securities such as liquidation preference, redemption rights and dividends. This method treats common and preferred stock as call options on the company s enterprise value. It derives breakpoints based on liquidation preferences of the preferred stock and then calculates the values of those liquidation preferences and the company as a whole using Black-Scholes-Merton equations. The sum of these values yields the estimated enterprise value of the portfolio company. This method of derivation is often referred to as backsolve as it uses the price per share of the most recent round of financing to backsolve for the values of the other classes of outstanding securities of the company.

Option pricing models use the following inputs in their calculations:

- Last Round Price per Share
- Liquidation Preferences (including dividends and redemptions, if any)
- Estimated Time to Exit
- Estimated Volatility
- Risk-Free Interest Rate
- Outstanding Capitalization of the Company

Variations in these inputs and assumptions can have a significant impact on fair value. Companies that are valued using market comparables and/or volatilities derived from publicly traded securities are subject to the volatilities within those markets.

Given the consideration of the liquidation preferences, option pricing models more accurately represent scenarios where liquidation preferences are honored, as they would be in an M&A scenario, but not in public offering scenarios where it is common to have all classes of preferred stock converted to common stock. Liquidation preferences are business terms that are common in the venture capital industry and are generally used to provide some downside protection should the company not meet expectations. They can be structured on parity with prior rounds of financing or senior to prior rounds of financing. They can include multiples on the amounts invested and can provide for further distributions following the initial preference or be restricted to the amount of invested capital.

This high weighting of liquidation preferences means that small differences in how the preferences are structured can have a material effect on the fair value of our securities at the time of valuation and also on future valuations should additional rounds of financing occur with senior preferences. As such, valuations calculated by option pricing models may not increase if (1) rounds of financing occur at higher prices per share, (2) liquidation preferences include multiples on investment, (3) the amount of invested capital is small and/or (4) liquidation preferences are senior to prior rounds of financing.

We note that the ultimate return on any investment may be materially different than the fair value derived as of the date of valuation.

In each of the years in the period of 2011 through 2014 and for the three months ended March 31, 2015, excluding our rights to milestone payments, we 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 change in value of private portfolio securities as a percentage of net assets at the beginning of the year.

Gross Write-Ups and Write-Downs of the Privately Held Portfolio

	2011	2012	2013	2014	Three Months Ended March 31, 2015
Net Asset Value, BOY	$146,853,912	$145,698,407	$128,436,774	$122,701,575	$109,654,427
Gross Write-Downs During Year	$(11,375,661)	$(19,604,046)	$(19,089,816)	$(14,050,501)	$(6,082,949)
Gross Write-Ups During Year	$11,997,991	$14,099,904	$10,218,994	$4,587,923	$5,574,275
Gross Write-Downs as a Percentage of Net Asset Value, BOY	(7.8)%	(13.5)%	(14.9)%	(11.5)%	(5.5)%
Gross Write-Ups as a Percentage of Net Asset Value, BOY	8.2 %	9.7 %	8.0 %	3.8 %	5.1 %
Net Change as a Percentage of Net Asset Value, BOY	0.4 %	(3.8)%	(6.9)%	(7.7)%	(0.4)%

From December 31, 2014, to March 31, 2015, the value of our equity-focused venture capital portfolio, including our rights to potential future milestone payments from the sales of BioVex Group, Inc., Nextreme Thermal Solutions, Inc., and Molecular Imprints, Inc., increased by $805,346, from $89,292,045 to $90,097,391.

Not including our rights to potential future milestone payments from the sale of BioVex Group, Inc., Nextreme Thermal Solutions, Inc., and Molecular Imprints, Inc., our equity-focused portfolio companies increased in value by $804,430. This increase was primarily owing to new and follow-on investments of $2,615,301, offset by a net decrease in valuations.

We note that our Valuation Committee and ultimately our Board of Directors take into account multiple sources of quantitative and qualitative inputs to determine the value of our privately held portfolio companies.

We also note that our Valuation Committee does not set the value of Solazyme, Inc., our freely tradable publicly traded portfolio company, or the value of our unrestricted or registered shares of Champions Oncology, Inc., and

Enumeral Biomedical Holdings, Inc., which trade on an OTC exchange.

Four portfolio companies, Produced Water Absorbents, Inc., Enumeral Biomedical Holdings, Inc., D-Wave Systems, Inc., and Nanosys, Inc., of which all or a portion of the securities owned by us were fair valued by our Valuation Committee, accounted for $6.9 million, or 87.9%, of the gross write-downs of our portfolio companies held as of March 31, 2015. We note that a portion of our securities of Enumeral Biomedical Holdings were not fair valued by the Valuation Committee as of March 31, 2015, because those securities were registered, unrestricted securities that traded in an active market and were, therefore, valued based on the closing price of the shares on the date of valuation. The contributing factors for the decreases in valuations for Produced Water Absorbents and Nanosys were owing to changes in the revenues and multiples of revenues of publicly traded comparable companies used to derive the value for our securities of each company. The primary contributing factor for the decrease in valuation of our restricted shares and our warrants of Enumeral Biomedical Holdings was a decrease in the stock price of the company from $1.05 as of December 31, 2014, to $0.817 as of March 31, 2015. The primary contributing factor for the decrease in

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valuation of D-Wave Systems was a decrease in the value of the Canadian Dollar relative to the U.S. Dollar from December 31, 2014, to March 31, 2015.

Two portfolio companies, OpGen, Inc., and Adesto Technologies Corporation, which were fair valued by our Valuation Committee, accounted for $4.9 million, or 76.3%, of the gross write-ups of our portfolio companies held as of March 31, 2015. The primary contributing factor for the increase in value of our securities of OpGen was the completion of an IPO that valued our securities at a higher value than that as of December 31, 2014. The primary contributing factor for the increase in value of our securities of Adesto Technologies was changes in the conversion ratios of our Series E Preferred Stock and in the inputs used to derive value based on a multiple to revenue derived from publicly traded comparable companies.

As of March 31, 2015, our top ten investments by value accounted for approximately 79% of the value of our equity-focused venture capital portfolio.

Top Ten Equity-Focused Investments by Value

Portfolio Company	Value as of 03/31/2015	Cumulative % of Equity-Focused Venture Capital Portfolio
Adesto Technologies Corp.	$ 16,176,632	19 %
Metabolon, Inc.	$ 10,510,299	31 %
D-Wave Systems, Inc.	$ 7,622,785	40 %
HZO, Inc.	$ 7,032,725	48 %
Enumeral Biomedical Holdings, Inc.*	$ 6,604,774	56 %
OpGen, Inc.	$ 5,220,087	62 %
Produced Water Absorbents, Inc.	$ 4,549,293	67 %
Nantero, Inc.	$ 3,639,032	71 %
Nanosys, Inc.	$ 3,598,657	75 %
Bridgelux, Inc.	$ 3,492,200	79 %

* Enumeral Biomedical Holdings rank by value includes the value of its Level 1 asset shares.

Results of Operations

We present the financial results of our operations utilizing accounting principles generally accepted in the United States of America (GAAP) 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.

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 and monetization of our venture capital investments. We have relied, and continue to rely, primarily 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.

The potential for, or occurrence of, inflation could result in rising interest rates for government-backed debt. We may also invest in both short- and long-term U.S. government and agency securities. To the extent that we invest in short- and long-term U.S. government and agency securities, changes in interest rates result

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in changes in the value of these obligations that result in an increase or decrease of our net asset value. The level of interest rate risk exposure at any given point in time depends on the market environment, the expectations of future price and market movements, and the quantity and duration of long-term U.S. government and agency securities held by the Company, and it will vary from period to period. During the three months ended March 31, 2015, and March 31, 2014, our average holdings of U.S. government securities were $0 and $9,749,853, respectively. During the year ended December 31, 2014, and December 31, 2013, our average holdings of U.S. government securities were $2,999,955 and $18,353,323, respectively.

Comparison of the three months ended March 31, 2015 and 2014

In the three months ended March 31, 2015, and March 31, 2014, we had net decreases in net assets resulting from operations of $3,922,038 and $6,475,677, respectively.

Investment Income and Expenses:

We had net operating losses of $2,036,345 and $1,975,372 for the three months ended March 31, 2015, and March 31, 2014, respectively. The variation in these results is primarily owing to the changes in investment income and operating expenses, including non-cash expense included in salaries, benefits and stock-based compensation of $212,591 in 2015 primarily associated with the compensation cost for restricted stock as compared with $309,147 for the same period in 2014. During the three months ended March 31, 2015, and 2014, total investment income was $142,832 and $146,291, respectively. During the three months ended March 31, 2015, and 2014, total operating expenses were $2,179,177 and $2,121,663, respectively.

During the three months ended March 31, 2015, as compared with the same period in 2014, investment income decreased, reflecting a decrease in interest income from convertible bridge notes, senior secured debt, senior secured debt through a participation agreement, and a decrease in our average holdings of U.S. government securities, offset by an increase in interest income from non-convertible promissory notes, yield-enhancing fees on debt securities and fees for providing managerial assistance to portfolio companies. During the three months ended March 31, 2015, our average holdings of U.S. government securities were $0 as compared with $9,749,853 during the three months ended March 31, 2014, primarily owing to the decrease in yield available over the durations of maturities in which we were willing to invest.

Operating expenses, including non-cash, stock-based compensation expenses, were $2,179,177 and $2,121,663 for the three months ended March 31, 2015, and March 31, 2014, respectively. The increase in operating expenses for the three months ended March 31, 2015, as compared with the three months ended March 31, 2014, was primarily owing to increases in professional fees, directors fees and expenses, interest and other debt expense and custody fees, offset by decreases in salaries, benefits and stock-based compensation expense, administration and operations expense, rent expense and insurance expense.

Professional fees increased by $360,363, or 170.1%, for the three months ended March 31, 2015, as compared with March 31, 2014, primarily as a result of an increase in certain legal fees, accounting fees and consulting fees associated with exploration of strategic opportunities. Directors fees and expenses increased by $26,347, or 28.2%, for the three months ended March 31, 2015, as compared with March 31, 2014, primarily owing to an increase in overall fees and additional meetings held by the Board of Directors. Interest and other debt expense increased by $50,000, or 53.4%, for the three months ended March 31, 2015, as compared with March 31, 2014, primarily as a result of utilization fees associated with a drawdown of the Loan Facility. Custody fees increased by $1,121, or 7.6%, for the three months ended March 31, 2015, as compared with March 31, 2014.

Salaries, benefits and stock-based compensation expense decreased by $333,871, or 23.6%, for the three months ended March 31, 2015, as compared with March 31, 2014, primarily as a result of a decrease in compensation cost of $96,556 for restricted stock awards associated with the Stock Plan, a decrease in salaries and benefits owing primarily to a decrease in our employee headcount, and a decrease in employee bonus expense of $80,000. At March 31, 2015, we had 10 full-time employees and one part-time employee as compared with 12 full-time employees and one part-time employee at March 31, 2014. While the non-cash, stock-based compensation expense for the Stock Plan increased our operating expenses by $212,591, this increase was offset by a corresponding increase to our additional paid-in capital, resulting in no net impact to our net asset value. Administration and operations expense decreased by $29,246, or 22.4%, for the three months ended March 31, 2015, as compared with March 31, 2014, primarily as a result of net decreases in general office and administration expenses, offset by timing differences related to certain accrued expenses. Rent expense decreased by $320, or less than 1.0%, for the three months ended March 31, 2015, as compared with March 31, 2014. Our rent expense of $67,706 for the three months ended March 31, 2015, includes $80,377 of rent paid in cash, net of $12,671 non-cash rent expense, credits and abatements that we recognize on a straight-line basis over the lease term. Insurance expense decreased by $16,322, or 19.4%, for the three months ended March 31, 2015, as compared with March 31, 2014.

Realized Gains and Losses from Investments:

During the three months ended March 31, 2015, and March 31, 2014, we realized net losses on investments of $283,301 and $7,037,325, respectively.

During the three months ended March 31, 2015, we realized net losses of $283,301 consisting primarily of a realized loss of $293,786 on our investment in Metabolon, Inc., owing to the expiration of certain warrants, offset by a realized gain of $8,942 on the sale of certain warrants of GEO Semiconductor, Inc., and a realized gain of $1,543 on our escrow payment from the sale of Molecular Imprints, Inc.

During the three months ended March 31, 2014, we realized net losses of $7,037,325, consisting primarily of a realized loss on the value of our investment in Kovio, Inc., of $7,299,533 and a realized loss of $110,656 on the repurchase and expiration of certain Solazyme, Inc., written call option contracts, offset by a realized gain of $199,873 on the sale of 559,756 shares of Champions Oncology, Inc., and a realized gain of $172,743 on the sale of 17,834 shares of Solazyme. At March 31, 2014, we still owned 2,539,895 and 150,000 shares of Champions Oncology and Solazyme, respectively. We also had a realized gain of $219 on our escrow payment from the sale of Xradia, Inc.

Net Unrealized Appreciation and Depreciation of Portfolio Securities:

During the three months ended March 31, 2015, net unrealized depreciation on total investments increased by $1,470,781, or 6.5%, from accumulated net unrealized depreciation of $22,606,475 at December 31, 2014, to accumulated net unrealized depreciation of $24,077,256 at March 31, 2015. During the three months ended March 31, 2014, net unrealized depreciation on total investments decreased by $2,553,006, or 11.6%, from accumulated net unrealized depreciation of $22,021,407 at December 31, 2013, to accumulated net unrealized depreciation of $19,468,401 at March 31, 2014.

During the three months ended March 31, 2015, net unrealized depreciation on our venture capital investments increased by $1,470,781, from net unrealized depreciation of $22,606,475 at December 31, 2014, to net unrealized depreciation of $24,077,256 at March 31, 2015 owing to write-downs in the valuations of the following portfolio company investments:

Investment	Amount of Write-Down
Produced Water Absorbents, Inc.	$ 3,724,565
Enumeral Biomedical Holdings, Inc.	1,779,867
Nanosys, Inc.	707,385
Ensemble Therapeutics Corporation	528,000
Metabolon, Inc.	192,473
SiOnyx, Inc.	106,977

Bridgelux, Inc.	98,876
Ultora, Inc.	7,525
UberSeq, Inc.	4,680

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The write-downs for the three months ended March 31, 2015, were partially offset by write-ups in the valuations of the following portfolio company investments:

Investment	Amount of Write-Ups
OpGen, Inc.	$ 3,531,291
Adesto Technologies Corporation	1,353,309
Champions Oncology, Inc.	810,714
Accelerator IV New York Corporation	164,385
Molecular Imprints, Inc.	157,909
HZO, Inc.	114,794
SynGlyco, Inc.	96,557
Senova Systems, Inc.	60,560
ABSMaterials, Inc.	37,135
EchoPixel, Inc.	16,170
Mersana Therapeutics, Inc.	15,087
Solazyme, Inc.	14,000
Nantero, Inc.	10,391
AgBiome, LLC	8,884
Cambrios Technologies Corporation	5,823
D-Wave Systems, Inc.	2,004
NanoTerra, Inc.	1,087
Orig3n, Inc.	893

We had an increase in unrealized depreciation of $714,472 on our investment in D-Wave Systems, Inc., owing to foreign currency translation.

We had an increase in unrealized depreciation of $7,870 on our investment in GEO Semiconductor, Inc., owing to a realized gain on the sale of certain warrants.

We had an increase in unrealized depreciation of $847 on the rights to milestone payments from Amgen, Inc. s acquisition of BioVex Group, Inc.

We had a decrease in unrealized depreciation of $1,763 on the rights to milestone payments from Canon, Inc. s acquisition of Molecular Imprints, Inc.

During the three months ended March 31, 2014, net unrealized depreciation on our venture capital investments decreased by $2,386,577, from net unrealized depreciation of $22,030,334 at December 31, 2013, to net unrealized depreciation of $19,643,757 at March 31, 2014, owing primarily to a net decrease in unrealized depreciation on our investment in Kovio, Inc., of $7,299,533 resulting in a realized loss on this investment when such securities were deemed worthless. We also had the following write-downs in the valuations of the following portfolio company investments:

Investment	Amount of Write-Down
SiOnyx, Inc.	$ 3,973,399
Champions Oncology, Inc.	794,317

Cobalt Technologies, Inc.	300,490
Ensemble Therapeutics Corporation	231,817
Laser Light Engines, Inc.	182,061
Nanosys, Inc.	133,573
Contour Energy Systems, Inc.	69,426
Metabolon, Inc.	44,168
SynGlyco, Inc.	28,189
D-Wave Systems, Inc.	4,320

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The write-downs for the three months ended March 31, 2014, were partially offset by write-ups in the valuations of the following portfolio company investments:

Investment	Amount of Write-Up
Enumeral Biomedical Corp.	$ 840,635
Bridgelux, Inc.	215,519
GEO Semiconductor, Inc.	15,352
HzO, Inc.	12,979
NanoTerra, Inc.	9,159
OhSo Clean, Inc.	8,413
Molecular Imprints, Inc.	4,620

We had a decrease in unrealized depreciation of $2,167 on the rights to milestone payments from Amgen, Inc. s acquisition of BioVex Group, Inc.

We had an increase in unrealized depreciation owing to foreign currency translation of $215,973 on our investment in D-Wave Systems, Inc.

We had an increase in unrealized depreciation of $44,067 on our investment in Solazyme, Inc., primarily owing to realized gains on the partial sale of the securities.

Unrealized appreciation on our U.S. government securities portfolio increased from unrealized appreciation of $45 at December 31, 2013, to unrealized appreciation of $121 at March 31, 2014.

Comparison of Years Ended December 31, 2014, 2013, and 2012

During the years ended December 31, 2014, December 31, 2013, and December 31, 2012, we had net decreases in net assets resulting from operations of $13,570,420, $7,788,958 and $19,986,900, respectively.

Investment Income and Expenses:

During the years ended December 31, 2014, 2013, and 2012, we had net operating losses of $7,901,727, $8,022,206 and $8,803,343, respectively. The variation in these results is primarily owing to the changes in investment income and operating expenses, including non-cash expense included in salaries, benefits and stock-based compensation of $857,006 in 2014, $1,249,756 in 2013 and $2,928,943 in 2012. During the years ended December 31, 2014, 2013, and 2012, total investment income was $517,800, $470,902 and $722,227, respectively. During the years ended December 31, 2014, 2013, and 2012, total operating expenses were $8,419,527, $8,493,108 and $9,525,570, respectively.

During the year ended December 31, 2014, as compared with the year ended December 31, 2013, investment income increased primarily owing to increases in interest income from convertible bridge notes, interest income from a non-convertible promissory note, income from yield-enhancing fees on debt securities and fees for providing managerial assistance to one of our portfolio companies, offset by a write-off of $77,268 of previously accrued bridge note interest, a decrease in interest income from subordinated and senior secured debt and senior secured debt through a participation agreement, rental income from the sublet of our office space at 420 Florence Street, Palo Alto, CA, owing to the expiration of the lease in 2013, and a decrease in our average holdings of U.S. government securities. During the year ended December 31, 2014, our average holdings of U.S. government securities were $2,999,955 as compared with $18,353,323 during the year ended December 31, 2013, primarily owing to the decrease in yield available over the durations of maturities in which we were willing to invest.

Operating expenses, including non-cash, stock-based compensation expenses, were $8,419,527 and $8,493,108 for the year ended December 31, 2014, and December 31, 2013, respectively. The decrease in operating expenses for the year ended December 31, 2014, as compared with the year ended December 31, 2013, was primarily owing to decreases in salaries, benefits and stock-based compensation expense, rent expense and insurance expense, offset by increases in administration and operations expense, professional fees, interest and other debt expense, directors fees and expenses and custody fees.

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Salaries, benefits and stock-based compensation expense decreased by $482,956, or 9.0%, for the year ended December 31, 2014, as compared with December 31, 2013, primarily as a result of decreases in compensation cost for restricted stock awards associated with the Stock Plan owing to a reversal of compensation expense of $256,334 for stock awards that were forfeited as a result of the voluntary termination of one of our employees on June 30, 2014, and the voluntary termination of two of our employees on December 31, 2014, a decrease in employee bonus expense of $165,500, and a decrease in salary and benefits owing to the aforementioned voluntary termination of one of our employees on June 30, 2014, net of increases in costs associated with the salary and benefits for one of our employees whose status changed from a part-time employee in 2013 to a full-time employee in 2014 and the hiring of a new full-time employee effective August 18, 2014. While the non-cash, stock-based compensation expense for the Stock Plan increased our operating expenses by $857,006, this increase was offset by a corresponding increase to our additional paid-in capital, resulting in no net impact to our net asset value. Rent expense decreased by $77,312, or 20.5%, for the year ended December 31, 2014, as compared with December 31, 2013, owing primarily to the expiration of the lease for our office space at 420 Florence Street, Palo Alto, CA, on August 30, 2013. Our rent expense of $299,048 for the year ended December 31, 2014, includes $321,145 of rent paid in cash, net of $22,097 non-cash rent expense, credits and abatements that we recognize on a straight-line basis over the lease term. Our rent paid in cash of $321,145 includes $24,565 of real estate tax escalation charges on our corporate headquarters located at 1450 Broadway in New York City. Insurance expense decreased by $55,832, or 14.8%, for the year ended December 31, 2014, as compared with December 31, 2013, primarily as a result of a decrease in overall annual renewal premiums.

