

HARRIS & HARRIS GROUP INC /NY/  
Form 10-Q  
November 06, 2009

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

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-11576

HARRIS & HARRIS GROUP, INC.

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(Exact Name of Registrant as Specified in Its Charter)

New York

(State or Other Jurisdiction of  
Incorporation or Organization)

13-3119827

(I.R.S. Employer Identification No.)

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

10019  
(Zip Code)

(212) 582-0900

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(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 6, 2009
Common Stock, \$0.01 par value per share	30,854,258 shares

Harris & Harris Group, Inc.  
Form 10-Q, September 30, 2009

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## PART I. FINANCIAL INFORMATION

### Item 1. Consolidated Financial Statements

The information furnished in the accompanying consolidated financial statements reflects all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim period presented.

Harris & Harris Group, Inc.® (the "Company," "us," "our" and "we"), is an internally managed venture capital company that has elected to operate as a business development company under the Investment Company Act of 1940 (the "1940 Act"). Certain information and disclosures normally included in the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted as permitted by Regulation S-X and Regulation S-K. The accompanying consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2008, contained in our Annual Report on Form 10-K for the year ended December 31, 2008.

In September 1997, our Board of Directors approved a proposal to seek qualification as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code (the "Code"). At that time, we were taxable under Subchapter C of the Code (a "C Corporation"). We filed for the 1999 tax year to elect treatment as a RIC. In order to qualify as a RIC, we must, in general, (1) annually, derive at least 90 percent of our gross income from dividends, interest, gains from the sale of securities and similar sources; (2) quarterly, meet certain investment diversification requirements; and (3) annually, distribute at least 90 percent of our investment company taxable income as a dividend. In addition to the requirement that we must annually distribute at least 90 percent of our investment company taxable income, we may either distribute or retain our net capital gain from investments, but any net capital gain not distributed will be subject to corporate income tax and the excise tax described below. We will be subject to a four percent excise tax to the extent we fail to distribute at least 98 percent of our annual net ordinary income and 98 percent of our capital gain net income and would be subject to income tax to the extent we fail to distribute 100 percent of our investment company taxable income.

Because of the specialized nature of our investment portfolio, we generally can satisfy the diversification requirements under Subchapter M of the Code if we receive a certification from the Securities and Exchange Commission ("SEC") that we are "principally engaged in the furnishing of capital to other corporations which are principally engaged in the development or exploitation of inventions, technological improvements, new processes, or products not previously generally available."

On June 9, 2009, we received SEC certification for 2008, permitting us to qualify for RIC treatment for 2008 (as we had for the years 1999 through 2007) pursuant to Section 851(e) of the Code. Although the SEC certification for 2008 was issued, there can be no assurance that we will qualify for or receive such certification for subsequent years (to the extent we need additional certification as a result of changes in our portfolio) or that we will actually qualify for Subchapter M treatment in subsequent years. In 2008, we qualified for RIC treatment even without certification. In addition, under certain circumstances, even if we qualified for Subchapter M treatment in a given year, we might take action in a subsequent year to ensure that we would be taxed in that subsequent year as a C Corporation, rather than as a RIC. Because Subchapter M does not permit deduction of operating expenses against net capital gain, it is not clear that the Company and its shareholders have paid less in taxes since 1999 than they would have paid had the Company remained a C Corporation.

HARRIS & HARRIS GROUP, INC.  
CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

ASSETS

	September 30, 2009 (Unaudited)	December 31, 2008
Investments, in portfolio securities at value:		
Unaffiliated companies (cost: \$26,648,390 and \$24,208,281, respectively)	\$ 16,892,041	\$ 12,086,503
Non-controlled affiliated companies (cost: \$60,109,424 and \$60,796,720, respectively)	48,920,403	39,650,187
Controlled affiliated companies (cost: \$6,996,458 and \$6,085,000, respectively)	4,063,766	5,228,463
Publicly traded securities (cost: \$199,432 and \$0, respectively)	173,405	0
Total, investments in private portfolio companies and public securities at value (cost: \$93,953,704 and \$91,090,001, respectively)	\$ 70,049,615	\$ 56,965,153
Investments, in U.S. Treasury obligations at value (cost: \$66,960,793 and \$52,956,288, respectively)	66,971,440	52,983,940
Cash and cash equivalents	1,495,970	692,309
Restricted funds	1,985	191,955
Interest receivable	6,517	56
Prepaid expenses	148,653	484,567
Other assets	462,253	309,621
<b>Total assets</b>	<b>\$ 139,136,433</b>	<b>\$ 111,627,601</b>

