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.

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# 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

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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 | | | | | | | |