Administration and operations expense increased by $24,681, or 3.8%, for the year ended December 31, 2014, as compared with December 31, 2013, primarily as a result of net increases in general office and administration expenses, including costs of $31,235 associated with a Meet the Portfolio Day event, offset by decreases in managing directors travel-related expenses. We did not hold a Meet the Portfolio Day during the comparable period in 2013. Professional fees increased by $128,920, or 10.3%, for the year ended December 31, 2014, as compared with December 31, 2013, primarily as a result of an increase in certain accounting fees and consulting fees associated with investor outreach and marketing efforts, offset by a decrease in certain legal fees. Interest and other debt expense increased by $261,237, or 224.4%, for the year ended December 31, 2014, as compared with December 31, 2013, primarily as a result of non-utilization fees and amortization of closing fees associated with our Loan Facility. Directors fees and expenses increased by $127,826, or 52.0%, for the year ended December 31, 2014, as compared with December 31, 2013, primarily owing to an increase in overall fees and the addition of a new member to our Board of Directors in 2014. Custody fees increased by $1,612, or 2.8%, for the year ended December 31, 2014, as compared with December 31, 2013.

During 2013, as compared with 2012, investment income decreased from $722,227 to $470,902, reflecting a net decrease in interest income from convertible bridge notes, non-convertible promissory notes, subordinated and senior secured debt. During the year ended December 31, 2013, we accrued net bridge note interest of $67,781, as compared with $235,806 during the year ended December 31, 2012. During the year ended December 31, 2013, our average holdings of U.S. government securities were $18,353,323 as compared with $3,884,228 during the year ended December 31, 2012, primarily owing to reinvestment of the proceeds received from the sales of Xradia, Inc., and shares of Solazyme, Inc. The average yield on our U.S. government securities for the year ended December 31, 2013, and 2012, was 0.03% and 0.10%, respectively.

Operating expenses, including non-cash, stock-based compensation expenses, were $8,493,108 and $9,525,570 for the year ended December 31, 2013, and December 31, 2012, respectively. The decrease in operating expenses for the year ended December 31, 2013, as compared with the year ended December 31, 2012, was primarily owing to decreases in salaries, benefits and stock-based compensation expense, administration and operations expense, rent expense and directors fees and expenses, offset by increases in professional fees, interest and other debt expense and custody fees.

Salaries, benefits and stock-based compensation expense decreased by $1,230,042, or 18.7%, for the year ended December 31, 2013, as compared with December 31, 2012, primarily as a result of a decrease in non-cash stock-based compensation expense of $1,679,187 associated with the Stock Plan and a decrease of $406,780 in the projected benefit obligation expense accrual for medical and pension retirement benefits, offset by increases in bonus accruals and salaries of employees owing to cost of living adjustments and costs associated with increases in salary for three of our employees who were promoted in 2013 from their positions in 2012. While the non-cash, stock-based compensation expense for the Stock Plan increased our operating expenses by $1,249,756, this increase was offset by a corresponding increase to our additional paid-in capital, resulting in no net impact to our net asset value. Administration and operations expense decreased by $47,159, or 4.4%, for the year ended December 31, 2013, as compared with December 31, 2012, primarily as a result of decreases in costs associated with investor outreach expenses, general office and administration expenses, and timing differences related to certain accrued expenses, offset by increases in managing directors travel-related expenses. We did not hold a Meet the Portfolio Day during the year ended December 31, 2013, as compared with costs of approximately $37,668 associated with such an event in the comparable period in 2012. Rent expense decreased by $32,299, or 7.9%, for the year ended December 31, 2013, as compared with December 31, 2012. Our rent expense of $376,360 for the year ended December 31, 2013, includes $392,335 of rent paid in cash, net of $15,975 non-cash rent expense, credits and abatements that we recognize on a straight-line basis over the lease term. Our rent paid in cash of $392,335 includes $13,924 of real estate tax escalation charges on our corporate headquarters located at 1450 Broadway in New York City. Directors fees and expenses decreased by $50,907, or 17.2%, for the year ended December 31, 2013, as compared with December 31, 2012, primarily owing to a smaller Board of Directors in 2013.

Professional fees increased by $254,024, or 25.4%, for the year ended December 31, 2013, as compared with December 31, 2012, primarily as a result of an increase in certain legal fees related to establishing our Loan Facility, offset by a decrease in consulting and accounting fees. Interest and other debt expense increased by $68,295, or 141.9%, for the year ended December 31, 2013, as compared with December 31, 2012, primarily as a result of non-utilization fees associated with our Loan Facility with Orix Corporate Capital, Inc. Custody fees increased by $9,109, or 18.5%, for the year ended December 31, 2013, as compared with December 31, 2012.

Realized Gains and Losses from Investments:

During the years ended December 31, 2014, 2013, and 2012, we realized net (losses) gains on investments of $(5,083,625), $18,516,268 and $2,406,433, respectively. For the years ended December 31, 2014, 2013, and 2012, we realized net (losses) gains from investments, before taxes, of $(5,065,729), $18,544,262 and $2,421,669, respectively. Income tax expense for the years ended December 31, 2014, 2013 and 2012 was $17,896, $27,994 and $15,236, respectively.

During the year ended December 31, 2014, we realized net losses of $5,065,729, consisting primarily of realized losses on the value of our investments in Kovio, Inc., of $7,299,533, and Contour Energy Systems, Inc., of $4,488,576, offset by a realized gain of $3,947,151 on the sale of our investment in Molecular Imprints, Inc., a realized gain of $16,000 on the early repayment of the senior secured debt by OHSO Clean, Inc., a realized gain of $68,371 on the sale of certain warrants of GEO Semiconductor, Inc., a realized gain of $204,442 on the sale of 575,756 shares of Champions Oncology, Inc., a realized gain of $1,129,054 on the sale of 117,834 shares of Solazyme, Inc., and a realized gain of $232,079 on the repurchase and expiration of certain Solazyme written call option contracts. At December 31, 2014, we still owned 2,523,895 and 50,000 shares of Champions Oncology and Solazyme, respectively. We also had a realized gain of $588,440 on our escrow payment from the sale of Xradia, Inc., and a realized gain of $536,813 on our investment in rights to milestone payments from Amgen, Inc.

During the year ended December 31, 2013, we realized net gains of $18,544,262, consisting primarily of a net realized gain on our investment in Xradia, Inc., of $10,624,634, a realized gain of $12,570,595 on the sale of 1,629,956 shares of Solazyme, Inc., of which 884,800 shares were called subject to the terms of written call option contracts, a realized gain of $148,729 on our escrow payment from the sale of Crystal IS, Inc., a realized gain of $105,313 on the early repayments of the senior secured and subordinated secured debt by GEO Semiconductor, Inc., and a realized gain of $92,529 on the sale of 193,539 shares of Champions Oncology, Inc., offset by a realized loss on the value of our investment in Nextreme Thermal Solutions, Inc., of $4,384,762, a realized loss of $540,106 on the sale of 50,807 shares of NeoPhotonics Corporation, of which 50,800 shares were called subject to the terms of written call option contracts, a realized loss of $282 on the repurchase and expiration of certain Solazyme and NeoPhotonics written call option contracts, and a

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realized loss of $72,209 on the expiration of certain Solazyme purchased put option contracts. At December 31, 2013, we still owned 3,099,651 and 167,834 shares of Champions Oncology and Solazyme, respectively. At December 31, 2013, we did not hold any shares of NeoPhotonics.

During the year ended December 31, 2012, we realized net gains of $2,421,669, consisting primarily of a realized gain of $4,101,673 on the sale of 506,359 shares of Solazyme, Inc., including the sale of 324,000 shares that were called subject to the terms of call option contracts and a realized gain of $1,605,907 on the repurchase and expiration of certain Solazyme and NeoPhotonics Corporation written call option contracts, offset by a realized loss of $4,307,592 on the sale of 400,100 shares of NeoPhotonics that were called subject to the terms of call option contracts. At December 31, 2012, we still owned 1,797,790 shares of Solazyme and 50,807 shares of NeoPhotonics. We had a realized gain of $464,485 on our escrow payment from the sale of Innovalight, Inc., in 2011. We also had realized gains on our escrow payments from the sales of BioVex Group, Inc., and Crystal IS, Inc.

Net Unrealized Appreciation and Depreciation of Portfolio Securities:

During the year ended December 31, 2014, net unrealized depreciation on total investments increased by $585,068.

During the year ended December 31, 2013, net unrealized depreciation on total investments increased by $18,283,020.

During the year ended December 31, 2012, net unrealized depreciation on total investments increased by $13,589,990.

During the year ended December 31, 2014, net unrealized depreciation on our venture capital investments increased by $576,141, from net unrealized depreciation of $22,030,334 at December 31, 2013, to net unrealized depreciation of $22,606,475 at December 31, 2014, owing primarily to a net increase in unrealized depreciation of $3,872,348 on our investment in Molecular Imprints, Inc., resulting from a realized gain on the sale of its securities, offset by a net decrease in unrealized depreciation on our investment in Contour Energy Systems, Inc., of $4,419,151 resulting in a realized loss on this investment owing to its liquidation and dissolution, and Kovio, Inc., of $7,299,533 resulting in a realized loss on this investment when such securities were deemed worthless. We also had the following write-downs in the valuations of the following portfolio company investments:

Investment	Amount of Write-Down
SiOnyx, Inc.	$ 4,993,851
Cambrios Technologies Corporation	2,868,013
HzO, Inc.	2,515,023
Champions Oncology, Inc.	2,042,182
Ensemble Therapeutics Corporation	1,218,444
Cobalt Technologies, Inc.	901,558
Senova Systems, Inc.	359,776
Ultora, Inc.	352,388
Mersana Therapeutics, Inc.	219,770
Laser Light Engines, Inc.	195,806
ABSMaterials, Inc.	179,986
Accelerator IV New York Corporation	164,385
OhSo Clean, Inc.	44,043
AgBiome, LLC	32,036
NanoTerra, Inc.	29,112

GEO Semiconductor, Inc.	17,708
Metabolon, Inc.	2,645

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The write-downs for the year ended December 31, 2014, were offset by write-ups in the valuations of the following portfolio company investments:

Investment	Amount of Write-Up
Enumeral Biomedical Corp.	$ 3,937,669
D-Wave Systems, Inc.	2,448,031
Produced Water Absorbents, Inc.	1,491,898
Nantero, Inc.	399,158
Bridgelux, Inc.	390,435
Nanosys, Inc.	224,040
SynGlyco, Inc.	152,662
Adesto Technologies Corporation	121,875
OpGen, Inc.	80,191
EchoPixel, Inc.	62,425
UberSeq, Inc.	6,159

We had an increase in unrealized depreciation of $1,420,247 on our investment in Solazyme, Inc., primarily owing to realized gains on the partial sale of the securities.

We had an increase in unrealized depreciation owing to foreign currency translation of $788,951 on our investment in D-Wave Systems, Inc.

We had an increase in unrealized depreciation of $722 on the rights to milestone payments from Canon, Inc. s acquisition of Molecular Imprints, Inc.

We had a decrease in unrealized depreciation of $609,626 on the rights to milestone payments from Amgen, Inc. s acquisition of BioVex Group, Inc.

Unrealized appreciation on our U.S. government securities portfolio decreased from unrealized appreciation of $45 at December 31, 2013, to $0 at December 31, 2014. We did not hold any U.S. government securities at December 31, 2014.

During the year ended December 31, 2013, net unrealized depreciation on our venture capital investments increased by $18,281,703, from net unrealized depreciation of $3,748,631 at December 31, 2012, to net unrealized depreciation of $22,030,334 at December 31, 2013, owing primarily to a decrease in unrealized appreciation of $8,303,684 on our investment in Xradia, Inc., resulting from realized gains on the sale of its securities and a decrease in unrealized appreciation of $8,451,603 on our investment in Solazyme, Inc., resulting from realized gains on the partial sale of its securities. We also had write-downs in the valuations of the following portfolio company investments:

Investment	Amount of Write-Down
SiOnyx, Inc.	$ 4,014,690
Contour Energy Systems, Inc.	3,746,352
OpGen, Inc.	3,260,000
Laser Light Engines, Inc.	2,259,495
Kovio, Inc.	1,771,912

Enumeral Biomedical Corp.	1,443,004
Ultora, Inc.	885,042
SynGlyco, Inc.	655,935
Cobalt Technologies, Inc.	295,132
Senova Systems, Inc.	292,887
GEO Semiconductor, Inc.	65,507
Produced Water Absorbents, Inc.	28,170
D-Wave Systems, Inc.	177

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The write-downs for the year ended December 31, 2013, were offset by write-ups in the valuations of the following portfolio company investments:

Investment	Amount of Write-Up
Metabolon, Inc.	$ 3,376,119
Champions Oncology, Inc.	2,340,011
Ensemble Therapeutics Corporation	1,429,780
Molecular Imprints, Inc.	1,317,999
HzO, Inc.	1,225,523
Bridgelux, Inc.	865,062
Cambrios Technologies Corporation	854,586
AgBiome, LLC	500,000
ABSMaterials, Inc.	384,017
Nanosys, Inc.	178,329
Adesto Technologies Corporation	34,542
OhSo Clean, Inc.	33,302
NanoTerra, Inc.	19,735

We had an increase in unrealized appreciation of $4,384,762 on our investment in Nextreme Thermal Solutions, Inc., owing to a realized loss on the sale of its securities.

We had an increase in unrealized appreciation of $88,699 on the rights to milestone payments from Amgen, Inc. s acquisition of BioVex Group, Inc.

We had a decrease in unrealized appreciation of $371,513 on our investment in D-Wave Systems, Inc., owing to foreign currency translation.

We had an increase in unrealized appreciation of $530,934 on our investment in NeoPhotonics Corporation owing to realized losses on the sale of its securities.

Unrealized appreciation on our U.S. government securities portfolio decreased from unrealized appreciation of $2,744 at December 31, 2012, to $45 at December 31, 2013.

During the year ended December 31, 2012, net unrealized appreciation on our venture capital investments decreased by $13,480,234, from net unrealized appreciation of $9,731,603 at December 31, 2011, to net unrealized depreciation of $3,748,631 at December 31, 2012, owing primarily to decreases in the valuations of the following portfolio company investments:

Investment	Amount of Write-Down
Solazyme, Inc.	$ 6,524,259
Bridgelux, Inc.	6,121,656
Ancora Pharmaceuticals Inc.	4,330,723
Kovio, Inc.	1,721,913
Mersana Therapeutics, Inc.	1,524,629
ABSMaterials, Inc.	1,434,082

Contour Energy Systems, Inc.	1,279,064
Laser Light Engines, Inc.	1,172,892
HzO, Inc.	732,651
Produced Water Absorbents, Inc.	721,830
Champions Oncology, Inc.	625,107
Senova Systems, Inc.	441,363
Cambrios Technologies Corporation	54,040
SiOnyx, Inc.	50,342
NanoTerra, Inc.	18,861

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The write-downs for the year ended December 31, 2012, were offset by write-ups in the valuations of the following portfolio company investments:

Investment	Amount of Write-Up
Xradia, Inc.	$ 5,324,907
Nanosys, Inc.	2,453,186
Adesto Technologies Corporation	2,393,372
Nantero, Inc.	1,210,298
Ensemble Therapeutics Corporation	1,077,795
Cobalt Technologies, Inc.	823,029
NeoPhotonics Corporation	563,061
D-Wave Systems, Inc.	450,972
Enumeral Biomedical Corp.	215,342
GEO Semiconductor, Inc.	16,335
OHSO Clean, Inc.	10,742
Metabolon, Inc.	22

We had an increase in unrealized appreciation of $37,943 on the rights to milestone payments from Amgen, Inc. s acquisition of BioVex Group, Inc.

We had an increase in unrealized appreciation owing to foreign currency translation of $123,904 on our investment in D-Wave Systems, Inc.

We had an increase in unrealized appreciation of $4,141,035 on our investment in NeoPhotonics Corporation owing to realized losses on the sale of its securities.

We had a decrease in unrealized appreciation of $5,568,765 on our investment in Solazyme, Inc., owing to realized gains on the sale of its securities.

Unrealized appreciation on our U.S. government securities portfolio increased from unrealized appreciation of $0 at December 31, 2011, to $2,744 at December 31, 2012.

Financial Condition

March 31, 2015

At March 31, 2015, our total assets and net assets were $113,020,168 and $105,892,734, respectively. At December 31, 2014, our total assets and net assets were $112,094,861 and $109,654,427, respectively.

At March 31, 2015, our net asset value per share was $3.39, as compared with $3.51 at December 31, 2014. At March 31, 2015, and December 31, 2014, our shares outstanding were 31,280,843, respectively.

Significant developments in the three months ended March 31, 2015, included an increase in the holdings of our venture capital investments of $691,768 and an increase in our cash of $303,129. The increase in our venture capital investments from $89,764,840 at December 31, 2014, to $90,456,608 at March 31, 2015, resulted primarily from new and follow-on investments of $2,615,301, offset by a decrease in the net value of our venture capital investments of

$1,923,533. The increase in our cash from $20,748,314 at December 31, 2014, to $21,051,443 at March 31, 2015, is primarily owing to a drawdown of $5,000,000 from the Loan Facility, offset by new and follow-on venture capital investments totaling $2,615,301 and to the payment of cash for operating expenses of $1,994,450.

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The following table is a summary of additions to our portfolio of venture capital investments made during the three months ended March 31, 2015:

New Investments	Amount of Investment
Orig3n, Inc.	$ 250,000
Phylagen, Inc.	200,000

Follow-On Investments	Amount of Investment
Produced Water Absorbents, Inc.	500,000
Produced Water Absorbents, Inc.	484,203
Metabolon, Inc.	299,999
Accelerator IV-New York Corporation	262,215
OpGen, Inc.	208,035
Nantero, Inc.	195,303
Mersana Therapeutics, Inc.	104,521
SiOnyx, Inc.	103,500
Ultora, Inc.	7,525
Total	**$ 2,615,301**

The following table summarizes the value of our portfolio of venture capital investments as compared with its cost at March 31, 2015, and December 31, 2014:

	March 31, 2015	December 31, 2014
Venture capital investments, at cost	$ 114,533,864	$ 112,371,315
Net unrealized (depreciation)	(24,077,256)	(22,606,475)
Venture capital investments, at value	**$ 90,456,608**	**$ 89,764,840**

December 31, 2014

At December 31, 2014, our total assets and net assets were $112,094,861 and $109,654,427, respectively. At December 31, 2013, they were $125,063,946 and $122,701,575, respectively.

At December 31, 2014, our net asset value per share was $3.51, as compared with $3.93 at December 31, 2013. At December 31, 2014, and December 31, 2013, our shares outstanding were 31,280,843 and 31,197,438, respectively.

Significant developments in the year ended December 31, 2014, included a decrease in the holdings of our venture capital investments of $4,134,619 and a decrease in our cash and treasury holdings of $6,790,044. The decrease in the value of our venture capital investments from $93,899,459 at December 31, 2013, to $89,764,840 at December 31, 2014, resulted primarily from a net decrease of $2,043,780 owing to the sale of certain of our shares of Solazyme, Inc., and Champions Oncology, Inc., and a decrease in the net value of our venture capital investments of $16,367,647, offset by new and follow-on investments of $14,276,808. The decrease in our cash and treasury holdings from $27,538,358 at December 31, 2013, to $20,748,314 at December 31, 2014, is primarily owing to new and follow-on venture capital investments totaling $14,276,808 and to the payment of cash for operating expenses of

$7,547,034, offset by net proceeds of $2,043,780 received from the sale of certain of our shares of Solazyme and Champions Oncology, net premium proceeds of $119,697 received from certain Solazyme written call options, $2,374,827 received from the portion of our payment held in escrow from the sale of Xradia, Inc., $6,486,461 received from the sale of Molecular Imprints, Inc., $2,070,955 received from our rights to milestone payments from Amgen, Inc., associated with the sale of BioVex Group, Inc., $549,238 received from the repayment of the senior secured debt of OHSO Clean, Inc., $48,071 from the payment of the principal amount plus accrued interest of a convertible promissory note invested in Nanosys, Inc., and $79,310 received from the sale of certain warrants held in GEO Semiconductor, Inc.

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The following table is a summary of additions to our portfolio of venture capital investments made during the year ended December 31, 2014:

New Investments	Amount of Investment
UberSeq, Inc.	$ 500,000
TARA Biosystems, Inc.	300,020
Accelerator IV-New York Corporation	216,012

Follow-On Investments	Amount of Investment
HZO, Inc.	$ 2,000,003
Enumeral Biomedical Holdings, Inc.	1,500,000
Produced Water Absorbents, Inc.	1,000,268
Produced Water Absorbents, Inc.	1,000,000
Enumeral Biomedical Corp.	935,000
D-Wave Systems, Inc.	762,568
Produced Water Absorbents, Inc.	750,000
ABSMaterials, Inc.	500,000
Senova Systems, Inc.	500,000
EchoPixel,Inc.	500,000
SiOnyx, Inc.	415,635
Senova Systems, Inc.	350,000
Produced Water Absorbents, Inc.	330,677
Enumeral Biomedical Corp.	250,000
Senova Systems, Inc.	250,000
OpGen, Inc.	250,000
OpGen, Inc.	245,017
Mersana Therapeutics, Inc.	240,500
OpGen, Inc.	209,020
HZO, Inc.	206,997
OpGen, Inc.	200,000
D-Wave Systems, Inc.	170,043
OpGen, Inc.	120,000
ProMuc, Inc.	100,000
OpGen, Inc.	100,000
SiOnyx, Inc.	93,976
Ultora, Inc.	86,039
SiOnyx, Inc.	68,999
Enumeral Biomedical Corp.	65,000
Laser Light Engines, Inc.	19,331
Ultora, Inc.	17,208
Laser Light Engines, Inc.	13,745
Ultora, Inc.	10,750
Total	**$ 14,276,808**

December 31, 2013

At December 31, 2013, our total assets and net assets were $125,063,946 and $122,701,575, respectively. At December 31, 2012, they were $131,990,250 and $128,436,774, respectively.