LIABILITIES & NET ASSETS

Payable for investments purchased	\$ 25,720,198	\$ 0
Accounts payable and accrued liabilities	1,880,616	2,088,348
Deferred rent	3,413	8,140
<b>Total liabilities</b>	<b>27,604,227</b>	<b>2,096,488</b>
<b>Net assets</b>	<b>\$ 111,532,206</b>	<b>\$ 109,531,113</b>
Net assets are comprised of:		
Preferred stock, \$0.10 par value, 2,000,000 shares authorized; none issued	\$ 0	\$ 0
Common stock, \$0.01 par value, 45,000,000 shares authorized at 9/30/09 and 12/31/08; 27,795,498 issued at 9/30/09 and 27,688,313 issued at 12/31/08	277,956	276,884
Additional paid in capital (Note 8)	184,077,904	181,251,507
Accumulated net operating and realized loss	(45,524,681)	(34,494,551)
Accumulated unrealized depreciation of investments	(23,893,442)	(34,097,196)
Treasury stock, at cost (1,828,740 shares at 9/30/09 and 12/31/08)	(3,405,531)	(3,405,531)

Net assets	\$ 111,532,206	\$ 109,531,113
Shares outstanding	25,966,758	25,859,573
Net asset value per outstanding share	\$ 4.30	\$ 4.24

The accompanying notes are an integral part of these consolidated financial statements.

HARRIS & HARRIS GROUP, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
	2009	2008	2009	2008
<b>Investment income:</b>				
<b>Interest from:</b>				
Fixed-income securities and bridge notes	\$ 99,677	\$ 585,418	\$ 138,862	\$ 1,626,176
Miscellaneous income	6,000	2,500	27,088	5,669
<b>Total investment income</b>	<b>105,677</b>	<b>587,918</b>	<b>165,950</b>	<b>1,631,845</b>
<b>Expenses:</b>				
Salaries, benefits and stock-based compensation (Note 6)	1,727,743	2,205,980	4,621,680	7,101,077
Administration and operations	225,044	252,884	746,640	838,100
Professional fees	190,942	138,461	558,483	478,559
Rent	79,617	80,358	236,678	197,960
Directors' fees and expenses	79,136	79,318	252,745	263,633
Depreciation	12,633	13,447	38,370	41,251
Custodian fees	33,515	14,209	51,457	26,905
<b>Total expenses</b>	<b>2,348,630</b>	<b>2,784,657</b>	<b>6,506,053</b>	<b>8,947,485</b>
<b>Net operating loss</b>	<b>(2,242,953)</b>	<b>(2,196,739)</b>	<b>(6,340,103)</b>	<b>(7,315,640)</b>
<b>Net realized (loss) gain from investments:</b>				
<b>Realized (loss) gain from:</b>				
Unaffiliated companies	0	0	(1,514,330)	3,420
Non-Controlled affiliated companies	(3,176,125)	(1,478,500)	(3,176,125)	(6,493,153)
Controlled affiliated companies	0	(2,893,487)	0	(2,893,487)
U.S. Treasury obligations/other	0	(1,137)	(325)	(862)
<b>Realized loss from investments</b>	<b>(3,176,125)</b>	<b>(4,373,124)</b>	<b>(4,690,780)</b>	<b>(9,384,082)</b>
<b>Income tax (benefit) expense (Note 7)</b>	<b>(2,862)</b>	<b>2,102</b>	<b>(753)</b>	<b>48,968</b>
<b>Net realized loss from investments</b>	<b>(3,173,263)</b>	<b>(4,375,226)</b>	<b>(4,690,027)</b>	<b>(9,433,050)</b>
<b>Net decrease (increase) in unrealized depreciation on investments:</b>				
Change as a result of investment sales	3,180,240	4,278,500	4,691,282	9,293,153
Change on investments held	1,939,657	(31,739,282)	5,512,472	(28,511,536)
<b>Net decrease (increase) in unrealized depreciation on investments</b>	<b>5,119,897</b>	<b>(27,460,782)</b>	<b>10,203,754</b>	<b>(19,218,383)</b>
<b>Net decrease in net assets resulting from operations</b>	<b>\$ (296,319)</b>	<b>\$ (34,032,747)</b>	<b>\$ (826,376)</b>	<b>\$ (35,967,073)</b>
<b>Per average basic and diluted outstanding share</b>	<b>\$ (0.01)</b>	<b>\$ (1.32)</b>	<b>\$ (0.03)</b>	<b>\$ (1.48)</b>
<b>Average outstanding shares</b>	<b>25,866,983</b>	<b>25,859,573</b>	<b>25,862,070</b>	<b>24,271,270</b>



The accompanying notes are an integral part of these consolidated financial statements.

HARRIS & HARRIS GROUP, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
<b>Cash flows used in operating activities:</b>		
Net decrease in net assets resulting from operations	\$ (826,376)	\$ (35,967,073)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash used in operating activities:		
Net realized and unrealized (gain) loss on investments	(5,512,974)	28,602,465
Depreciation of fixed assets, amortization of premium or discount on U.S. government securities, and bridge note interest	39,784	(160,283)
Stock-based compensation expense	2,425,525	4,333,892
<b>Changes in assets and liabilities:</b>		
Restricted funds	189,970	2,542,356
Receivable from portfolio company	0	524
Other receivables	(217)	0
Interest receivable	2,044	213,520
Income tax receivable	(3,353)	0
Prepaid expenses	335,914	340,152
Other assets	(186,116)	1,619
Accounts payable and accrued liabilities	(207,732)	(2,562,338)
Deferred rent	(4,727)	(4,810)
<b>Net cash used in operating activities</b>	<b>(3,748,258)</b>	<b>(2,659,976)</b>
<b>Cash flows from investing activities:</b>		
Purchase of U.S. government securities	(112,308,457)	(75,932,334)
Sale of U.S. government securities	123,988,254	79,326,692
Investment in private placements and notes	(7,535,874)	(14,635,185)
Proceeds from sale of investments	7,365	140,257
Purchase of fixed assets	(1,313)	(15,046)
<b>Net cash provided by (used in) investing activities</b>	<b>4,149,975</b>	<b>(11,115,616)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from stock option exercises (Note 6)	401,944	0
Proceeds from stock offering (Note 8)	0	14,383,497
<b>Net cash provided by financing activities</b>	<b>401,944</b>	<b>14,383,497</b>
<b>Net increase in cash and cash equivalents:</b>		
Cash and cash equivalents at beginning of the period	692,309	330,009