At December 31, 2013, our net asset value per share was $3.93, as compared with $4.13 at December 31, 2012. At December 31, 2013, and December 31, 2012, our shares outstanding were 31,197,438 and 31,116,881, respectively.

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Significant developments in the year ended December 31, 2013, included a decrease in the holdings of our venture capital investments of $14,102,732 and an increase in our cash and treasury holdings of $5,160,367. The decrease in the value of our venture capital investments from $108,002,191 at December 31, 2012, to $93,899,459 at December 31, 2013, resulted primarily from a net decrease of $16,302,653 owing to the sale of certain of our shares of Solazyme, Inc., Champions Oncology, Inc., and NeoPhotonics Corporation, a net decrease of $12,303,684 owing to the sale of our investment in Xradia, Inc., and a net decrease in the net value of our venture capital investments of $3,572,683, offset by an increase owing to two new and 37 follow-on investments of $18,076,288. The increase in our cash and treasury holdings from $22,377,991 at December 31, 2012, to $27,538,358 at December 31, 2013, is primarily owing to net proceeds of $16,302,653 received from the sale of certain of our shares of Solazyme, NeoPhotonics and Champions Oncology, net premium proceeds of $629,921 received from certain Solazyme and NeoPhotonics option contracts, $1,222,830 received from the portion of our payments held in escrow from the sales of Innovalight, Inc., and Crystal IS, Inc., and $12,838,244 received from the sale of Xradia, Inc., offset by the payment of cash for operating expenses of $7,317,388 and to new and follow-on venture capital investments totaling $18,076,288.

The following table is a summary of additions to our portfolio of venture capital investments made during the year ended December 31, 2013:

New Investments	Amount of Investment
EchoPixel, Inc.	$ 750,000
ProMuc, Inc.	350,001

Follow-On Investments	Amount of Investment
Adesto Technologies Corporation	$ 2,499,999
Produced Water Absorbents, Inc.	1,802,760
Metabolon, Inc.	1,225,000
HzO, Inc.	1,212,500
HzO, Inc.	1,000,000
HzO, Inc.	937,500
Enumeral Biomedical Corp.	750,000
Adesto Technologies Corporation	672,070
Produced Water Absorbents, Inc.	648,000
ABSMaterials, Inc.	500,000
D-Wave Systems, Inc.	491,100
SiOnyx, Inc.	418,066
SiOnyx, Inc.	418,066
Senova Systems, Inc.	386,363
Ancora Pharmaceuticals Inc.	350,000
HzO, Inc.	350,000
Nano Terra, Inc.	350,000
Enumeral Biomedical Corp.	300,001
Ancora Pharmaceuticals, Inc.	300,000
AgBiome, LLC	260,870
AgBiome, LLC	260,870

Ultora, Inc.	236,603
Ultora, Inc.	215,000
Champions Oncology, Inc.	200,000
Laser Light Engines, Inc.	166,667
Laser Light Engines, Inc.	166,667
OpGen, Inc.	150,000
Mersana Therapeutics, Inc.	126,585

Follow-On Investments	Amount of Investment
Senova Systems, Inc.	113,636
Senova Systems, Inc.	100,000
OpGen, Inc.	95,000
Laser Light Engines, Inc.	80,669
Ensemble Therapeutics Corporation	73,620
Kovio, Inc.	50,000
Cobalt Technologies, Inc.	28,920
Ensemble Therapeutics Corporation	25,767
Ensemble Therapeutics Corporation	13,988
Total	**$ 18,076,288**

The following tables summarize the values of our portfolios of venture capital investments and U.S. government securities, as compared with their cost, at December 31, 2014, and December 31, 2013:

	December 31, 2014	December 31, 2013
Venture capital investments, at cost	$ 112,371,315	$ 115,929,793
Net unrealized (depreciation)(1)	(22,606,475)	(22,030,334)
Venture capital investments, at value	$ 89,764,840	**$ 93,899,459**

	December 31, 2014	December 31, 2013
U.S. government securities, at cost	$ 0	$ 18,999,765
Net unrealized appreciation(1)	0	45
U.S. government securities, at value	$ 0	**$ 18,999,810**

(1) At December 31, 2014, and December 31, 2013, the net accumulated unrealized depreciation on investments, including written call options was $22,606,475 and $22,021,407, respectively.

Cash Flow

Three Months Ended March 31, 2015 and 2014

Net cash used in operating activities for the three months ended March 31, 2015, was $4,690,065, primarily reflecting the purchase of venture capital investments of $2,615,301 and the payment of operating expenses, offset by proceeds from the sale of investments and repayment of principal of $115,736.

Net cash used in investing activities for the three months ended March 31, 2015, was $6,806, primarily reflecting the purchase of fixed assets.

Net cash provided by financing activities for the three months ended March 31, 2015, was $5,000,000, primarily reflecting a partial drawdown from the Loan Facility.

Net cash used in operating activities for the three months ended March 31, 2014, was $2,636,560, primarily reflecting the net purchase of U.S. government securities of $1,000,036, the purchase of venture capital investments of $2,386,980 and the payment of operating expenses, partially offset by proceeds from the sale of investments of $2,168,524 and net proceeds from call options of $119,697.

Net cash used in investing activities for the three months ended March 31, 2014, was $754, primarily reflecting the purchase of fixed assets.

Year Ended December 31, 2014

Net cash provided by operating activities for the year ended December 31, 2014, was $12,361,457, primarily reflecting the net sale of U.S. government securities of $18,999,008 and proceeds from the sale of investments of $13,655,918, offset by the purchase of venture capital investments of $14,276,808 and the payment of operating expenses.

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Net cash used in investing activities for the year ended December 31, 2014, was $26,940, primarily reflecting the purchase of fixed assets.

Cash used in financing activities for the year ended December 31, 2014, was $124,751, resulting from the net settlement of restricted stock awards.

Year Ended December 31, 2013

Net cash provided by operating activities for the year ended December 31, 2013, was $295,923, primarily reflecting the net purchase of U.S. government securities of $5,005,360, the purchase of venture capital investments of $18,076,288 and the payment of operating expenses, partially offset by proceeds from the sale of investments of $30,363,727 and net proceeds from call options of $1,040,127.

Net cash used in investing activities for the year ended December 31, 2013, was $13,303, primarily reflecting the purchase of fixed assets.

Cash used in financing activities for the year ended December 31, 2013, was $123,183, resulting from the net settlement of restricted stock awards.

Year Ended December 31, 2012

Net cash used in operating activities for the year ended December 31, 2012, was $(23,741,522), primarily reflecting the net purchase of U.S. government securities of $13,993,650, the purchase of venture capital investments of $16,511,941 and the payment of operating expenses, partially offset by proceeds from the sale of investments of $8,132,435 and net proceeds from call options of $1,640,557.

Net cash used in investing activities for the year ended December 31, 2012, was $15,922, primarily reflecting the purchase of fixed assets.

Cash used in financing activities for the year ended December 31, 2012, was $1,704,839, resulting from the repayment of our credit facility and the net settlement of restricted stock awards.

Liquidity and Capital Resources

Our liquidity and capital resources are generated and are 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 and payments received on our venture debt investments, 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 our cash holdings, the sales of our investments in U.S. government securities, when applicable, and interest earned from our venture debt securities. We believe the increase or decrease in the value of our venture capital investments does not materially affect the day-to-day operations of the Company or our daily liquidity. As of March 31, 2015, and December 31, 2014, we had no investments in money market mutual funds.

Our Loan Facility may be used to fund our investments and not for the payment of day-to-day operating expenses. As of March 31, 2015, we had $5,000,000 in debt outstanding. We have not issued any debt securities, and, therefore, are not subject to credit agency downgrades.

As a venture capital company, it is critical that we have capital available to support our best companies until we have an opportunity for liquidity in our investments. As such, we will continue to maintain a substantial amount of liquid capital on our balance sheet.

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 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, 2015, our net asset value per share was $3.39, and our closing market price was $3.08 per share. As of December 31, 2014, our net asset value per share was $3.51, and our closing market price was $2.95 per share. We do not currently have shareholder approval to issue or sell shares below our net asset value per share.

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March 31, 2015

At March 31, 2015, and December 31, 2014, our total primary liquidity was $21,277,906 and $20,978,792, respectively. Our primary liquidity is principally comprised of our cash and certain receivables. The increase in our primary liquidity from December 31, 2014, to March 31, 2015, is primarily owing to the receipt of proceeds from a drawdown of the Loan Facility of $5,000,000, offset by the use of funds for investments totaling $2,615,301 and payment of net operating expenses.

At March 31, 2015, and December 31, 2014, our secondary liquidity was $7,906,979 and $8,641,873, respectively. Secondary liquidity does not include the value of warrants or options we hold in Champions Oncology, Inc., or Enumeral Biomedical Holdings, Inc. Our secondary liquidity consists of our publicly traded securities. Although these companies are publicly traded, their stock may not trade at high volumes and prices can be volatile, which may restrict our ability to sell our positions at any given time. We may also be restricted for a period of time in selling our positions in these companies due to our shares being unregistered. As of March 31, 2015, our publicly traded securities of Enumeral Biomedical Holdings were restricted from sale.

As of March 31, 2015, we have $5,000,000 in debt outstanding.

We do not include funds held in escrow from the sale of investments in primary or secondary liquidity. These funds become primary liquidity if and when they are received at the expiration of the escrow period.

We believe that the current and future venture capital environment may adversely affect the valuation of investment portfolios, lead to tighter lending standards and result in reduced access to capital. These conditions may lead to a decline in net asset value and/or decline in valuations of our portfolio companies in future quarters. 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.

December 31, 2014

At December 31, 2014, and December 31, 2013, our total net primary and secondary liquidity was $29,620,665 and $33,620,478, respectively.

At December 31, 2014, and December 31, 2013, our total net primary liquidity was $20,978,792 and $28,073,184, respectively. Our primary liquidity is principally comprised of our cash, U.S. government securities, when applicable, and certain receivables. The decrease in our primary liquidity from December 31, 2013, to December 31, 2014, is primarily owing to the use of funds for investments totaling $14,276,808 and payment of net operating expenses, offset by the receipt of $2,070,955 from our rights to milestone payments from Amgen, Inc., associated with the sale of BioVex Group, Inc., $2,374,827 from the portion of our upfront payment held in escrow from the sale of Xradia, Inc., $6,486,461 from the sale of Molecular Imprints, Inc., $549,238 from the payment of the senior secured debt of OHSO Clean, Inc., $48,071 from the payment of the principal amount plus accrued interest of a convertible promissory note invested in Nanosys, Inc., $79,310 of total proceeds due of $158,621 from the sale of certain warrants of GEO Semiconductor, Inc., with the remaining proceeds due of $79,311 included in our receivables as of December 31, 2014, and net proceeds of $2,043,780 from the sales of certain of our shares of Solazyme, Inc., and Champions Oncology, Inc. During the year ended December 31, 2014, we also purchased and sold call option contracts on our publicly traded positions generating net proceeds of $119,697.

At December 31, 2014, and December 31, 2013, our secondary liquidity was $8,641,873 and $5,547,294, respectively. Secondary liquidity does not include the value of warrants or options we hold in Champions Oncology, Inc., or Enumeral Biomedical Holdings, Inc. Our secondary liquidity consists of our publicly traded securities. Although these companies are publicly traded, their stock may not trade at high volumes and prices can be volatile, which may restrict our ability to sell our positions at any given time. We may also be restricted for a period of time in selling our positions in these companies due to our shares being unregistered. As of December 31, 2014, our publicly traded securities of Enumeral Biomedical were restricted from sale.

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On September 24, 2009, we signed a ten-year lease for approximately 6,900 square feet of office space located at 1450 Broadway, New York, New York. The lease commenced on January 21, 2010, with these offices replacing our corporate headquarters previously located at 111 West 57th Street in New York City. The base rent is $36 per square foot with a 2.5% increase per year over the 10 years of the lease, subject to a full abatement of rent for four months and a rent credit for six months throughout the lease term. The lease expires on December 31, 2019. Total rent expense for this office space in New York City was $253,446 in 2014, $242,806 in 2013, and $238,202 in 2012. Future minimum lease payments in each of the following years are: 2015 $280,673; 2016 $287,690; 2017 $294,882; 2018 $302,254; and 2019 $309,811.

On July 1, 2008, we signed a five-year lease for office space at 420 Florence Street, Suite 200, Palo Alto, California, which commenced on August 1, 2008, and expired on August 31, 2013. Total rent expense for this office space in Palo Alto was $0 in 2014, $92,787 in 2013 and $136,816 in 2012.

On April 26, 2011, we signed a one-year lease for office space at 530 Lytton Avenue, 2nd Floor, Palo Alto, California, commencing on July 1, 2011, and expiring on June 30, 2012. The lease has been renewed annually commencing on July 1, 2012, and currently expires on June 30, 2015. Total rent expense for this office space in Palo Alto was $40,474 in 2014, $34,325 in 2013 and $28,916 in 2012. Future minimum lease payments in 2015 are $20,423.

On March 22, 2012, we signed a one-year lease for office space at 140 Preston Executive Drive, Space L, Cary, North Carolina, commencing on April 1, 2012, and expiring on March 31, 2013. The lease was renewed commencing on April 1, 2013, and expired on March 31, 2014. Total rent expense for this office space in Cary was $1,717 in 2014, $6,442 in 2013 and $4,725 in 2012.

On March 17, 2014, we signed a month-to-month lease for office space at 213 Fayetteville Street, Raleigh, North Carolina, commencing on March 24, 2014, through December 31, 2014. Total rent expense for this office space in Raleigh was $3,411 in 2014.

December 31, 2013

At December 31, 2013, and December 31, 2012, our total net primary and secondary liquidity was $33,643,980 and $38,231,691, respectively.

At December 31, 2013, and December 31, 2012, our total net primary liquidity was $28,073,184 and $22,461,202, respectively. Our primary liquidity is principally comprised of our cash, U.S. government securities, when applicable, and certain receivables. The increase in our primary liquidity from December 31, 2012, to December 31, 2013, is primarily owing to the receipt of our initial payment of $12,838,244 from the sale of Xradia, Inc., the receipt of $1,222,830 from the portion of our upfront payments held in escrow from the sale of Innovalight, Inc., and Crystal IS, Inc., and net proceeds of $16,302,653 received from the sales of certain of our shares of Solazyme, Inc., Champions Oncology, Inc., and NeoPhotonics Corporation, offset by the use of funds for investments and payment of net operating expenses. During the year ended December 31, 2013, we also purchased and sold call option and put option contracts on our publicly traded positions generating net proceeds of $629,291.

At December 31, 2013, and December 31, 2012, our secondary liquidity was $5,570,796 and $15,770,489, respectively. Our secondary liquidity consists of our publicly traded securities. Although these companies are publicly traded, their stock may not trade at high volumes and prices can be volatile, which may restrict our ability to sell our positions at any given time. We may also be restricted for a period of time in selling our positions in these companies due to our shares being unregistered.

We do not include funds held in escrow from the sale of investments in primary or secondary liquidity. These funds become primary liquidity if and when they are received at the expiration of the escrow period.

Borrowings

On September 30, 2013, the Company entered into the Loan Facility, which may be used to fund investments in portfolio companies. The Loan Facility replaced the Company s prior credit facility with TD Bank, NA. The Loan Facility, among other things, matures on September 30, 2017, and bears interest at 10% per annum in cash. The Company has the option to have interest accrue at a rate of 13.5% per annum if

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the Company decides not to pay interest in cash monthly. The Company currently plans to pay interest in cash if and when any borrowings are outstanding. The Loan Facility also requires payment of a draw fee on each borrowing equal to 1.0% of such borrowing and an unused commitment fee of 1.0% per annum. Interest and fee payments under the Loan Facility are made quarterly in arrears. The Company may prepay the loans or reduce the aggregate commitments under the Loan Facility at any time prior to the maturity date, as long as certain conditions are met, including payment of required prepayment or termination fees. The Loan Facility is secured by all of the assets of the Company and its wholly owned subsidiaries, subject to certain customary exclusions. The Loan Facility contains certain affirmative and negative covenants, including without limitation: (a) maintenance of certain minimum liquidity requirements; (b) maintenance of an eligible asset leverage ratio of not less than 4.0:1.0; (c) limitations on liens; (d) limitations on the incurrence of additional indebtedness; and (e) limitations on structural changes, mergers and disposition of assets (other than in the normal course of our business activities). There were no borrowings at closing.

On September 30, 2013, the Company terminated its prior credit facility with TD Bank, N.A. As of December 31, 2013, there was no principal outstanding under the prior credit facility and no termination fees were incurred in connection with terminating the prior credit facility.

At December 31, 2014, and December 31, 2013, the Company had no outstanding debt. The weighted average annual interest rate for the year ended December 31, 2014, and December 31, 2013, was 0.0%, exclusive of amortization of closing fees and other expenses related to establishing the prior credit facility. The remaining capacity under the Loan Facility was $20,000,000 at December 31, 2014. Unamortized fees and expenses of $480,921 related to establishing the Loan Facility are included as Prepaid expenses as of December 31, 2014. These amounts are amortized over the term of the Loan Facility. At December 31, 2014, the Company was in compliance with all covenants required by the Loan Facility.

At March 31, 2015, and December 31, 2014, the Company had $5,000,000 and $0, respectively, in debt outstanding. The remaining capacity under the Loan Facility was $15,000,000 at March 31, 2015. For the year ended December 31, 2014, we paid $202,778 in non-utilization fees and amortized $174,880 in closing costs related to the Loan Facility. For the three months ended March 31, 2015, we paid $50,000 in non-utilization fees and amortized $43,720 in closing costs related to the Loan Facility. We did not pay any interest in connection with the Loan Facility during the year ended December 31, 2014, or during the three months ended March 31, 2015.

Legislation was introduced in the U.S. House of Representatives during the 113th Congress intended to revise certain regulations applicable to BDCs. The legislation, among other things, provides for increasing the amount of funds BDCs may borrow by reducing the asset coverage ratio from 200% to 150%. As a result, we may be able to incur additional indebtedness in the future, and, therefore, the risk of an investment in shares of our common stock may increase.

Contractual Obligations

A summary of our significant contractual payment obligations is as follows:

Payments Due by Period

Total	Less than 1 Year	1 3 Years	3 5 Years	More Than 5 Years

Multi-Draw Loan Facility[(1)]	$ 5,000,000	$ 0	$ 5,000,000	$ 0	$ 0
Operating leases	$ 1,415,630	$ 292,632	$ 586,199	$ 536,799	$ 0
Total	$ 6,415,630	$ 292,632	$ 5,586,199	$ 536,799	$ 0

(1) As of March 31, 2015, we had $15,000,000 of unused borrowing capacity under our Loan Facility.

On July 21, 2014, the Company made an investment in Accelerator IV-New York Corporation (Accelerator) for a 9.6% interest in the company. Accelerator will be identifying emerging biotechnology companies for the Company to invest in directly over a five-year period. If the Company defaults on these commitments, the other investors may purchase the Company s shares of Accelerator for $0.001 per share. In the event of default, the Company would still be required to contribute the remaining operating commitment.

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The Company s aggregate operating and investment commitments in Accelerator amounted to $666,667 and $3,333,333, respectively. During the three months ended March 31, 2015, $262,215 in capital was called, all of which related to the operating commitment. As of March 31, 2015, the Company had remaining unfunded commitments of $188,440 and $3,333,333, or approximately 28.3% and 100%, of the total operating and investment commitments, respectively. The withdrawal of contributed capital is not permitted. The transfer or assignment of capital is subject to approval by Accelerator.

Critical Accounting Policies

The Company s significant accounting policies are described in Note 3 to the Unaudited Interim Consolidated Financial Statements and in the Footnote to the Consolidated Schedule of Investments. Critical accounting policies are those that are both important to the presentation of our financial condition and results of operations and those that require management s most difficult, complex or subjective judgments. The Company considers the following accounting policies and related estimates to be critical:

Valuation of Portfolio Investments

The most significant estimate inherent in the preparation of our consolidated financial statements is the valuation of investments and the related amounts of unrealized appreciation and depreciation of investments recorded. As a BDC, we invest in primarily illiquid securities that generally have no established trading market.

Investments are stated at value as defined in the 1940 Act and in the applicable regulations of the SEC and U.S. GAAP. ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about assets and liabilities measured at fair value. ASC 820 provides a consistent definition of fair value that focuses on exit price in the principal, or most advantageous, market and prioritizes, within a measurement of fair value, the use of market-based inputs over entity-specific inputs. ASC 820 also establishes the following three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;
Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 inputs are in those markets for which there are few transactions, the prices are not current, little public information exists or instances where prices vary substantially over time or among brokered market makers; and
Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs are those inputs that reflect our own assumptions that market participants would use to price the asset or liability based upon the best available information.
Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement and are not necessarily an indication of risks associated with the investment. See Note 6. Fair Value of Investments in the accompanying notes to our unaudited consolidated interim financial statements for additional information regarding fair value measurements.

Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) the fair value as determined in good faith by, or under the direction of, the Board of Directors for all other assets. See Valuation Procedures in the Footnote to Consolidated Schedule of Investments for additional information. As of March 31, 2015, our financial statements include venture capital investments fair valued at $87,921,143, and equity method valued at $346,721, the values of which were determined in good faith by, or under the direction of, the Board of Directors. As of March 31, 2015, approximately 83% of our net assets represent investments in portfolio companies valued by the Board of Directors.

Determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment, although our valuation policy is intended to provide a consistent basis for determining fair value of the portfolio investments. Factors that may be considered include, but are not limited to, the cost of the Company s investment; transactions in the portfolio company s securities or unconditional firm offers by responsible parties; the financial condition and operating results of the company; the long-term potential of the business and technology of the company; the values of similar securities issued by companies in similar businesses; volatilities of similar securities issued by companies in similar businesses; expected time to exit; multiples to revenues, net income or EBITDA that similar securities issued by companies in similar businesses receive; the proportion of the company s securities we own and the nature of any rights to require the company to register restricted securities under the applicable securities laws; management s assessment of non-performance risk; the achievement of milestones; discounts for restrictions on transfers of publicly traded securities; and the rights and preferences of the class of securities we own as compared with other classes of securities the portfolio has issued.

In addition, with respect to our debt investments for which no readily available market quotations are available, we will generally consider the financial condition and current and expected future cash flows of the portfolio company; the creditworthiness of the portfolio company and its ability to meet its current debt obligations; the relative seniority of our debt investment within the portfolio company s capital structure; the availability and value of any available collateral; and changes in market interest rates and credit spreads for similar debt investments.

Historically, difficult venture capital environments have resulted in companies not receiving financing and being subsequently closed down with a loss of investment to venture investors, and other companies receiving financing but at significantly lower valuations than the preceding rounds, leading to very deep dilution for those who do not participate in the new rounds of investment. Our best estimate of this non-performance risk has been quantified and included in the valuation of our portfolio companies as of March 31, 2015.

All investments recorded at fair value are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels related to the amount of subjectivity associated with the inputs to fair valuation of these assets are as discussed above.

As of March 31, 2015, approximately 97% of our portfolio company investments were classified as Level 3 in the hierarchy, indicating a high level of judgment required in their valuation.

The values assigned to our assets are based on available information and do not necessarily represent amounts that might ultimately be realized, as these amounts depend on future circumstances and cannot be reasonably determined until the individual investments are actually liquidated or become readily marketable. Upon sale of investments, the values that are ultimately realized may be materially different from what is presently estimated.

Stock-Based Compensation

Determining the appropriate fair-value model and calculating the fair value of share-based awards on the date of grant requires judgment. Historically, we have used the Black-Scholes-Merton option pricing model to estimate the fair value of employee stock options.

Management uses the Black-Scholes-Merton option pricing model in instances where we lack historical data necessary for more complex models and when the share award terms can be valued within the model. Other models may yield fair values that are significantly different from those calculated by the Black-Scholes-Merton option pricing model.

Management uses a binomial lattice option pricing model in instances where it is necessary to include a broader array of assumptions. We used the binomial lattice model for the 10-year NQSOs granted on March 18, 2009, and for performance-based restricted stock awards. These awards included accelerated vesting provisions or target stock prices that were based on market conditions.

Option pricing models require the use of subjective input assumptions, including expected volatility, expected life, expected dividend rate, and expected risk-free rate of return. Variations in the expected volatility or expected term assumptions have a significant impact on fair value. As the volatility or expected term assumptions increase, the fair value of the stock option increases. The expected dividend rate and expected risk-free rate of return are not as significant to the calculation of fair value. A higher assumed dividend rate yields a lower fair value, whereas higher assumed interest rates yield higher fair values for stock options.

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In the Black-Scholes-Merton model, we use the simplified calculation of expected term as described in the SEC s Staff Accounting Bulletin 107 because of the lack of historical information about option exercise patterns. In the binomial lattice model, we use an expected term that assumes the options will be exercised at two times the strike price because of the lack of option exercise patterns. Future exercise behavior could be materially different than that which is assumed by the model.

Expected volatility is based on the historical fluctuations in the Company s stock. The Company s stock has historically been volatile, which increases the fair value of the underlying share-based awards.

GAAP requires us to develop an estimate of the number of share-based awards that will be forfeited owing to employee turnover. Quarterly changes in the estimated forfeiture rate can have a significant effect on reported share-based compensation, as the effect of adjusting the rate for all expense amortization after the grant date is recognized in the period the forfeiture estimate is changed. If the actual forfeiture rate proves to be higher than the estimated forfeiture rate, then an adjustment will be made to increase the estimated forfeiture rate, which would result in a decrease to the expense recognized in the financial statements. If the actual forfeiture rate proves to be lower than the estimated forfeiture rate, then an adjustment will be made to decrease the estimated forfeiture rate, which would result in an increase to the expense recognized in the financial statements. Such adjustments would affect our operating expenses and additional paid-in capital, but would have no effect on our net asset value.

Pension and Post-Retirement Benefit Plan Assumptions

The Company provides a Retiree Medical Benefit Plan for employees who meet certain eligibility requirements. Until it was terminated on May 5, 2011, the Company also provided an Executive Mandatory Retirement Benefit Plan for certain individuals employed by us in a bona fide executive or high policy-making position. Our former President accrued benefits under this plan prior to his retirement, and the termination of the plan has no impact on his accrued benefits. Several statistical and other factors that attempt to anticipate future events are used in calculating the expense and liability values related to our post-retirement benefit plans. These factors include assumptions we make about the discount rate, the rate of increase in healthcare costs, and mortality, among others.

The discount rate reflects the current rate at which the post-retirement medical benefit and pension liabilities could be effectively settled considering the timing of expected payments for plan participants. In estimating this rate, we consider the Citigroup Pension Liability Index in the determination of the appropriate discount rate assumptions. The weighted average rate we utilized to measure our post-retirement medical benefit obligation as of December 31, 2014, and to calculate our 2015 expense was 3.83%. We used a discount rate of 2.95% to calculate our pension obligation for the Executive Mandatory Retirement Benefit Plan.

Recent Developments Portfolio Companies

On April 1, 2015, the Company made a $600,000 follow-on investment in Senova Systems, Inc., a privately held portfolio company.

During the period from April 1, 2015, through May 8, 2015, we sold 25,000 shares of Solazyme, Inc., in open market transactions for net proceeds of $100,491.

On April 24, 2015, the Company made a $100,000 follow-on investment in OpGen, Inc., a privately held portfolio company.

On May 1, 2015, Molecular Imprints, Inc., (MII) was acquired by a privately held technology company (MII Acquirer). As a result of the acquisition, MII will become a wholly owned subsidiary of the MII Acquirer. The holders of MII stock received both cash consideration and stock consideration in the form of shares of Series B Preferred Stock of the MII Acquirer.

On May 5, 2015, OpGen, Inc., completed an IPO priced at $6 per unit. Each unit consists of one share of common stock and one warrant to purchase one share of common stock. Each of the common stock and warrants began trading separately on May 5, 2015, under the symbols OPGN and OPGNW, respectively.

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The Company invested $1,155,000 and tendered promissory notes for $650,000 for units in the offering. On July 7, 2015, the closing prices of OpGen s shares of common stock and warrants were $3.35 and $0.67, respectively.

On May 28, 2015, the Company made a $200,000 follow-on investment in TARA Biosystems, Inc., a privately held portfolio company.

On May 22, 2015, the Company made a $117,653 follow-on investment in SiOnyx, Inc., a privately held portfolio company.

On June 3, 2015, the Company made a $250,000 follow-on investment in Produced Water Absorbents, Inc., a privately held portfolio company.

On June 5, 2015, the Company made a $10,000 follow-on investment in Phylagen, Inc., a privately held portfolio company.

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BUSINESS

We are an internally managed non-diversified closed-end venture capital company that builds transformative companies from disruptive science. For tax purposes, we have elected to be treated as a RIC under Subchapter M of the Code. We were incorporated as a New York corporation in 1981. In 1995, we elected to be regulated as a BDC under the 1940 Act. Our investment objective is to achieve long-term capital appreciation by making venture capital investments. Generation of current income is a secondary objective. We define venture capital investments as the money and resources made available to privately held and publicly traded small businesses that we believe have exceptional growth potential. Our investment approach is comprised of a patient examination of available opportunities, thorough due diligence and close involvement with management of our portfolio companies. As a venture capital company, we invest in and offer managerial assistance to our portfolio companies, many of which, in our opinion, have significant potential for growth. We are overseen by our Board of Directors, managed by our officers and have no external investment adviser.

Our business model is simple. We identify interesting future market opportunities, identify technology to address these opportunities or complement them and invest at the earliest stage, so that when the market develops and the technology matures, we and our investors can achieve outsized returns. We help build transformative companies over a multi-year period, realizing returns from our investments through acquisitions or IPOs, and reinvesting some of the returns on our investments into new portfolio companies that can drive future growth. We believe our evergreen structure is a competitive advantage over traditional, venture capital private partnerships as most of those entities (1) are time-limited and (2) do not have permanent capital to invest in portfolio companies.

We believe we are a unique company. We offer liquidity as a publicly traded company while focusing on being actively involved investors in the formation and building of early-stage companies founded on disruptive science.

To the investor, we offer:

an established firm with a positive track record of investing in venture capital-backed companies as further discussed in Management s Discussion and Analysis of Financial Condition and Results of Operations Investments and Current Investment Pace on page 57;
a team of professionals, including five full-time members of management, four of whom are designated as Managing Directors: Douglas W. Jamison, Daniel B. Wolfe, Misti Ushio and Alexei A. Andreev, to evaluate and monitor investments. These four professionals collectively have expertise in venture capital investing, intellectual property and BIOLOGY+-related disciplines;
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- access to disruptive science-enabled companies, particularly ones that are enabled by BIOLOGY+ that would otherwise be difficult to access or inaccessible for most current and potential shareholders;
- an existing portfolio of companies at varying stages of maturity that provide for a potential pipeline of investment returns over time;
- access to a vehicle that can invest opportunistically in a range of types of securities to take advantage of market inefficiencies;
- access to venture capital investments in a vehicle that, unlike private venture capital firms, has permanent capital, is transparent and is liquid.

We have demonstrated that we have the ability to discover, diligence, invest, build and realize gains in transformative companies built from disruptive science. We spend a tremendous amount of time with these companies, often playing managerial roles in the earliest stages of their development. Our technical knowledge is important at this stage. Our success in building management teams and focusing on key market opportunities is critical at this stage. As these companies develop, we continue to invest in them, and we invite other investors with complementary skill-sets to invest and add value. We believe we have an investment thesis and an interdisciplinary team that are difficult to replicate and give us a competitive advantage.

Our Investment Focus: BIOLOGY+

Our investment focus has two primary characteristics: (1) we found, incubate and help build transformative companies from disruptive science and (2) we focus on BIOLOGY+ companies. We define our investment focus of BIOLOGY+ as investments in interdisciplinary life science companies where biology innovation is intersecting with innovations in areas such as electronics, physics, materials science, chemistry, information technology, engineering and mathematics. We focus on this intersection because we believe interdisciplinary innovation will be required in order to address many of the life science challenges of the future. As of March 31, 2015, approximately 70% of the value of our venture capital portfolio is invested in BIOLOGY+ companies. Since 2008, more than 80% of our initial investments have been in BIOLOGY+ companies. Our focus on BIOLOGY+ is not a fundamental policy, and we will not be required to give notice to shareholders prior to making a change from this focus.

Harris & Harris Group has always been actively involved in the life sciences. We believe are living through an unprecedented rate of change in our understanding of biological systems and the ability to manipulate the fundamental building blocks of nature. Novel, rapidly maturing discovery, characterization, analysis, control and manufacturing techniques can have profound impact on life sciences and related industries. We believe that trends generating disruptive investment opportunities that can be addressed through the understanding of biological systems and the ability to manipulate the fundamental building blocks of nature include:

- Continuing global growth in population and in improvements in quality of life will substantially increase demand for raw materials, water, food and energy. This demand cannot be adequately met with conventional methods of manufacturing, generation, mining or harvesting. Biological pathways are becoming economically viable and ecologically preferable for production, utilization, and disposal/remediation;
- Healthcare budgets that are out of balance globally, with aging populations jeopardizing the financial viability of the leading economies of the world. Life science innovations in diagnostics, treatment and monitoring of disease must simultaneously reduce cost and improve the quality of life;
- Data is collected and processed at unprecedented rates with minimal costs for storage and transmission. This infrastructure enables the blending of data with decisions in real time with higher accuracy, personalization and overall utility across industry verticals than was previously possible.

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These macro-trends stand to impact and to provide opportunities in multiple industries, including biotechnology, agriculture, advanced materials and chemicals, diagnostics, healthcare, bioprocessing, water, industrial biotechnology, food, nutrition and energy. These industries will require new technology to remain competitive. These new technologies will increasingly arise from multi-disciplinary expertise in areas as diverse as biology, chemistry, materials science, electronics, computer science, physics, mathematics and engineering. We currently find the best opportunities for early stage investing occur when research in Biology is coupled with breakthroughs in other disciplines.

Biology is a fertile field for investing in interdisciplinary science. Compared to many other disciplines, it lags in the application of molecular-level science and engineering. Electronics, physics, and materials science have been working on the molecular scale for decades, but biology has been somewhat stuck at what we might call the macro level. However, biology has rapidly advanced to and embraced molecular understanding. For instance, in the past, all patients would have to wait for physical symptoms of cancer to manifest itself before diagnosis, which, in many cases, does not leave many options for treatment, let alone a cure. Today, through molecular genetic analysis, we can, in some cases, determine that someone is at high risk for cancer and treat before it occurs.

The more we understand biology at ever-smaller scales down to the cell, down to the molecule, down to the atom the more we can understand what happens when cells interact with non-biological entities. We always knew that cells behaved differently when they interacted with new materials, but we never really understood why. Now we have the tools to understand. Because of this greater understanding, we can now start thinking about using new materials, electronics and engineering to manipulate a single cell into behaving exactly as we want. What we have learned over the past 10 years is that cells respond differently to different physical attributes. For instance, it is not just what the object is made of, but also how it is shaped. By shaping or perfectly spacing nano-level features, we see a big difference in how the cells respond.

The advent of BIOLOGY+, which we define as investments in interdisciplinary life science companies where biology innovation is intersecting with innovations in areas such as electronics, physics, materials science, chemistry, information technology, engineering and mathematics, opens up a world of possible applications. BIOLOGY+ Engineering, for example, enables microfluidics, which result in low-cost point-of-care diagnostics. Having the ability to diagnose in real-time during a patient visit allows for a faster response with the correct treatment administered, thereby improving the patient experience, enhancing provider efficiency, potentially lowering costs, and saving lives with quicker delivery of treatment. BIOLOGY+ Material Science enables us to 3D print replacement tissues and organs for use in surgery or drug development.

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The table below discusses how certain of our portfolio companies have teamed innovations in biology with innovations in engineering, physics, electronics, IT, mathematics and material sciences. In the case of Enumeral Biomedical Corp., this combination enables the ability to interrogate cells at the single cell scale in unique ways for the first time. In the case of TARA Biosystems, Inc., the combination enables personal diagnostics and toxicity testing by using microfabrication to create environments where heart tissue can grow in an environment that is more similar to the human body than through other techniques. This increases the speed and reduces the cost of large-scale sequencing. In the case of D-Wave Systems, Inc., its quantum computer can be used to solve very complex protein folding problems to enable new therapeutic approaches.

Currently, we plan to focus all our efforts on building new companies enabled by our BIOLOGY+ thesis. The slide below identifies five fields within BIOLOGY+ that we are actively involved with and where we are continuing to look for future investment opportunities. A defining feature of our interdisciplinary team and our BIOLOGY+ focus is that many of these companies may intersect other areas of our interest as well.

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Our Differentiated Approach to Early-Stage Investing

Our investment approach is to actively seek out early-stage opportunities that we believe at the time of our initial investment have the potential to generate positive returns for us and our shareholders in five to eight years. We believe we are uniquely qualified to identify and invest in these early-stage companies that are often overlooked or not identified by other investors for three reasons:

1) **We have an interdisciplinary team.** Our investment team is comprised of geneticists, biochemical engineers, materials scientists, chemists and physicists. As a result, we view the world from a systems-level viewpoint, where we see how various disciplines work together to create the whole.

2) **We read the literature and we build academic relationships so we know where the breakthroughs are happening.** We believe there are very few venture capital firms or investors that spend as much time as we do pursuing scientific breakthroughs. Because our team is comprised of scientists by training, we read the literature, we understand it, and we appreciate the deeper implications of the research. Additionally, we build relationships with researchers and research institutions. These relationships yield insights that help us understand whether these breakthroughs could lead to successful businesses five to eight years in the future.

3) **Once we identify a promising field, we map it out completely to understand the best opportunities.** It is never as simple as thinking we should invest in a field of interest. We seek to what is known (and presents an opportunity), what is unknown (and represents a risk), and (most importantly) how the technology or science might best be applied to the big problems of our age. This involves deep research by our interdisciplinary teams. It also involves talking one-on-one with the people working in the field. We are very deliberate in our approach, because we are looking for great investment opportunities, not just cutting-edge research.

Our investment opportunities are primarily identified through four channels:

- our involvement in BIOLOGY+-related fields;
- proactively identifying market opportunities that we believe will be growth opportunities five to seven years from the date of our initial investment;
- research institutions, universities, and corporations that seek to transfer their scientific discoveries to the private sector;
- referrals from our portfolio companies.

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

- about 30% will qualify for an initial presentation;
- about 5 10% will become the subject of formal due diligence; and
- less than 2% will be voted upon by our investment team.

In many of these companies, there is a round of capital that has an asymmetrical or outsized return potential compared to other rounds. By being in the companies early, by not being limited by a finite fund life, and by recognizing this opportunity, we believe we have the potential to deliver outsized returns even though the investment time period may be long.

Level of Involvement in Our Portfolio Companies

The 1940 Act requires that BDCs offer to make available significant managerial assistance to portfolio companies. We are actively involved with our portfolio companies through membership on boards of directors, as observers to the boards of directors and/or through frequent communication with management.

We may hold two or more board seats in early-stage portfolio companies or those in which we have significant ownership. We may transition off of the board of directors to an observer role as our portfolio companies raise additional capital from new investors, as they mature or as they are able to attract independent members who have relevant industry experience and contacts.

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We may be involved actively in the formation and development of business strategies of our earliest stage portfolio companies. This involvement may include hiring management, licensing intellectual property, securing space and raising additional capital. We also provide managerial assistance to late-stage companies looking for potential exit opportunities by leveraging our relationships with the banking and investment community and our knowledge and experience in running a micro-capitalization publicly traded business.

Our Execution Strategy

Our execution strategy over the next five years has four parts: (1) Realize returns to increase shareholder value; (2) Invest for growth to increase shareholder value; (3) Partner to more effectively create value; and (4) Return value to our shareholders.

Realize

Realize refers to realizing value in our venture capital portfolio. We believe there are three main drivers of our potential growth from realizing this value over the next five years. First, we have a larger portfolio of more mature companies than we have had historically. Second, we believe the quality of our existing portfolio is stronger than it has been historically. Third, we own larger percentages of the companies in the existing portfolio than we have owned historically.

Invest

We are both early-stage and long-term investors. We seek to identify investment opportunities in industries and markets that will be growth opportunities three to seven years from the date of our initial investment. We expect to invest capital in these companies at multiple points in time subsequent to our initial investment. We refer to such investments as follow-on investments. Our efforts to identify and predict future growth industries and markets rely on patient and extensive due diligence in innovations developed at universities and corporate and government research laboratories, and the examination of macroeconomic and microeconomic trends and industry dynamics. We believe it is the early identification of and investments in these growth opportunities that will lead to investment returns for our shareholders, growth of our net assets, and capital for us to invest in tomorrow s growth opportunities. We have significant relationships and experience working with many of the leading universities, research institutions and government laboratories over our 30+ year history.

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Partner

As the structure of the public markets has changed over the last decade, the time and dollars required to build transformative companies has increased. Scale and manufacturing expertise is now critical to get to a successful outcome. We believe this expertise is best accomplished by partnering with corporations at earlier stages in the development of the enterprise. Proper partnering can lead to more capital efficient businesses that provide better returns for investors. We and our portfolio companies have a history of partnering with leading corporations in multiple sectors as is shown in the figure below.

Return

Our plan for returning value to shareholders has three steps. Step one of our return plan was implemented over the past five years. It includes investing in early-stage companies where we believe we can own greater than 10% of the company at exit with invested capital of between $5 million and $15 million in each company. Step two is our focus on BIOLOGY+. Our best investment returns over the past 10 years have come from companies that have businesses intersecting with the life sciences. Step three is our partnering efforts. We continue to pursue strategies to increase the return profile of early-stage investing, and to reduce the cost profile so that it shifts to a profile more representative of the venture capital industry of 15 to 20 years ago. We believe that execution of these three steps will generate meaningful returns for shareholders over the coming years.

Our Opportunity

Background

The economic literature is conclusive that economic growth requires long-term increases in productivity that is primarily driven by innovation. If a country is to be economically robust, it must focus resources on innovation. We think many countries, including our own, have forgotten this important economic reality.

Currently, business dynamism is on the wane. Business dynamism is the process by which firms are born, fail, expand and contract. Economic research has firmly established that this dynamic process is vital to productivity and sustained economic growth. Entrepreneurs and company builders play a crucial role in this process, and in net job creation.

Recent research reveals a disturbing trend business dynamism is slowing down. New business formation has been on a persistent decline in the U.S. during the last few decades. Concomitant with this trend is a subdued pace of net job creation. This decline has been documented across a broad range of sectors in the U.S. economy, even in the high-tech sector. It has also coincided with a decline in U.S. competitiveness.

An important finding in the literature is that the amount of capital invested in R&D is less important than the pay-off to that R&D in driving innovation, productivity and growth. Historically that pay-off came from the translation of academically derived ideas into new businesses by company builders and corporations. However, over the past decade, we have seen a disturbing trend, a diversity breakdown, in the type of R&D that is being translated into economic growth. Currently, entrepreneurial financing is focused extremely tightly in information technology and creative and commerce technologies (media, entertainment and financial services). Thus an incredibly important source of innovation has been left behind, the hard sciences.

This trend is evidenced in the data. From 1985 through 1999, much of venture capital was focused on the translation of academic research. Beginning in 1998, the venture capital community primarily focused on Internet opportunities, and most recently on the digital technologies of information technology and creative and commerce technologies (media, entertainment and financial services). According to a report by SUNY and New York State, in 2012, 40% of all venture capital deals flowed to information technology and another 16% to creative and commerce deals. This trend left only 40% of all deals for life science and physical science deals.

Total academic research exceeds over $100 billion annually, representing a significant portion of total U.S. R&D. Approximately $65 billion of this research is performed in academic research centers. Academic R&D has increased steadily each year as well, growing approximately 30% over the period from 2008 through 2011.

As opposed to venture capital trends in the digital technologies, information technology, and creative and commerce technologies, academic R&D shows a very different pattern of investment a pattern of continued investment in the hard sciences. Over the past 20 years, the distribution of academic R&D has favored the hard sciences life science and physical science. Currently, life sciences represent approximately 57% of academic R&D. The physical sciences represent 30% of academic R&D (down from the postwar years). Information technology and the soft sciences together represent only 13% of academic research, according to this SUNY research report.

Historically, venture capital has been important to hard science-related innovation, but there are now growing concerns in Silicon Valley and elsewhere about the diminishing focus of venture capital-backed big ideas in science and technology.

Gary Pisano and Willy Shih of Harvard authored a recent book titled, Producing Prosperity. The core thesis of this book is that a combination of bad decisions by both business and government is leading to an erosion of America s industrial commons, the set of manufacturing and technical capabilities that support innovation across a broad range of industries.

The vision that led to policies after World War II that support basic scientific research and laid the institutional foundation for innovations in semiconductors, high speed computers, computer graphics, broadband, mobile telephony, the internet and modern genomic-based methods of drug discovery has diminished. While R&D is still occurring, the investment to generate the pay-off to that R&D is not occurring as robustly as it once did.

In synch with the diversity breakdown has been a reduction of venture funds with the capital to build these types of companies. We have seen a large decrease in the $100 $500 million fund size, the historical size for building life sciences and physical sciences companies. This fund size has now decreased to 18% of all funds down from 44% in 2008.

This decrease in the number of $100 $500 million funds increases the issues faced by companies in the life sciences and physical sciences to raise capital during the period of development between early-stage and growth rounds of financing. This so-called, valley of death was often overcome historically by venture capital funds willing to invest in mid-stage rounds of financing, or by public market investors. Today, venture capital firms that invest in the early stages of development are often required to commit the capital required to overcome this valley of death, which increases the initial capital reserves required for making such investments. It also opens up an opportunity for such early-stage investors that are willing and interested to access the public markets for such financings and provides an opportunity for public market investors to participate in such growth at an earlier stage than may otherwise be available.

The Opportunity

With these trends as background, we believe there is an opportunity to claim leadership in building companies focused on commercializing big ideas in the hard sciences. There are few venture capital firms left that have the operational talent and skills necessary to do this type of company building. Very few have the patience as well.

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Additionally, a different type of company building is required than Internet and media company building. In our experience, hard science companies have three very important requirements: high quality operational leadership, time (and more than you forecast) and large amounts of capital (more than you originally envision).

We believe high quality operational leadership exists today. However, we believe time has become a real problem for financing and building hard science companies. The competition for funds amongst different asset classes is driving the need for shorter investment return time frames in the current market. In the structure of the IPO market that has developed since 2000, hard science companies are requiring and sometime exceeding ten years of development before there is an exit opportunity. The result is that the ten-year fund time frame for traditional venture capital is creating issues for building hard science companies.

Furthermore, few private venture capital firms have the ability or economic incentive to build companies after an IPO because they are often required to distribute ownership in these companies to their investors (i.e., limited partners) shortly after the IPO. We believe a public structure, such as Harris & Harris Group, for building these companies is the most viable alternative. Future investment opportunities can be assessed at each timeframe in a company s development and without a mandated exit strategy after a given amount of time or, potentially, at all. Thus a public vehicle may be the best structure for building these companies into the future.

Additionally, we believe capital has also become a problem for building these types of companies. As venture capital companies have turned to Internet and media deals, there has been a dearth of funding available to hard science companies. Hard science companies may have the same long-term investment return potential, or even better, but internet and media deals can move towards that end point faster, and investors not interested in the long term results can enter and exit with better returns over this shorter time frame for these types of deals. This presents many opportunities for investors in hard science companies, but the underlying requirement is continued access to capital. Properly financed public companies, have the flexibility and the control of their balance sheets to more effectively manage the capital needs required to build these companies. Additionally, investors with the flexibility to invest in publicly traded companies can continue to participate in the growth of these companies after the companies have become publicly traded.

We believe there is a real opportunity to aggregate capital in a public vehicle to lead the return of hard science company building. We believe the economy is providing an ideal environment to invest in entrepreneurial companies for high quality returns over the coming two decades, and we believe the company that does this effectively will become the leader in generating high quality job growth and helping return American innovation to a leadership position.

There is clearly an opportunity for becoming the leading company to translate hard science R&D into innovations that help economic growth more broadly than what we have been witnessing over the past five-to-ten years with the digital revolution. We believe it will take greater scale than we currently have in addition to our singular focus on execution. As we look to the future, this Offering is a component of our goal to achieve this required scale.

Raising Additional Capital

Our Board of Directors believes that our pre-emptive rights in prior investments and expertise investing in transformative companies enabled by disruptive science sector is likely to lead to several attractive investment opportunities becoming available to us over the next one to two years. Hence, our Board of Directors believes that it would be in our best interest to increase our asset base so that we will be in a better position to take advantage of such attractive investment opportunities and achieve other net benefits, including increasing our ownership in current and future portfolio companies and increasing our leadership position making these investments. In addition, our Board of Directors believes that increasing our size should lower our expenses as a proportion of average net assets to the extent that certain of our fixed costs do not increase proportionately and can be spread over a larger asset base. There can be no assurances that we will realize any of these benefits or goals.

We expect to undertake one or more Offerings to increase our capital base to allow us to make additional investments in current and new portfolio companies. We intend to use the proceeds from these offerings to fund additional investments in portfolio companies consistent with our investment objective. We may borrow funds or issue preferred stock to make investments, to the extent we determine that additional capital would allow us to take advantage of additional investment opportunities, if our Board of Directors determines that leveraging our portfolio would be in our best interests and the best interests of our shareholders. The costs associated with any borrowing or preferred stock issuance will be indirectly borne by shareholders of our common stock.

Our ability to raise capital to fund additional investments provides a number of possible benefits to our shareholders, including the following:

Greater Number of and Larger Investment Opportunities May be Available with a Larger Capital Base. Our ability to raise additional capital through equity offerings may help us increase potential future returns through larger ownership and control positions in existing portfolio companies and take larger ownership and control positions in new portfolio companies. We believe additional capital could position us to be in a better position to continue to satisfy the diversification requirements to maintain our status as a RIC, as our total assets would increase. This increase in total assets is important as we continue to invest more capital per company, with a goal of investing $10 15 million per company over the life of our investment, which is an increase from $5 10 million today.

Additional Capital May Reduce our Operating Expenses Per Share. An equity offering that increases our total assets may reduce our operating expenses per share by spreading our fixed expenses over a larger asset base. We are currently operating at sub-scale based on our existing capital base. Further, as a public company, we incur legal, accounting and other expenses, including costs associated with the periodic reporting requirements applicable to a company whose securities are registered under the Exchange Act, as well as additional corporate governance requirements, including requirements under the Sarbanes-Oxley Act, and other rules implemented by the SEC, that do not generally vary based on our total assets. On a per share basis, these fixed expenses will be reduced when supported by a larger capital base.

Higher Market Capitalization and Greater Liquidity May Make our Common Stock More Attractive to Investors. If we issue additional shares, our market capitalization and the amount of our publicly tradable common stock would increase, which may afford all holders of our common stock greater liquidity. A larger market capitalization may make our stock more attractive to a larger number of investors who have limitations on the size of companies in which they invest.

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Our Ability to Raise Additional Capital May Help Reduce or Eliminate our Stock Price Discount to Net Asset Value. Shares of BDCs, like us, may trade at a market price that is less than the value of the net assets attributable to those shares. The possibility that the shares of our common stock will trade at a discount 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 will decrease. If we are successful in raising additional capital, we believe we are positioned to deliver returns and the potential for future dividends to shareholders, which we believe in turn will help reduce or eliminate our current stock price discount to net asset value over time.

Competition

A large number of entities compete with us to make the types of equity investments that we target as part of our business strategy. We compete for such investments with a large number of venture capital funds, other equity and non-equity based investment funds, investment banks and other sources of financing, including traditional financial services companies such as commercial banks and specialty finance companies. Many of our competitors are substantially larger than us and have considerably greater financial, technical and marketing resources than we do. In addition, some of our competitors may require less information than we do and/or have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than we can. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC and, as a result, such companies may be more successful in completing their investments. There can be no assurance that the competitive pressures we face will not have a material adverse effect on our business, financial condition, and results of operations. Also, as a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we can offer no assurance that we will be able to identify and make investments that are consistent with our investment objective.

Regulations and Other Disclosure Related to Our Business

Our business is subject to federal regulation under the 1940 Act, under which we have elected to operate as a BDC. As a BDC, we are subject to regulatory requirements, the most significant of which relate to our investments and borrowings. The 1940 Act provides that we may not make an investment in non-qualifying assets unless at the time at least 70% of the value of our total assets (measured as of the date of our most recently filed financial statements) consists of qualifying assets. We must also maintain a coverage ratio of assets to senior securities (such as debt and preferred stock) of at least 200% immediately after giving effect to the issuance of any senior securities. We have no debt outstanding. Accordingly, we are not subject to credit agency downgrades or risk of default or failure from these types of loans that could cause us to fail asset coverage tests or force a fire sale of assets. We are also required to offer managerial assistance to our portfolio companies, in addition to our investment. For tax purposes, we are a RIC under the Code.

We have discretion in the investment of our capital to achieve our objectives. Our venture capital investments are made primarily in equity-related securities of companies that can range in stage from pre-revenue to generating positive cash flow. 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. These businesses may be privately held or publicly traded. We historically have invested in equity securities of these companies that are generally illiquid owing to restrictions on resale and to the lack of an established trading market. Subject to our compliance with BDC 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

to a limited extent, intellectual property, including patents, research and development in technology or product development that may lead to patents or other marketable technology.

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.

Neither our investments nor an investment in our securities constitutes a balanced investment program. We have been and will continue to be risk seeking rather than risk averse in our investment approach. We reserve the fullest possible freedom of action regarding the types of investments we make and our relationship with our portfolio companies, subject to our certificate of incorporation, applicable law and regulations, and policy statements described herein.

Employees

As of July 7, 2015, we employed nine full-time employees and one part-time employee. We believe our relations with our employees are generally good.

Properties

The Company maintains its offices at 1450 Broadway, New York, New York 10018, where it leases approximately 6,900 square feet of office space pursuant to a lease agreement expiring on December 31, 2019.

We believe that our office facilities are suitable and adequate for our business as it is contemplated to be conducted.

Legal Proceedings

The Company is not currently a party to any legal proceedings.

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GENERAL DESCRIPTION OF OUR PORTFOLIO COMPANIES

The following are brief descriptions of each portfolio company in which we were invested as of March 31, 2015. The portfolio companies are presented in three categories: controlled affiliated companies where we directly or indirectly own more than 25.0% of the outstanding voting securities of the portfolio company or otherwise control the company; non-controlled affiliated companies where we directly or indirectly own 5.0% to 25.0% of the outstanding voting securities of the portfolio company or where we hold one or more seats on the portfolio company s Board of Directors and, therefore, are deemed to be an affiliated person under the 1940 Act, but we do not control the company; and unaffiliated companies where we directly or indirectly own less than 5.0% of the outstanding voting securities of the portfolio company and where we have no other affiliations. The value described below for each portfolio company is its fair value as determined by the Valuation Committee of our Board of Directors.

Controlled Affiliated Companies:

ProMuc, Inc., located at 1450 Broadway, Floor 24th, New York, NY 10018, develops synthetic mucins for the nutritional, food and healthcare markets. The President of the company is Doug Jamison. Doug Jamison and Misti Ushio serve as the directors of the company.

Investment	% of Class Held(1)	Number of Shares Held/ Principal	Cost	Fair Value(2)
Common Stock	100.0 %	1,000	$ 1	$ 1
Secured Convertible Bridge Note, 8%, acquired 12/18/13	100.0 %	$ 350,000	$ 385,978	$ 385,978
Secured Convertible Bridge Note, 8%, acquired 8/13/14	100.0 %	$ 100,000	$ 105,063	$ 105,063

Senova Systems, Inc., located at 1230 Bordeaux Drive, Sunnyvale, CA 94089 is a development-stage company that develops next-generation sensors to measure pH, which is fundamental property of nature. The Chief Executive Officer of the company is Srinivas Rao. Misti Ushio serves as the director of the company.

Investment	% of Class Held(1)	Number of Shares Held/ Principal	Cost	Fair Value(2)
Series B Convertible Preferred Stock	19.8 %	1,350,000	$ 1,218,462	$ 466,198
Series B-1 Convertible Preferred Stock	39.9 %	2,759,902	$ 1,083,960	$ 888,884
Warrants for Series B Preferred Stock expiring 10/15/17	17.1 %	164,423	$ 131,538	$ 56,780
Warrants for Series B Preferred Stock expiring 4/24/18	17.1 %	25,000	$ 20,000	$ 8,633
Series C Convertible Preferred Stock	40.8 %	811,049	$ 608,287	$ 608,287

SynGlyco, Inc., located at located at 1450 Broadway, 24th Floor, New York, NY 10018, developed synthetic carbohydrates for pharmaceutical applications and currently is focused on collecting payments from the sale of its contract manufacturing business and out-licensing its remaining intellectual property. The President of the company is Misti Ushio. Misti Ushio and Daniel Wolfe serve as the directors of the company.

Investment	% of Class Held(1)	Number of Shares Held/ Principal	Cost	Fair Value(2)
Common Stock	41.3 %	57,463	$ 2,729,817	$ 0
Series A Convertible Preferred Stock	95.9 %	4,855,627	$ 4,855,627	$ 0
Senior Secured Debt, 12% maturing 12/11/14	100.0 %	$ 500,000	$ 440,219	$ 803,381

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Investment	% of Class Held(1)	Number of Shares Held/ Principal	Cost	Fair Value(2)
Secured Convertible Bridge Note, 8%, acquired 1/23/13	100.0 %	$ 350,000	$ 414,324	$ 282,919
Secured Convertible Bridge Note, 8%, acquired 4/25/13	100.0 %	$ 300,000	$ 348,216	$ 237,777

TARA Biosystems, Inc., located at 1450 Broadway, 24th Floor, New York, NY 10018, develops human tissue models for toxicology and drug discovery applications. The Chief Executive Officer of the company is Misti Ushio. Blake Stevens and Misti Ushio serve as directors of the company.

Investment	% of Class Held(1)	Number of Shares Held/ Principal	Cost	Fair Value(2)
Common Stock	20.0 %	2,000,000	$ 20	$ 20
Secured Convertible Bridge Note, 8%, acquired 8/20/14	100.0 %	$ 300,000	$ 314,729	$ 314,729

Non-Controlled Affiliated Companies:

ABSMaterials, Inc., located at 1909 Old Mansfield Road, Wooster, OH 44691, develops nano-structured absorbent materials for environmental remediation. The Chief Executive Officer of the company is Gary McDaniel. Douglas Jamison serves an observer to the Board of Directors.

Investment	% of Class Held(1)	Number of Shares Held/ Principal	Cost	Fair Value(2)
Series A Convertible Preferred Stock	31.3 %	390,000	$ 435,000	$ 304,735
Series B Convertible Preferred Stock	12.8 %	1,037,751	$ 1,217,644	$ 1,279,992

Accelerator IV-New York Corporation, located at 430 East 29th Street, New York, NY 10016, identifies and manages emerging biotechnology innovations through its expertise, internal resources, and partner network. The Chief Executive Officer of the company is Thong Le. Misti Ushio serves as a director of the company.

Investment	% of Class Held(1)	Number of Shares Held/ Principal	Cost	Fair Value(2)
Series A Common Stock	9.6 %	478,227	$ 346,721	$ 346,721

Adesto Technologies Corporation, located at 1225 Innsbruck Drive, Sunnyvale, California 94089, develops scalable, ultra-fast, low-power, non-volatile memory (NVM) solutions. The technology for this memory is referred to as CBRAM, or Conductive Bridging Random Access Memory. The company is targeting multibillion dollar markets for low-bit to mid-bit density discrete and embedded non-volatile memory (NVM) with its dual product (chip) and licensing strategies. Adesto also sells a serial flash-memory product line based on conventional memory technology. The company s customer base is currently well diversified. The company s main competition includes Texas Instruments, Micron, Spansion and Winbond. The company is dependent on its intellectual property position and its ability to protect this position. The revenues of the company may be affected by government regulations related to factors including but not limited to contract manufacturing in Asia and Europe. The company currently has a credit facility that includes an interest rate that adjusts with movement in the prime rate, so if the prime rate increases the payments of interest will increase and vice versa. Substantial increases in interest rates could therefore have a material impact on the cash flows of the Company. The Chief Executive Officer of the company is Narbeh Derhacobian. The Chief Financial Officer of the company is Ron Shelton. Alexei Andreev serves as a director of the company.

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Investment	% of Class Held[(1)]	Number of Shares Held/ Principal	Cost	Fair Value[(2)]
Series A Convertible Preferred Stock	18.3 %	6,547,619	$ 2,200,000	$ 1,801,438
Series B Convertible Preferred Stock	13.8 %	5,952,381	$ 2,200,000	$ 1,666,633
Series C Convertible Preferred Stock	7.9 %	2,122,187	$ 1,485,531	$ 695,738
Series D Convertible Preferred Stock	10.0 %	1,466,470	$ 1,393,147	$ 662,252
Series D-1 Convertible Preferred Stock	13.4 %	987,706	$ 703,740	$ 384,918
Series E Convertible Preferred Stock	20.2 %	3,508,771	$ 2,499,999	$ 10,965,653

AgBiome, LLC, located at 104 T.W. Alexander Drive, Building 18, Research Triangle Park, NC 27709 provides early-stage research and discovery for agriculture and uses the crop microbiome to identify products that reduce risk and improve yield. The Chief Executive Officer of the company is Scott Uknes. Misti Ushio serves an observer to the Board of Directors of the company.

Investment	% of Class Held[(1)]	Number of Shares Held/ Principal	Cost	Fair Value[(2)]
Series A-1 Convertible Preferred Stock	17.4 %	2,000,000	$ 2,000,000	$ 2,414,838
Series A-2 Convertible Preferred Stock	8.7 %	417,392	$ 521,740	$ 583,750

D-Wave Systems, Inc., located at 100-4401 Still Creek Drive, Burnaby, British Columbia, V5C 6G9, Canada, develops a quantum computer. Although the device might be used for a variety of computationally intense problems, the company expects the first wave of quantum computer deployments in machine learning, natural voice and image processing, and financial portfolio optimization. D-Wave leverages conventional semiconductor foundries to build its chips, which is critical for any mass-produced electronic component, and sells its quantum computers directly to customers and offers access to these systems in a software-as-a-service business model. D-Wave has sold initial systems to Lockheed Martin and a consortium comprised of Google and NASA. The company has yet to generate consistent growth in revenues. The company s business would not be materially affected by changes in interest rates given its existing credit facility is not material to its operations in size or terms. The company s business could be materially affected by changes in government regulations in Canada that would restrict export of or access to its technology or regulations in the United States that prevent it from fabricating its chips in US-based foundries or operating and selling systems and/or access to its systems to customers based in the United States. The company is dependent on its intellectual property position and its ability to protect this position. The Chief Executive Officer of the company is Vern Brownell. The President of D-Wave s US Operations and Chief Revenue Officer is Bo Ewald. The Chief Technology Officer is Geordie Rose. The Chief Operating Officer is Warren Wall. D-Wave Systems, Inc. is not an eligible portfolio company under the 1940 Act, because it operates primarily outside the United States. Alexei Andreev serves as a director of the company.

Investment	% of Class Held[(1)]	Number of Shares Held/ Principal	Cost	Fair Value[(2)]
Series 1 Class B Convertible Preferred Stock	11.6 %	1,144,869	$ 1,002,074	$ 1,613,303
Series 1 Class C Convertible Preferred Stock	2.2 %	450,450	$ 487,804	$ 638,900

Series 1 Class D Convertible Preferred Stock	15.6	%	855,131	$ 748,473	$ 1,212,884
Series 2 Class D Convertible Preferred Stock	15.6	%	678,264	$ 736,019	$ 962,023
Series 1 Class E Convertible Preferred Stock	2.7	%	269,280	$ 248,049	$ 398,954
Series 2 Class E Convertible Preferred Stock	2.7	%	513,900	$ 659,493	$ 770,284
Series 1 Class F Convertible Preferred Stock	6.3	%	258,721	$ 238,323	$ 383,310
Series 2 Class F Convertible Preferred Stock	6.3	%	493,747	$ 633,631	$ 740,076
Series 1 Class H Convertible Preferred Stock	16.9	%	460,866	$ 909,088	$ 798,191

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Investment	% of Class Held[1]	Number of Shares Held/ Principal	Cost	Fair Value[2]
Warrants for Common Stock expiring 6/30/15	7.5 %	153,890	$ 98,644	$ 97,967
Warrants for Common Stock expiring 5/12/19	0.5 %	20,415	$ 26,357	$ 6,893

EchoPixel, Inc., located at 2490 Hospital Drive, Suite 310, Mountain View, California 94040, is developing algorithms and software to improve visualization of data for life science and healthcare applications. The Chief Executive Officer of the company is Ron Schilling. Alexei Andreev serves as a director of the company.

Investment	% of Class Held[1]	Number of Shares Held/ Principal	Cost	Fair Value[2]
Series Seed Convertible Preferred Stock	33.1 %	4,194,630	$ 1,250,000	$ 1,328,595

Ensemble Therapeutics Corporation, located at 99 Erie Street, Cambridge, Massachusetts 02139, is developing DNA-Programmed Chemistry™ for the discovery of new classes of therapeutics and bioassays. The Chief Executive Officer of the company is John Ripple. Daniel Wolfe serves as an observer to the Board of Directors of the company.

Investment	% of Class Held[1]	Number of Shares Held/ Principal	Cost	Fair Value[2]
Series B Convertible Preferred Stock	13.9 %	1,449,275	$ 2,000,000	$ 844,843
Series B-1 Convertible Preferred Stock	7.5 %	492,575	$ 679,754	$ 1,521,042

Enumeral Biomedical Holdings Inc. (OTC: ENUM), located at 1 Kendall Square, Cambridge, MA 02139, discovers and develops novel antibody therapeutics that help the immune system attack diseased cells (immunomodulators). The Company has focused its research efforts on using its proprietary drug discovery platform utilizing, in part, technology licensed by Enumeral from M.I.T., Harvard University and other institutions to identify and elucidate antibodies and antigens that are relevant to diseases that affect millions of individuals and are underserved by current therapeutic alternatives. These diseases include cancer, infectious, and inflammatory diseases. Enumeral s strategy is to generate superior antibodies that it will co-develop, either through collaborative partnerships, or out-licensing partnerships, with larger biotechnology or pharmaceutical companies. Enumeral has yet to generate substantial commercial revenues from operations or licensing. The company is dependent on its intellectual property position and its ability to protect this position. Future revenue generated by the company could be materially affected by government regulations particularly around, but not limited to, the ability to patent therapeutics, diagnostics and other intellectual property discovered by Enumeral. The company s main competition are immuno-oncology focused companies such as Agenus, Merck, BristolMyers Squibb and Celldex. The Chief Executive Officer of the company is Arthur Tinkelenberg. The Executive Chairman of the Board of Directors is John J. Rydzewski. Daniel Wolfe serves as a director of the company.

Investment	% of Class Held[1]	Number of Shares Held/ Principal	Cost	Fair Value[2]
Common Stock	15.4 %	7,966,368	$4,993,357	$5,718,235
Warrants to purchase Common Stock expiring 2/2/2024	33.3 %	255,120	$57,567	$166,638

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Investment	% of Class Held[(1)]	Number of Shares Held/ Principal	Cost	Fair Value[(2)]
Warrants to purchase Common expiring 7/30/2019	7.0 %	1,500,000	$540,375	$670,621
Options to purchase Common Stock at $1.00 expiring 8/4/2024	2.7 %	70,000	$0	$49,280

HZO Inc., located at 12637 South 265 West, Draper, UT, manufactures novel industrial coatings. The HZO technology is a unique process to create a nanoscale coating that protects electronics against damage caused by exposure to water, which is the leading cause of lost function in electronics. The coating is transparent and can be applied to a variety of surfaces including plastic, metal and glass. In addition to water repellence, the coating can repel oils, synthetic fluids, hazardous materials, dust and dirt. HZO is planning to integrate its technology in multiple industries including automotive, first responder devices, military devices and vehicles, solar energy, and industrial applications. HZO generates revenue from a diverse set of customers. The company is dependent on its intellectual property position and its ability to protect this position. The company s main competition are companies such as LiquiPel and P2i. Revenues could be materially affected if there are significant changes in government regulations related to import/export of technology to Asia and/or the incorporation of the company s proprietary materials in electronic devices. The Chief Executive Officer of the company is Michael Bartholomeusz. The Chief Financial Officer is James Suel. The Chief Operations Officer is Andreas Morr. The Chief Technology Officer is Max Sorenson. Doug Jamison serves as a director of the company.

Investment	% of Class Held[(1)]	Number of Shares Held/ Principal	Cost	Fair Value[(2)]
Common Stock	12.2 %	405,729	$ 666,667	$ 331,544
Series I Convertible Preferred Stock	23.9 %	2,266,894	$ 5,709,835	$ 4,561,780
Series II Convertible Preferred Stock	10.0 %	539,710	$ 2,000,003	$ 2,139,401

Laser Light Engines, Inc., located at 8C Industrial Way Salem, New Hampshire 03079, is manufacturing solid-state light sources for digital cinema and large-venue projection displays. The Chief Executive Officer of the company is John O Hara. Daniel Wolfe serves as an observer to the Board of Directors of the company.

Investment	% of Class Held[(1)]	Number of Shares Held/ Principal	Cost	Fair Value[(2)]
Series A Convertible Preferred Stock	44.4 %	7,499,062	$2,000,000	$ 0
Series B Convertible Preferred Stock	23.5 %	13,571,848	$3,095,802	$ 0
Secured Convertible Bridge Note, 12%, acquired 10/7/11	9.9 %	$200,000	$200,000	$ 0
Secured Convertible Bridge Note, 12%, acquired 11/17/11	9.9 %	$95,652	$95,652	$ 0

Secured Convertible Bridge Note, 12%, acquired 12/21/11	9.9	%	$82,609	$82,609	$ 0
Secured Convertible Bridge Note, 12%, acquired 3/5/12	9.9	%	$434,784	$434,784	$ 0
Secured Convertible Bridge Note, 12%, acquired 7/26/12	9.9	%	$186,955	$186,955	$ 0
Secured Convertible Bridge Note, 20%, acquired 4/29/13	9.9	%	$166,667	$166,667	$ 0

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Investment	% of Class Held(1)	Number of Shares Held/ Principal	Cost	Fair Value(2)
Secured Convertible Bridge Note, 20%, acquired 7/22/13	9.9 %	$ 166,667	$ 166,667	$ 0
Secured Convertible Bridge Note, 10%, acquired 10/30/13	9.9 %	$ 80,669	$ 80,669	$ 0
Secured Convertible Bridge Note, 10%, acquired 2/5/14	9.9 %	$ 19,331	$ 19,331	$ 0
Secured Convertible Bridge Note, 10%, acquired 6/24/14	9.9 %	$ 13,745	$ 13,745	$ 0

Metabolon, Inc., located at 800 Capitola Drive, Durham, North Carolina 27713, uses a proprietary technology platform in metabolomics to map changes in the body s biochemical/metabolic pathways. Measurement of the spectrum of cellular biochemical changes and the subsequent mapping of these changes to metabolic pathways permits a direct understanding of certain diseases. This information is used for the discovery and development of drugs, the identification of biomarkers, and the early diagnosis of disease states. Metabolomics and multi-small molecule metabolomic diagnostics are new areas of science, and Metabolon faces competition from companies that offer metabolomic services or diagnostic products related to obesity-related diseases and cancer. Metabolon s principal competition comes from companies that offer other research approaches such as genomics or proteomics or have or intend to develop diagnostic tests in obesity-related diseases and cancer. Metabolon generates revenue from a diverse set of customers. Metabolon has relied, and expects to continue to rely, on strategic collaboration agreements with third parties to help it commercialize diagnostic tests. Changes in the way that the FDA and other government authorities regulate tests developed, validated, and performed by laboratories like ours could result in delay or additional expense in offering the company s tests and tests that it may develop in the future. Additionally, Healthcare policy changes, including recently enacted legislation reforming the U.S. healthcare system, may have a material adverse effect on the company s financial condition, results of operations, and cash flows. The company is dependent on its intellectual property position and its ability to protect this position. The Chief Executive Officer of the company is John Ryals. The Chief Financial Officer is Todd Lynch. The Chief Scientific Officer is Michael Milburn. The Chief Technology Officer is Steve Watkins. Douglas Jamison serves as an observer to the Board of Directors of the company.

Investment	% of Class Held(1)	Number of Shares Held/ Principal	Cost	Fair Value(2)
Series B Convertible Preferred Stock	31.2 %	371,739	$ 2,500,000	$ 2,777,068
Series B-1 Convertible Preferred Stock	32.7 %	148,696	$ 706,214	$ 1,158,629
Series C Convertible Preferred Stock	8.1 %	1,000,000	$ 1,000,000	$ 2,531,271
Series D Convertible Preferred Stock	11.4 %	835,882	$ 1,499,999	$ 2,182,054
Series E-1 Convertible Preferred Stock	8.2 %	444,404	$ 1,225,000	$ 1,561,146
Series E-2 Convertible Preferred Stock	5.9 %	103,277	$ 299,999	$ 300,131

OpGen, Inc., located in 708 Quince Orchard Road, Gaithersburg, Maryland 20878, is revenue-stage company that offers comprehensive multi-parameter screening and surveillance panels to combat current and emerging human pathogens with the next generation of diagnostic and epidemiologic solutions. OpGen is in the early stages of generation of revenue from its core business. The company generates revenues from the sale of instruments, its legacy business, from a limited number of customers. This part of the business is not expected to be a material portion of the company s business in the future. The company is dependent on its intellectual property position and its ability to protect this position. Changes in interest rates are not currently likely to affect materially the cash flows of the company as the company does not have any debt outstanding. The company s revenues could be materially affected by government regulations particularly related to

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diagnostics. The Chief Executive Officer of the company is Evan Jones. The President is Kevin Krenitsky. The Chief Financial Officer is Timothy Dec. Misti Ushio serves as a director of the company.

Investment	% of Class Held[1]	Number of Shares Held/ Principal	Cost	Fair Value[2]
Common Stock	6.1 %	29,883	$3,260,000	$124,632
Series A Convertible Preferred Stock	15.3 %	610,017	$610,017	$2,544,172
Secured Convertible Bridge Note, 8%, acquired 7/11/14	13.9 %	$209,020	$221,115	$922,193
Secured Convertible Bridge Note, 8%, acquired 10/16/14	50.0 %	$250,000	$259,278	$246,625
Secured Convertible Bridge Note, 8%, acquired 11/14/14	40.0 %	$200,000	$206,133	$196,074
Secured Convertible Bridge Note, 8%, acquired 12/29/14	20.0 %	$100,000	$102,067	$97,086
Secured Convertible Bridge Note, 8%, acquired 2/17/15	16.7 %	$208,035	$209,996	$1,089,305

Orig3n, Inc., located at 27 Drydock Ave., Boston, Massachusetts 02210, is a biotechnology company developing breakthrough treatments for rare genetically inherited diseases with targets in heart, liver and neurodegenerative indications. The Chief Executive Officer of the company is Robin Smith. Douglas Jamison serves as a director of the company.

Investment	% of Class Held[1]	Number of Shares Held/ Principal	Cost	Fair Value[2]
Series 1 Convertible Preferred Stock	15.9 %	597,658	$ 250,000	$ 250,893

Produced Water Absorbents, Inc., located at 6509 West Little York Road, Houston, TX 77040, does business as ProSep, since its acquisition of ProSep in 2013. It is a provider of integrated process separation solutions to the global oil and gas industry, permitting that industry to treat produced and flowback water on-site. ProSep s portfolio of technologies includes in line mixing technologies for oil, gas and produced water separation. It also includes innovative polishing technologies for produced water treatment. ProSep generates revenue from a diverse set of customers. The company is dependent on its intellectual property position and its ability to protect this position. Changes in interest rates can materially affect the cash flows of the company as the interest rate of the company s current credit facility changes with increasing prime interest rates. The company s revenues could be materially affected by government regulations particularly related to oil and gas exploration. The Executive Chairman of the company is Patrick McCarthy. The Chief Executive Officer of the company is Neil Poxon. The Chief Financial Officer is Mahesh Konduru. Doug Jamison serves as a director of the company.

Investment	% of Class Held[1]	Number of Shares	Cost	Fair Value[2]

			Held/ Principal		
Series A Convertible Preferred Stock	18.2	%	1,000,000	$ 1,000,000	$ 40,256
Series B Convertible Preferred Stock	17.9	%	5,987,460	$ 1,496,865	$ 1,045,115
Series B-2 Convertible Preferred Stock	21.6	%	4,322,709	$ 1,015,427	$ 754,531
Series B-3 Convertible Preferred Stock	19.6	%	3,914,564	$ 978,641	$ 683,288
Series C Convertible Preferred Stock	71.3	%	2,667,380	$ 1,000,268	$ 351,248
Series D Convertible Preferred Stock	32.9	%	2,629,510	$ 986,066	$ 684,422

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Investment	% of Class Held(1)	Number of Shares Held/ Principal	Cost	Fair Value(2)
Warrants for Series B-2 Preferred Stock expiring upon liquidation event	15.1 %	300,000	$ 65,250	$ 9,333
Subordinated Secured Debt, 12%, maturing on 6/30/15	100.0 %	$ 1,000,000	$ 989,443	$ 981,100

SiOnyx, Inc., located at 100 Cummings Center, Beverly, Massachusetts 01915, is developing silicon-based optoelectronic products enabled by its proprietary material, Black Silicon. The Chief Executive Officer of the company is Stephen Saylor. Daniel Wolfe serves as a director of the company.

Investment	% of Class Held(1)	Number of Shares Held/ Principal	Cost	Fair Value(2)
Series C Convertible Preferred Stock	15.6 %	1,674,030	$ 1,171,316	$ 0
Series B-1 Convertible Preferred Stock	15.2 %	1,892,836	$ 1,169,561	$ 0
Series A-2 Convertible Preferred Stock	28.7 %	4,207,537	$ 2,445,000	$ 0
Series A-1 Convertible Preferred Stock	100.0 %	2,966,667	$ 890,000	$ 0
Series A Convertible Preferred Stock	100.0 %	233,499	$ 750,000	$ 0
Warrants for Common Stock expiring 3/28/17	10.3 %	418,507	$ 84,207	$ 0
Warrants for Series B-1 Convertible Preferred Stock expiring 2/23/17	28.3 %	247,350	$ 130,439	$ 0
Warrants for Common Stock expiring 5/9/19	25.3 %	3,208	$ 17,010	$ 0
Secured Convertible Bridge Note, 8%, acquired 1/31/14	27.7 %	$ 1,281,125	$ 1,281,125	$ 0
Secured Convertible Bridge Note, 8%, acquired 5/9/14	31.3 %	$ 93,976	$ 76,966	$ 0
Secured Convertible Bridge Note, 10%, acquired 12/12/14	69.0 %	$ 68,999	$ 71,107	$ 65,030
Secured Convertible Bridge Note, 10%, acquired 1/30/15	69.0 %	$ 103,500	$ 105,254	$ 96,257

Ultora, Inc., located at 843 Saint Kitts Court, San Jose, CA 95127, is developing an ultra-capacitor technology originally developed at NASA s Ames research center. The assets of the company were assigned to a trustee for liquidation for benefit of creditors on March 25, 2015.

Investment	% of Class Held(1)	Number of Shares Held/ Principal	Cost	Fair Value(2)
Series A Convertible Preferred Stock	21.5 %	17,736	$ 886,830	$ 0
Series B Convertible Preferred Stock	21.5 %	2,347,254	$ 236,603	$ 0
Secured Convertible Bridge Note, 5%, acquired 5/7/14	21.5 %	$ 86,039	$ 86,039	$ 0
Secured Convertible Bridge Note, 5%, acquired 8/20/14	21.5 %	$ 17,208	$ 17,208	$ 0
Secured Convertible Bridge Note, 5%, acquired 10/14/14	21.5 %	$ 10,750	$ 10,750	$ 0

Secured Convertible Bridge Note, 5%, acquired 3/30/15	21.5 %	$7,525	$7,525	$ 0

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UberSeq, Inc., located at 739 Bryant Street, San Francisco CA 94107, does business as NGXBio and develops translational genomics solutions. The Chief Executive Officer of the company is Sam Tolkoff. Alexei Andreev serves as a director of the company.

Investment	% of Class Held[(1)]	Number of Shares Held/ Principal	Cost	Fair Value[(2)]
Series Seed Convertible Preferred Stock	51.3 %	500,000	$ 500,000	$ 501,479

Unaffiliated Companies:

Amgen Inc., located at One Amgen Center Drive, Thousand Oaks, California, 91320, focuses on areas of high unmet medical need and leverages its biologics manufacturing expertise to strive for solutions that improve health outcomes and dramatically improve people s lives. The Chief Executive Officer is Robert A. Bradway.

Investment	% of Class Held[(1)]	Number of Shares Held/ Principal	Cost	Fair Value[(2)]
Rights to Milestone Payments from Acquisition of BioVex Group, Inc.	1.7 %	$1,757,608	$1,757,608	$2,564,070

Bridgelux, Inc., located at 1170 Sonora Court, Sunnyvale, California 94086, is manufacturing high-power LEDs and LED arrays that are used in various solid-state lighting and other applications. The Chief Executive Officer of the company is Brad Bullington. Alexei Andreev acts as an observer to the Board of Directors of the company.

Investment	% of Class Held[(1)]	Number of Shares Held	Cost	Fair Value[(2)]
Series B Convertible Preferred Stock	11.7 %	1,861,504	$1,000,000	$634,228
Series C Convertible Preferred Stock	6.6 %	2,130,699	$1,352,196	$835,101
Warrants for Series C Convertible Preferred Stock Expiring 8/31/15	10.8 %	163,900	$168,270	$37,268
Series D Convertible Preferred Stock	1.6 %	999,999	$1,371,622	$726,389
Warrants for Series D Convertible Preferred Stock Expiring 8/31/15	0.9 %	166,665	$128,543	$39,178
Series E Convertible Preferred Stock	1.4 %	440,334	$672,599	$663,152
Warrants for Series E Convertible Preferred Stock expiring 12/31/17	3.9 %	170,823	$93,969	$40,541
Series E-1 Convertible Preferred Stock	1.2 %	399,579	$386,073	$462,166
Warrants for Common Stock expiring 6/1/16	1.4 %	132,100	$72,668	$10,880
Warrants for Common Stock expiring 10/21/18	1.4 %	84,846	$18,816	$6,988
Warrants for Common Stock expiring 8/9/18	1.2 %	171,183	$148,409	$36,309

Cambrios Technologies Corporation, located at 930 East Arques Avenue Sunnyvale, California 94085, is developing nanowire-enabled electronic materials for the display industry. The Chief Executive Officer of the company is John LeMoncheck. Alexei Andreev acts as an observer to the Board of Directors of the company.

Investment	% of Class Held[1]	Number of Shares Held	Cost	Fair Value[2]
Series B Convertible Preferred Stock	12.0 %	1,294,025	$ 1,294,025	$ 38,983
Series C Convertible Preferred Stock	7.5 %	1,300,000	$ 1,300,000	$ 39,162
Series D Convertible Preferred Stock	5.9 %	515,756	$ 515,756	$ 367,375

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Investment	% of Class Held[1]	Number of Shares Held	Cost	Fair Value[2]
Series D-2 Convertible Preferred Stock	0.7 %	92,400	$ 92,400	$ 33,131
Series D-4 Convertible Preferred Stock	5.5 %	216,168	$ 216,168	$ 77,508

Canon Inc., located at 30-2, Shimomaruko 3-chome, Ohta-ku, Tokyo 146-8501, Japan, manufactures and sells office multifunction devices (MFDs), plain paper copying machines, laser printers, inkjet printers, cameras, and lithography equipment. The Chief Executive Officer is Fujio Mitarai.

Investment	% of Class Held[1]	Number of Shares Held/ Principal	Cost	Fair Value[2]
Rights to Milestone Payments from Acquisition of Molecular Imprints, Inc.	5.1 %	$ 629,670	$ 629,670	$ 630,711

Champions Oncology, Inc. (OTC: CSBR) located at 1 University Plaza Dr., Hackensack, NJ 07601, uses its TumorGraft platform for personalized medicine and drug development. The Chief Executive Officer of the company is Joel Ackerman.

Investment	% of Class Held[1]	Number of Shares Held	Cost	Fair Value[2]
Common Stock	2.0 %	2,922,492	$ 1,622,629	$ 2,045,744
Warrants for Common Stock expiring on 1/29/18	1.2 %	66,000	$ 400	$ 34,055

Cobalt Technologies, Inc., located at 500 Clyde Avenue, Mountain View, CA 94043, develops technology to make n-butanol from non-food and non-petroleum-based feedstocks. The assets of the company were assigned to a trustee for liquidation for benefit of creditors on May 4, 2015.

Investment	% of Class Held[1]	Number of Shares Held	Cost	Fair Value[2]
Series C-1 Convertible Preferred Stock	3.0 %	352,112	$ 749,998	$ 0
Series D-1 Convertible Preferred Stock	0.6 %	48,828	$ 122,070	$ 0
Series E-1 Convertible Preferred Stock	0.6 %	46,089	$ 114,938	$ 0
Warrants for Series E-1 Convertible Preferred Stock expiring 10/9/22	1.6 %	1,407	$ 2,781	$ 0
Warrants for Series E-1 Convertible Preferred Stock expiring 3/11/23	1.6 %	2,707	$ 5,355	$ 0

Laird Technologies, Inc., located at 3481 Rider Trail South, Earth City, Missouri 63045, provides systems, components and solutions that protect electronics from electromagnetic interference and heat, and that enable connectivity in mission critical systems through wireless applications and antenna systems. The Chief Executive

Officer of the company is David Lockwood OBE.

Investment	% of Class Held(1)	Number of Shares Held	Cost	Fair Value(2)
Rights to Milestone Payments from Merger & Acquisition of Nextreme Thermal Solutions, Inc.	0.8 %	0	$ 0	$ 0

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Mersana, Inc., located at 840 Memorial Drive, Cambridge, Massachusetts 02139, is developing advanced polymers for drug delivery. The Chief Executive Officer of the company is Anna Protopapas. Misti Ushio serves as observer to the Board of Directors of the company.

Investment	% of Class Held[1]	Number of Shares Held	Cost	Fair Value[2]
Common Stock	6.4 %	350,539	$ 3,875,395	$ 142,490
Series A-1 Convertible Preferred Stock	2.5 %	635,081	$ 683,538	$ 444,168
Series B-1 Convertible Preferred Stock	1.0 %	97,111	$ 104,521	$ 105,385

Molecular Imprints, Inc., located at 1807 West Braker Lane, Austin, Texas 78758, is manufacturing nanoimprint lithography capital equipment. On May 1, 2015, the company was acquired by an undisclosed privately held company. The Chief Executive Officer of the company was David Gino.

Investment	% of Class Held[1]	Number of Shares Held	Cost	Fair Value[2]
Series A Convertible Preferred Stock	4.2 %	928,884	$ 928,884	$ 1,086,793

Nanosys, Inc., located at 2625 Hanover Street, Palo Alto, California 94304, is a developing zero and one-dimensional inorganic nanometer-scale materials and devices. The Chief Executive Officer of the company is Jason Hartlove.

Investment	% of Class Held[1]	Number of Shares Held	Cost	Fair Value[2]
Series C Convertible Preferred Stock	5.3 %	803,428	$ 1,500,000	$ 715,280
Series D Convertible Preferred Stock	6.9 %	1,016,950	$ 3,000,003	$ 2,130,245
Series E Convertible Preferred Stock	1.6 %	433,688	$ 496,573	$ 753,132

Nano Terra, Inc., located at 737 Concord Ave, Cambridge, MA 02138, and it develops micro- and nano-manufacturing technologies serving the electronics, aerospace, energy, industrial products, and consumer goods, as well as government agencies by leveraging its platform technologies including surface engineering techniques and proprietary technologies. The Managing Director of the company is Brian Mayers.

Investment	% of Class Held[1]	Number of Shares Held/ Principal	Cost	Fair Value[2]
Warrants for Common Stock expiring on 2/22/21	100.0 %	4,462	$ 69,168	$ 1,578
Warrants for Series A-3 Preferred Stock expiring on 11/15/22	1.2 %	47,508	$ 35,403	$ 65,214
Senior secured debt, 12%, maturing on 12/1/15	100.0 %	$ 293,633	$ 258,229	$ 292,425

Nantero, Inc., located at 25-E Olympia Avenue, Woburn, Massachusetts 01801, is developing high-density, nonvolatile, random access memory chip, enabled by carbon nanotubes using proprietary technology. The Chief Executive Officer of the company is Greg Schmergel.

Investment	% of Class Held(1)	Number of Shares Held	Cost	Fair Value(2)
Series A Convertible Preferred Stock	8.2 %	345,070	$ 489,999	$ 1,443,540
Series B Convertible Preferred Stock	3.1 %	207,051	$ 323,000	$ 873,482
Series C Convertible Preferred Stock	3.8 %	188,315	$ 571,329	$ 945,275
Series D Convertible Preferred Stock	0.9 %	35,569	$ 139,075	$ 180,463
Series E Convertible Preferred Stock	0.6 %	32,714	$ 195,303	$ 196,272

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Phylagen, Inc., located at 943 Clay Street, San Francisco, CA 94108, is developing technology to improve human health and productivity. The Chief Executive Officer is Harrison Dillon.

Investment	% of Class Held(1)	Number of Shares Held/ Principal	Cost	Fair Value(2)
Secured Convertible Bridge Note, 5%, acquired 2/5/15	15.7 %	$ 200,000	$ 201,507	$ 201,507

Solazyme, Inc. (NASDAQ: SZYM), located at 225 Gateway Blvd., South San Francisco, CA 94080, is developing algal biodiesel, industrial chemicals and special ingredients based on synthetic biology. Solazyme s microbial conversion technology process may allow algae to produce oil in standard industrial facilities quickly, efficiently and at large scale. These oils can be used not only for advanced biofuel production, but also as replacements for fossil fuels and plant oils in a diverse range of products including household cleaning supplies, cosmetics and foods. The Chief Executive Officer of the company is Jonathan S. Wolfson.

Investment	% of Class Held(1)	Number of Shares Held	Cost	Fair Value(2)
Common Stock	0.1 %	50,000	$ 118,099	$ 129,000

(1) Percentage of class held represents the percentage of fully diluted shares outstanding. Information regarding percentage of class held is based on information available to us with respect to the capitalization and capital structure of the company.

(2) Fair value was determined in good faith by our Board of Directors as of March 31, 2015.

As a participant in the venture capital business, we invest primarily in private companies for which there is generally no publicly available information. Because of the private nature of these businesses, there is a need to maintain the confidentiality of the financial and other information that we have for the private companies in our portfolio. We believe that maintaining this confidence is important, as disclosure of such information could disadvantage our portfolio companies and could put us at a disadvantage in attracting new investments. Therefore, we do not intend to disclose financial or other information about our portfolio companies, unless required, because we believe doing so may put them at an economic or competitive disadvantage, regardless of our level of ownership or control.

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SENIOR SECURITIES

Information about our senior securities is shown in the following table for the periods as of December 31, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005 and as of March 31, 2015. The information for the periods ended December 31, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006 and 2005 has been derived from our audited financial statements for these periods. The report of PricewaterhouseCoopers LLP on the senior securities table as of December 31, 2014 is attached as an exhibit to the registration statement of which this prospectus is a part. The indicates information that the SEC expressly does not require to be disclosed for certain types of senior securities.

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities[1]	Asset Coverage per Unit[2]	Average Market Value per Unit[3]
Loan Facility with Orix Corporate Capital, Inc.			
March 31, 2015 (unaudited)[4]	$ 5,000,000	$ 22.18	N/A
December 31, 2014	0	0	N/A
December 31, 2013	0	0	N/A
December 31, 2012	N/A	N/A	N/A
December 31, 2011	N/A	N/A	N/A
December 31, 2010	N/A	N/A	N/A
December 31, 2009	N/A	N/A	N/A
December 31, 2008	N/A	N/A	N/A
December 31, 2007	N/A	N/A	N/A
December 31, 2006	N/A	N/A	N/A
December 31, 2005	N/A	N/A	N/A
Loan Facility with TD Bank, NA[5]			
March 31, 2015 (unaudited)	N/A	N/A	N/A
December 31, 2014	N/A	N/A	N/A
December 31, 2013	N/A	N/A	N/A
December 31, 2012	0	0	N/A
December 31, 2011	1,500,000	$ 98.13	N/A
December 31, 2010	N/A	N/A	N/A
December 31, 2009	N/A	N/A	N/A
December 31, 2008	N/A	N/A	N/A
December 31, 2007	N/A	N/A	N/A
December 31, 2006	N/A	N/A	N/A
December 31, 2005	N/A	N/A	N/A

(1) Total amount of each class of senior securities outstanding at the end of the period presented.

(2) Asset coverage per unit is the ratio of the carrying value of our total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit is expressed in terms of dollar amounts per $1,000 of indebtedness. The in this column indicates that the Securities and Exchange Commission expressly does not require this information to be disclosed for the types of senior securities representing indebtedness issued by Harris & Harris Group as of the stated time periods.

(3) Not applicable because senior securities are not registered for public trading.

(4) As of July 7, 2015 there was $5,000,000 outstanding under the loan facility with Orix Corporate Capital, Inc.

(5) On September 30, 2013, the Company terminated the $10,000,000 Revolving Loan Agreement by and between the Company and TD Bank, N.A., dated February 24, 2011. At the date of termination, there was no principal outstanding under this credit facility, and no termination fees were incurred in connection with ending this credit facility.

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MANAGEMENT

Our Board of Directors oversees our management. Our Board of Directors currently consists of six members, five of whom are not interested persons of the Company as defined in section 2(a)(19) of the 1940 act. We refer to these individuals as our independent directors. Our Board of Directors elects our officers, who serve at the discretion of our Board of Directors. The responsibilities of each director will include, among other things, the oversight of our investment activity, the quarterly valuation of our assets, and oversight of our financing arrangements. Our Board of Directors has also established an executive committee, audit committee, a nominating and management development committee, a valuation committee and a compensation committee, and may establish additional committees in the future.

Board of Directors and Executive Officers

Directors

Information regarding our Board of Directors is as follows:

Name	Age	Position	Director Since	Expiration of Term
Interested Director				
Douglas W. Jamison	45	Chairman and Chief Executive Officer	2007	2016
Independent Directors				
W. Dillaway Ayres Jr.	64	Director	2006	2016
Phillip A. Bauman	59	Director	1998	2016
Stacy R. Brandom	57	Director	2014	2016
Charles E. Ramsey	72	Director	2002	2016
Richard P. Shanley	68	Lead Independent Director	2007	2016

The address for each of our directors is 1450 Broadway, 24th Floor, New York, NY 10018.

Executive Officers Who Are Not Directors

Name	Age	Position	Executive Officer Since
Daniel B. Wolfe	38	President, Chief Operating Officer & Managing Director	2008
Misti Ushio	43	Chief Strategy Officer and Managing Director	2011
Patricia N. Egan	40	Chief Financial Officer and Chief Compliance Officer	2013
Alexei A. Andreev	43	Executive Vice President and Managing Director	2005

Biographical Information

Directors

Our directors have been divided into two groups interested directors and independent directors. An interested director is an interested person as defined in Section 2(a)(19) of the 1940 Act.

Interested Director

Mr. Jamison is an interested person of Harris & Harris Group as defined in the 1940 Act due to his position and Chief Executive Officer of the Company.

Douglas W. Jamison. Mr. Jamison, age 45, has served as the Company s Chairman and Chief Executive Officer since January 2009, as President and as Chief Operating Officer from January 2005 through December 2008, as Treasurer from March 2005 to May 2008, as a Managing Director since January 2004, as Chief Financial Officer from January 2005 through December 2007 and as Vice President from September 2002 through December 2004. He has been a member of our Board since May 2007. Since January 2009, he has served as Chairman and Chief Executive Officer of H&H Ventures Management, Inc., a wholly owned subsidiary of the Company; since January 2005, he has served as a Director; and from January 2005 to December 2008, he served as President. Mr. Jamison is a Chairman of the Board and

President of ProMuc, Inc., Produced Water Absorbents, Inc. and Orig3n, Inc., and is Chairman of the Board of HzO, Inc., all privately held companies in which we have investments. He is a board observer of ABSMaterials, Inc., and Metabolon, Inc., privately held companies in which we have investments. He is Co-Editor-in-Chief of Nanotechnology Law & Business. From 1997 to 2002, he worked as a senior technology manager at the University of Utah Technology Transfer Office, where he managed intellectual property in physics, chemistry and the engineering sciences. He was graduated from Dartmouth College (B.A.) and the University of Utah (M.S.). We believe Mr. Jamison is qualified to serve on our Board because of his intimate knowledge of our operations through his day-to-day leadership as Chief Executive Officer of the Company along with his comprehensive experience on the boards of directors of many of our private portfolio companies.

Independent Directors

The following directors are not interested persons of Harris & Harris Group, as defined in the 1940 Act.

W. Dillaway Ayres, Jr. Mr. Ayres, age 64, has served as a member of our Board since November 2006. Since May 2012, he has served as a member of the Board of Directors of H&H Ventures Management, Inc., a wholly owned subsidiary of the Company. He has served as the Chief Operating Officer of Cold Spring Harbor Laboratory, a research and educational institution in the biological sciences, since November 2000. Prior to joining Cold Spring Harbor Laboratory in 1998, Mr. Ayres had a 20-year business career during which he worked as a corporate executive at Union Carbide, American Express and American Broadcasting Corporation. He has also co-founded a venture capital-backed internet company and worked for five years in investment banking and private equity at Veronis Suhler & Associates in New York where he was a Managing Director. He was graduated from Princeton University (A.B.) and from the Columbia University Graduate School of Business (M.B.A.). We believe Mr. Ayres is qualified to serve on our Board because of his venture capital, investment banking and private equity experience, as well as his experience as a corporate executive spanning the length of his career. Additionally, his managerial role at a reputable research and educational institution in biological sciences as well as his expertise and credit-related experience for the institutions he has managed, further qualify him for his roles as a Director. His years of managerial experience also qualify him for his role as Chairman of the Compensation Committee.

Dr. Phillip A. Bauman. Dr. Bauman, age 59, has served as a member of our Board since February 1998. Since May 2012, he has served as a member of the Board of Directors of H&H Ventures Management, Inc., a wholly owned subsidiary of the Company. He is a Senior Attending of Orthopaedic Surgery at the Roosevelt Hospital Center at Mt. Sinai in Manhattan, and from 2000 to 2013, he has served as an elected member of the Executive Committee of the Medical Board of St. Luke s/Roosevelt Hospital. Since 2013, he has served on the Executive Committee of the Medical Board at the Roosevelt Hospital at Mt. Sinai. He is a founding member and has served on the Board of Managers of the Hudson Crossing Surgery Center from 2005 through 2012 until it was acquired by Amsurg in December 2013 and until 2013, was an Assistant Professor of Orthopaedic Surgery at Columbia University. From 1994 until 2014, he was Vice President of Orthopaedic Associates of New York. He has consulted for venture capital firms, including Skyline Venture Partners, a venture capital firm that specializes in healthcare companies. He is an active member of the American Academy of Orthopaedic Surgeons, the American Orthopaedic Society for Sports Medicine, the American Orthopaedic Foot and Ankle Society, the New York State Society of Orthopaedic Surgeons, the New York State Medical Society and the American Medical Association. He was graduated from Harvard College (A.B.), Harvard University (A.M.) and the College of Physicians and Surgeons at Columbia University (M.D.). We believe Dr. Bauman is qualified to serve on our Board because of his expertise in the area of the life sciences, the primary sector in which we invest. His medical background and his work in venture capital give him an in-depth understanding of risks associated with the structuring of investments in life sciences-related companies.

Stacy R. Brandom. Ms. Brandom, age 57, has served as a member of our Board since January 1, 2014. Since March 6, 2014, she has served as a member of the Board of Directors of H&H Ventures Management, Inc., a wholly owned subsidiary of the Company. Since October 2009, Ms. Brandom has been an Executive Vice President and Chief Financial Officer of Trinity Wall Street, an historic Anglican church in lower Manhattan, N.Y. Prior to joining Trinity Wall Street, she was a Managing Advisor of

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Brandom Advisors, from 2008 to 2009. Ms. Brandom served as Chief Financial Officer and Managing Director of Citi Smith Barney from 2005 to 2007. She held various positions at JPMorgan Chase and its predecessor firms from 1984 to 2005, including Chief Financial Officer of JP Morgan Chase Corporate Sector and Chase Middle Market Group; Head of Strategy and Administration, Corporate Business Service of JP Morgan Chase; Head of Strategy and Administration and Managing Director, Global Investment Banking (Chase); Head of Strategy and Managing Director, Global Bank (Chemical Bank, pre Chase merger). She was graduated from the University of North Texas (B.B.A.) and the Kellogg School of Business at Northwestern University (M.B.A.). She is a member of the board of directors of Bridges to Community, a non-governmental organization dedicated to construction projects in Nicaragua, and a member of the board of directors of Westchester Jazz Orchestra. We believe Ms. Brandom is qualified to serve on our Board because of her financial and compliance experience and her connections in the investment banking industry.

Charles E. Ramsey. Mr. Ramsey, age 72, has served as a member of our Board since October 2002. Since May 2012, he has served as a member of the Board of Directors of H&H Ventures Management, Inc., a wholly owned subsidiary of the Company. Since 1997, he has been a consultant in the area of human resources and venture capital. He is a retired founder and principal of Ramsey/Beirne Associates, Inc., an executive search firm that specialized in recruiting top officers for high technology companies, many of which were backed by venture capital. He is a former member of the board of directors and Chairman Emeritus of Bridges to Community, a non-governmental organization dedicated to construction projects in Nicaragua and the Dominican Republic. As Chairman Emeritus, he served on the Executive, Personnel and Administration and Fund Development Committees. He was graduated from Wittenberg University (B.A.). We believe Mr. Ramsey is qualified to serve on our Board because of his long career in the field of human resources, where he recruited top officers and directors for high technology companies in the venture capital space. Also, Mr. Ramsey s expertise and experience in human resources qualify him to serve as Chairman of our Nominating and Management Development Committee.

Richard P. Shanley. Mr. Shanley, age 68, has served as a member of our Board since March 2007. He has also served as our Lead Independent Director since May 2013. Since May 2012, he has served as a member of the Board of Directors of H&H Ventures Management, Inc., a wholly owned subsidiary of the Company. From February 2001 to December 31, 2006, he was a partner of Deloitte & Touche LLP. During his over 30 years of public accounting experience, he served as lead audit partner on numerous audit engagements for public and private companies and companies making public stock offerings. He served as lead audit partner primarily for biotechnology, pharmaceutical and high-tech companies, including companies enabled by nanotechnology. He has been actively involved on the Biotech Council of New Jersey, the New Jersey Technology Council, the New York Biotechnology Association, the Connecticut Venture Group, the Biotechnology Industry Organization and the NanoBusiness Alliance. He is Chairman of the board of directors of Redpoint Bio Corporation, a publicly held biotechnology company. He is an active member of the New York State Society of Certified Public Accountants and the American Institute of Certified Public Accountants. He is a licensed Certified Public Accountant in New York. He was graduated from Fordham University (B.S.) and Long Island University (M.B.A.). We believe Mr. Shanley is qualified to serve on our Board because of his extensive prior financial, valuation and accounting experience, as well as his experience with companies investing in nanotechnology. Mr. Shanley s career as a certified public accountant and as a partner at a large accounting firm qualify him for his role as Chairman of the Audit Committee. Mr. Shanley s knowledge of the financial, valuation and accounting areas, further qualifies him to be our Lead Independent Director.

Executive Officers Who are Not Directors

Daniel B. Wolfe. Mr. Wolfe, age 38, has served as President and Chief Operating Officer since January 2009 and as a Managing Director since January 2008. He served as Chief Financial Officer from January 2008 to December 31, 2012, as Treasurer from May 2008 to December 31, 2012, as Principal from January 2007 to January 2008, as Senior Associate from January 2006 to January 2007, as Associate from 2004 to 2005, and as Vice President from July 2004 to January 2008. Since January 2009, he has served as President and Chief Operating Officer and from January 2009 to December 31, 2012, as Chief Financial Officer of H&H Ventures Management, Inc., a wholly owned subsidiary of the Company; and from October 2008 to May 2, 2012, he served as a Director. He is a Director of Enumeral Biomedical Holdings,

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Inc., a publicly traded company in which we have an investment. He is also a Director of SiOnyx, Inc., SynGlyco, Inc. (formerly Ancora Pharmaceuticals, Inc.) and Ultora, Inc., privately held companies in which we have investments. He is a board observer of Laser Light Engines, Inc., and Ensemble Therapeutics Corporation, privately held companies in which we have an investment. Prior to joining us, he served as a consultant to Nanosys, Inc. (from 2002 to 2004), to CW Group (from 2001 to 2004) and to Bioscale, Inc. (from January 2004 to June 2004). He was graduated from Rice University (B.A.), where his honors included the Zevi and Bertha Salsburg Memorial Award in Chemistry and the Presidential Honor Roll, and from Harvard University (A.M., Ph.D., Chemistry), where he was a NSF Predoctoral Fellow.

At our request, Mr. Wolfe was interim Chief Executive Officer of Evolved Nanomaterial Sciences, Inc. (ENS), one of our portfolio companies, from July 1, 2007, to September 28, 2007. ENS filed for Chapter 7 bankruptcy on September 30, 2007.

Misti Ushio. Ms. Ushio, age 43, has served as an Chief Strategy Officer since January 2015 and as a Managing Director since 2011. She served as Executive Vice President from May 2011 to January 2015. She served as Principal from January 2010 to May 2011, as a Vice President from May 2007 to May 2011, and as Associate from May 2007 to December 2009. From June 2006 to May 2007, Ms. Ushio was a Technology Licensing Officer at Columbia University. From May 1996 to May 2006, she was employed by Merck & Co., Inc., most recently as a Senior Research Biochemical Engineer with the Bioprocess R&D group. She is a Director of Accelerator IV New York Corporation, OpGen, Inc., ProMuc, Inc., Senova Systems, Inc., and Synglyco, Inc. (formerly Ancora Pharmaceuticals, Inc.), TARA Biosystems, Inc., all privately held companies in which we have investments. She is also Chief Executive Officer of TARA Biosystems, Inc. She is a board observer of AgBiome, LLC and Mersana Therapeutics, Inc., both privately held companies in which we have investments. Ms. Ushio also serves on the Executive Oversight Committee for the Columbia University Coulter Foundation Grant and the Executive Board for NYU Venture Fund. She was graduated from Johns Hopkins University (B.S.), Lehigh University (M.S., Chemical Engineering) and University College London (Ph.D., Biochemical Engineering).

Patricia N. Egan. Ms. Egan, age 40, has served as Chief Financial Officer since January 1, 2013 and as Chief Compliance Officer since July 1, 2014. She served as Chief Accounting Officer, as a Vice President and as Senior Controller from June 2005 to December 31, 2012. From June 2005 to December 2005, from August 2006 to March 2008 and from May 2008 to December 31, 2008, she served as an Assistant Secretary. Since January 1, 2013, she served as Chief Financial Officer of H&H Ventures Management, Inc., a wholly owned subsidiary of the Company; since January 2006, she served as Treasurer; from January 2006 to January 2012, she served as Secretary; and from January 2012 to December 31, 2012, she served as Chief Accounting Officer, as a Vice President and as Senior Controller. From 1996 to 2005, she was employed by PwC, most recently as a Manager in its financial services group. She was graduated from Georgetown University (B.S.), where her honors included the Othmar F. Winkler Award for Excellence in Community Service. She is a Certified Public Accountant.

Alexei A. Andreev. Mr. Andreev, age 43, has served as an Executive Vice President and as a Managing Director since March 2005. From 2002 to March 2005, he was an Associate with Draper Fisher Jurvetson, a venture capital firm. He is a Director of Adesto Technologies, Corporation, D-Wave Systems, Inc., EchoPixel, Inc., UberSeq, Inc., and Ultora, Inc., all privately held companies in which we have investments. He is also President of Ultora, Inc. He is a board observer of Bridgelux, Inc., and Cambrios Technology Corporation, privately held companies in which we have investments. He is a member of the board of Alberta Centre for Advanced Micro Nano Technology Products (ACAMP). He was graduated with honors in Engineering/Material Sciences (B.S.), in Solid State Physics (Ph.D.) from Moscow Steel and Alloys Institute and from Stanford Graduate School of Business (M.B.A.).

On March 13, 2015, H&H Ventures Management, Inc. (Ventures), a wholly owned subsidiary of the Company, entered into an Administrative Services Agreement (Agreement) with AutoTech Management, L.L.C. (AutoTech). AutoTech has been organized to serve as the management company to a venture fund. That fund will make investments in the transportation industry, an industry that is not currently within the investment focus of the Company. As part of this Agreement, Ventures will provide advice on certain administrative services related to AutoTech for which it will be compensated.

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In connection with Ventures entering into the Agreement, Alexei A. Andreev, Executive Vice President and Managing Director of the Company, formally notified the Company that he will join AutoTech as a Managing Director prior to the closing of the fund. Based on information from AutoTech and Mr. Andreev, the Company currently anticipates the closing of the fund to be during the first half of 2015. When Mr. Andreev joins AutoTech, he will remain with the Company as a part-time employee to assist the Company as its representative on the board of directors of D-Wave Systems, Inc., Adesto Technologies Corporation, EchoPixel, Inc., and UberSeq, Inc., (collectively, the Legacy Companies), until such time that the Company and/or Andreev change that representation. At such time that Mr. Andreev becomes a Managing Director of AutoTech, he will no longer be an executive officer of the Company, and he will assume the title of Venture Partner. There can be no certainty that AutoTech s effort to raise capital for the fund will be successful.

Director Independence

In accordance with rules of the NASDAQ Stock Market, our Board of Directors annually determines each director s independence. We do not consider a director independent unless our Board of Directors has determined that he or she has no material relationship with us. We monitor the relationships of our directors and officers through a questionnaire each director completes no less frequently than annually and updates periodically as information provided in the most recent questionnaire changes.

In order to evaluate the materiality of any such relationship, our Board of Directors uses the definition of director independence set forth in the rules promulgated by the NASDAQ Stock Market. Rule 5605(a)(2) provides that a director of a BDC, shall be considered to be independent if he or she is not an interested person of the Company, as defined in Section 2(a)(19) of the 1940 Act.

The Board of Directors has determined that each of the directors is independent and has no relationship with us, except as a director and shareholder, with the exception of Douglas W. Jamison, as a result of his position as our Chief Executive Officer.

Board Leadership Structure

The Board does not require the separation of the offices of the Chairman of the Board and the Chief Executive Officer. The Board believes it should be free to choose its Chairman of the Board in any way that it deems best for the Company at any given point in time. Mr. Jamison, the current Chairman of the Board and Chief Executive Officer, is an interested person of the Company (as defined in Section 2(a)(19) of the 1940 Act). At present, the Board believes that Mr. Jamison s service as both Chairman of the Board and Chief Executive Officer is in the best interest of the Company and its shareholders. Mr. Jamison possesses detailed and in-depth knowledge of the day-to-day and overall issues, opportunities and challenges facing the Company and its business and is thus best positioned to develop agendas that ensure that the Board s time and attention are focused on the most critical matters.

His combined role enables decisive leadership, ensures clear accountability, and enhances the Company s ability to communicate its message and strategy clearly and consistently to the Company s shareholders, employees, and portfolio companies. The Board also believes that combining the Chairman of the Board and Chief Executive Officer roles is appropriate given our current asset size.

The Board members also believe that the Lead Independent Director plays an important role and fulfills most of the benefits to the Company of having an independent Chairman without the full expense of hiring an independent Chairman. The Lead Independent Director s duties include acting as a liaison between the independent directors and the Chairman regarding any specific feedback or issues, providing the Chairman with input regarding agenda items for Board and committee meetings, coordinating with the Chairman to provide information to the independent directors regarding their duties, coordinating the activities of the independent directors, including performing the role of Chairman of the Independent Directors Committee, coordinating the agenda for and moderating sessions of the Board s independent directors and other non-employee directors, and facilitating communications between the other members of the Board, between the Board and senior management, and between the Chief Compliance Officer and the Board. The Board believes that this approach appropriately and effectively complements the combined Chief Executive Officer/Chairman structure.

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In addition, all of the Directors, other than Mr. Jamison, are independent, and the Board believes that the independent directors provide effective oversight of management. Moreover, in addition to feedback provided during the course of Board meetings, the independent directors have regular executive sessions. Additionally, the independent directors serve as the chairpersons for all Board Committees (other than the Executive Committee) and meet on a quarterly basis in executive session with the Chief Compliance Officer.

Board s Role in Risk Oversight

The Board as a whole, under the direction of the Lead Independent Director, has responsibility for risk oversight, with reviews of certain areas being conducted by the relevant Board committees that report on their deliberations to the Board. The oversight responsibility of the Board and its committees is enabled by management reporting processes that are designed to provide visibility to the Board about the identification, assessment and management of critical risks and the controls that management uses to mitigate those risks. Members of the senior management team meet annually to review the current risks for the Company s business, and to ensure that the compliance policies and procedures are revised along with changes to the current risks. The risks and the amended policies and procedures are presented to the Board for its review and input at least annually. In addition, members of the senior management team meet quarterly to review strategic risks and report to the Board about these discussions as appropriate.

Additionally, the Board committees assist the full Board in risk assessment. The Independent Directors Committee meets regularly in executive session, with and without the Chief Compliance Officer, and oversees compliance and strategic risks of the Company. It also oversees the compliance policies and procedures of the Company and its service providers. The Audit Committee oversees compliance by the Company with legal and regulatory requirements. Specifically, the Audit Committee discusses with the Company s management and independent registered public accountants the integrity of the Company s financial reporting processes and controls, particularly the controls in areas representing significant financial and business risks, and reviews the Company s compliance with certain regulatory requirements. The Audit Committee Chairman meets independently with the registered public accountants and the other outside accounting firms. The Compensation Committee reviews risks related to compensation policies and procedures. The Nominating and Management Development Committee considers risk assessment skills when considering nominees for the Board. The Board has appointed all independent members of the Board to the Valuation Committee to have oversight of valuation risk.

Committees of the Board of Directors

Our Board of Directors has established an Executive Committee, an Audit Committee, a Nominating and Management Development Committee, a Valuation Committee and a Compensation Committee. During 2014, our Board of Directors held six Board meetings, and the full Board acted four times by unanimous written consent. The Executive Committee did not meet or act by unanimous written consent in 2014. During 2014, our Board of Directors held four Audit Committee meetings, six Valuation Committee meetings and one Nominating and Management Development Committee meeting. All directors attended at least 75% of the aggregate number of meetings of our Board of Directors and of the respective committees on which they served. We require each director to make a diligent effort to attend all Board and committee meetings, as well as each annual meeting of shareholders. In 2014, all of our directors attended the annual meeting of shareholders

Executive Committee

The Executive Committee operates pursuant to a charter approved by our Board of Directors, which sets forth the responsibilities of the Executive Committee. The Executive Committee may meet from time to time between regular meetings of the Board for strategic planning and to exercise the authority of the Board to the extent provided by law. The Executive Committee is currently composed of Douglas W. Jamison, who is an Interested Director, and W. Dillaway Ayres, Jr., Charles E. Ramsey and Richard P. Shanley, all of whom are considered independent under the rules of the NASDAQ Global Market and are not interested persons of Harris & Harris Group as that term is defined in Section 2(a)(19) of the 1940 Act.

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Audit Committee

The Audit Committee operates pursuant to a charter approved by our Board of Directors, which sets forth the responsibilities of the audit committee. The Audit Committee s responsibilities include selecting the independent registered public accounting firm for Harris & Harris Group, reviewing with such independent registered public accounting firm the planning, scope and results of their audit of Harris & Harris Group s financial statements, pre-approving the fees for services performed, reviewing with the independent registered public accounting firm the adequacy of internal control systems, reviewing Harris & Harris Group s annual financial statements and periodic filings and receiving Harris & Harris Group s audit reports and financial statements. The Audit Committee is currently composed of Ms. Brandom and Messrs. Ayres and Shanley, all of whom are considered independent under the rules of the NASDAQ Global Market and are not interested persons of Harris & Harris Group as that term is defined in Section 2(a)(19) of the 1940 Act. Mr. Shanley serves as Chair of the Audit Committee. Our Board of Directors has determined that Ms. Brandom and Messrs. Ayres and Shanley are audit committee financial experts as that term is defined under Item 407 of Regulation S-K, as promulgated under the Exchange Act. Ms. Brandom and Messrs. Ayres and Shanley meet the current independence and experience requirements of Rule 10A-3 of the Exchange Act.

Nominating and Management Development Committee

The Nominating and Management Development Committee operates pursuant to a charter approved by our Board of Directors. The members of the Nominating and Management Development Committee are Messrs. Ramsey, Bauman and Shanley, all of whom are considered independent under the rules of the NASDAQ Global Market and are not interested persons of Harris & Harris Group as that term is defined in Section 2(a)(19) of the 1940 Act. Mr. Ramsey serves as Chairman of the Nominating and Management Development Committee.

The Nominating and Management Development Committee (the Nominating Committee) acts as an advisory committee to the Board by identifying individuals qualified to serve on the Board as directors and on committees of the Board, and to recommend that the Board select the Board nominees for the next annual meeting of shareholders. Additionally, the Nominating Committee supports the development of the Company s management.

The Nominating Committee annually reviews the requisite skills and characteristics of Board members, as well as the composition of the Board as a whole. This assessment includes a consideration of independence, potential conflicts of interest, diversity, age, skills, including risk assessment skills and specific past experience or particular expertise that would be useful to the Company, and industry backgrounds and knowledge in the context of the needs of the Board and the Company. The Nominating Committee also considers the ability of current and prospective directors to devote sufficient time to performing their duties in an effective manner. Directors are expected to exemplify the highest standards of personal and professional integrity and to constructively challenge management through their active participation in meetings. In particular, the Nominating Committee seeks directors with established strong professional reputations and expertise in areas relevant to the strategy and operations of the Company s business.

While the Company s Corporate Governance Guidelines do not prescribe diversity standards, as a matter of practice, the Nominating Committee considers diversity in the context of the Board as a whole and takes into account the personal characteristics (gender, ethnicity, age) and experience (skills, industry, professional, public service) of current and prospective directors to facilitate Board deliberations that reflect a broad range of perspectives. The Board believes that director nominees should not be chosen nor excluded solely or largely because of age, race, color, gender, national origin or sexual orientation or identity. Most important, the Board believes that diversity of experience is an important factor to consider when evaluating nominees because of the breadth of our business as a publicly traded, venture capital firm, operating as a BDC in many different industries relating to life sciences.

The Nominating Committee evaluates all candidates for the Board based on the above qualifications, regardless of whether the candidate was nominated by an officer, Board member or shareholder. The Nominating Committee also conducts annual reviews of current directors whose terms are nearing expiration, but who may be proposed for re-election, by reviewing the considerations described above and past contributions to the Board.

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The Nominating Committee will consider director candidates recommended by shareholders. In considering candidates submitted by shareholders, the Nominating Committee will take into consideration the needs of the Board and the qualifications of the candidate. The Nominating Committee may also take into consideration the number of shares held by the recommending shareholder and the length of time that such shares have been held. To have a candidate considered by the Nominating Committee, a shareholder must submit the recommendation in writing and must include:

The name of the shareholder and evidence of the person s ownership of shares of the Company, including the number of shares owned and the length of time of ownership;
The name of the candidate, the candidate s resume or a listing of his or her qualifications to be a director of the Company and the person s consent to be named as a director if selected by the Nominating Committee and nominated by the Board; and
If requested by the Nominating Committee, a completed and signed directors questionnaire.

The shareholder recommendation and information described above must be sent to the Company s Secretary, c/o Harris & Harris Group, Inc., 1450 Broadway, 24th Floor, New York, New York 10018, and must be received by the Secretary not less than 120 days prior to the anniversary date of the Company s most recent annual meeting of shareholders or, if the meeting has moved by more than 30 days, a reasonable amount of time before the meeting.

Preliminary interviews of director candidates may be conducted by the Chairman of the Nominating Committee or, at his request, any other member of the Nominating Committee or Board, the Lead Independent Director and the Chairman of the Board. Background material pertaining to director candidates is distributed to the members of the Nominating Committee for their review. Director candidates who the Nominating Committee determines merit further consideration are interviewed by the Chairman of the Nominating Committee and such other Nominating Committee members, directors and key senior management personnel as determined by the Chairman of the Nominating Committee. The results of these interviews are considered by the Nominating Committee in its deliberations. We do not currently pay any third party a fee to assist in the process of identifying and evaluating candidates.

Valuation Committee

The Valuation Committee operates pursuant to a charter approved by our Board of Directors. The Valuation Committee has the full power and authority of the Board in reviewing and approving the valuation of our securities for reporting purposes pursuant to our Valuation Procedures that were established and approved by the Board. Our portfolio investments are generally not publicly traded securities. As a result, there is no readily determinable market value for these securities. Thus, as required by the 1940 Act for such securities, we value these securities at fair value as determined in good faith by our Valuation Committee. The Valuation Committee is presently composed of Ms. Brandom and Messrs. Ayres, Bauman, Ramsey and Shanley, all of whom are considered independent under the rules of the NASDAQ Global Market and are not interested persons of Harris & Harris Group as that term is defined in Section 2(a)(19) of the 1940 Act. Mr. Shanley serves as Chairman of the valuation committee.

Compensation Committee

The Compensation Committee operates pursuant to a charter approved by our Board of Directors. Our compensation committee is presently composed of Messrs. Ayres, Bauman and Ramsey and Ms. Brandom, each of whom is an independent director and satisfies the independence requirements for purposes of the rules promulgated by the NYSE and the requirements to be a non-interested director as defined in Section 2(a)(19) of the 1940 Act. Mr. Ayres currently serves as chairman of our Compensation Committee.

In carrying out its mission, the Compensation Committee has the following responsibilities and authority:

Review from time to time, modify if necessary, and approve: (a) the Company s corporate goals and objectives relevant to executive compensation, (b) the Company s executive compensation structure to ensure that it is designed to achieve the objectives of rewarding the Company s executive officers appropriately for their contributions to corporate growth and profitability and (c) the Company s other goals and objectives.

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Annually reviews and approves corporate goals and objectives relevant to total compensation that is, changes in components of total compensation, including base salary, bonus and equity incentive plan compensation of the Chief Executive Officer and other executive officers, evaluates their performance against these goals and objectives, and, based on its evaluation, sets their total compensation.
Annually recommend to the Board, including a majority of the Directors who are not interested persons of the Company, the compensation of the Chief Compliance Officer. The Company s full Board, including a majority of the non-interested directors (as defined in Section 2(a)(19) of the 1940 Act), ultimately makes the final decisions regarding the Chief Compliance Officer s compensation and approves grants under the Company s equity incentive plan made by the Committee for all employees as required by the 1940 Act.
Periodically evaluate the terms and administration of the Company s annual and long-term incentive plans to assure that they are structured and administered in a manner consistent with the Company s goals and objectives as to participation in such plans and corporate financial goals.
Annually evaluate the terms and administration of and approve any proposed amendments to the Company s existing equity incentive plan; evaluate and approve the adoption of any new equity related plans; and determine when it is necessary (based on the advice of counsel) or is otherwise desirable: (a) to modify, discontinue or supplement such plan; or (b) to submit any amendment or adoption of such existing or new plans to a vote of the full Board and/or the Company s shareholders.
Annually evaluate the compensation of Directors, including for service on Board committees and taking into account the compensation of directors at other comparable companies, noting that as of now, there are no directly comparable companies. Make recommendations to the Board regarding any adjustments in director compensation that the Committee considers appropriate.
Approve annual retainer and meeting fees for Board and committees of the Board, and fix the terms of any stock purchase policies or stock awards for compensation of members of the Board.
Annually evaluate the Company s employee benefit programs and approve any significant changes therein and determine when it is necessary (based on advice of counsel) or otherwise desirable to submit any such changes to a vote of the full Board and/or the Company s shareholders.
Be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, independent legal counsel and other adviser retained by the compensation committee, and to evaluate such consultants independence.

Role of Compensation Consultant

The Committee has the authority to engage independent advisers to assist it in carrying out its responsibilities. In 2014, the Committee again engaged Johnson Associates, Inc. (Johnson Associates) to advise it on relevant executive pay and related issues. Johnson Associates reports directly to the Committee and not to management. Johnson Associates is independent from the Company, has not provided any services to the Company other than to the Committee, and receives compensation from the Company only for services provided to the Committee. The Committee assessed the independence of Johnson Associates pursuant to SEC rules and concluded that the work of Johnson Associates has not raised any conflict of interest. Mr. Ayres, the Chairman of the Committee, provided information to Johnson Associates regarding the role of each employee, our perceived competition and the Committee s goals with respect to compensation in general. Mr. Jamison, our Chief Executive Officer, also participated in conversations with Johnson Associates regarding overall compensation. During 2014, Johnson Associates assisted the Committee by:

Reviewing the Company s cash compensation and competitive market data with respect to private venture capital firms, asset management firms, public companies with similar market capitalizations and compliance professionals; and

Reviewing the CD&A.

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Compensation Committee Interlocks and Insider Participation

There were no Compensation Committee interlocks or insider participation on the Committee in 2014.

All members of the Committee are independent directors and none of the members is a present or past employee of the Company. No member of the Committee: (i) has had any relationship with us requiring disclosure under Item 404 of Regulation S-K of the Exchange Act; or (ii) is an executive officer of another entity at which one of our executive officers serves on the board of directors.

Communications with the Board

Shareholders and other interested parties may contact the Board, our Lead Independent Director, or any member of the Board by mail. To communicate with the Board, the Lead Independent Director or any member of the Board, correspondence should be addressed to the Board or the Board members with whom you wish to communicate, by either name or title. All such correspondence should be sent c/o Harris & Harris Group, Inc., 1450 Broadway, 24th Floor, New York, N.Y. 10018. Such correspondence will be forwarded to the appropriate Board member or members after screening to eliminate marketing and junk mail.

Code of Ethics

Our code of ethics, which is signed by our directors and executive officers, requires that our directors and executive officers avoid any conflict, or the appearance of a conflict, between an individual s personal interests and the interests of Harris & Harris Group. Pursuant to our code of ethics, which is available on our website at *http://ir.hhvc.com/governance.cfm*, each director and executive officer must disclose any conflicts of interest, or actions or relationships that might give rise to a conflict, to our audit committee. Certain actions or relationships that might give rise to a conflict of interest are reviewed and approved by our Board of Directors.

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