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Cash and cash equivalents at end of the period	1,495,970	937,914
Net increase in cash and cash equivalents	\$ 803,661	\$ 607,905
Supplemental disclosures of cash flow information:		
Income taxes paid	\$ 2,179	\$ 48,427

The accompanying notes are an integral part of these consolidated financial statements.

HARRIS & HARRIS GROUP, INC.  
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	Nine Months Ended September 30, 2009 (Unaudited)	Year Ended December 31, 2008
<b>Changes in net assets from operations:</b>		
Net operating loss	\$ (6,340,103)	\$ (10,687,151)
Net realized loss on investments	(4,690,027)	(8,323,634)
Net decrease in unrealized depreciation on investments as a result of sales	4,691,282	8,292,072
Net decrease (increase) in unrealized depreciation on investments held	5,512,472	(38,462,784)
<b>Net decrease in net assets resulting from operations</b>	<b>(826,376)</b>	<b>(49,181,497)</b>
<b>Changes in net assets from capital stock transactions:</b>		
Issuance of common stock	1,072	25,450
Additional paid-in capital on common stock issued	400,872	14,358,047
Stock-based compensation expense	2,425,525	5,965,769
<b>Net increase in net assets resulting from capital stock transactions</b>	<b>2,827,469</b>	<b>20,349,266</b>
<b>Net increase (decrease) in net assets</b>	<b>2,001,093</b>	<b>(28,832,231)</b>
<b>Net assets:</b>		
Beginning of the period	109,531,113	138,363,344
End of the period	\$ 111,532,206	\$ 109,531,113

The accompanying notes are an integral part of these consolidated financial statements.



HARRIS & HARRIS GROUP, INC.  
CONSOLIDATED SCHEDULE OF INVESTMENTS AS OF SEPTEMBER 30, 2009  
(Unaudited)

	Method of Valuation (1)	Shares/ Principal	Value
Investments in Unaffiliated Companies (2)(3)(4)– 15.3% of net assets at value			
Private Placement Portfolio (Illiquid) – 15.1% of net assets at value			
BioVex Group, Inc. (5)(6)(7)(8) -- Developing novel biologics for treatment of cancer and infectious disease			
Series E Convertible Preferred Stock	(M)	2,799,552	\$ 470,325
Series F Convertible Preferred Stock	(M)	2,011,110	388,669
Warrants at \$0.241576 expiring 11/13/15	(I)	248,120	18,838
			877,832
Cobalt Technologies, Inc. (5)(6)(7)(9) -- Developing processes for making biobutanol through biomass fermentation			
Series C Convertible Preferred Stock	(M)	352,112	375,000
D-Wave Systems, Inc. (5)(6)(7)(10) -- Developing high-performance quantum computing systems			
Series B Convertible Preferred Stock	(M)	1,144,869	1,184,568
Series C Convertible Preferred Stock	(M)	450,450	466,070
Series D Convertible Preferred Stock	(M)	1,533,395	1,586,566
			3,237,204
Molecular Imprints, Inc. (5)(6) -- Manufacturing nanoimprint lithography capital equipment			
Series B Convertible Preferred Stock	(M)	1,333,333	1,625,000
Series C Convertible Preferred Stock	(M)	1,250,000	1,523,438
Warrants at \$2.00 expiring 12/31/11	(I)	125,000	48,750
			3,197,188
Nanosys, Inc. (5)(6) -- Developing zero and one-dimensional inorganic nanometer-scale materials and devices			
Series C Convertible Preferred Stock	(M)	803,428	1,185,056
Series D Convertible Preferred Stock	(M)	1,016,950	1,500,001
			2,685,057

The accompanying notes are an integral part of these consolidated financial statements.



HARRIS & HARRIS GROUP, INC.  
CONSOLIDATED SCHEDULE OF INVESTMENTS AS OF SEPTEMBER 30, 2009  
(Unaudited)

	Method of Valuation (1)	Shares/ Principal	Value
Investments in Unaffiliated Companies (2)(3)(4)– 15.3% of net assets at value (Cont.)			
Private Placement Portfolio (Illiquid) – 15.1% of net assets at value (Cont.)			
Nantero, Inc. (5)(6)(7) -- Developing a high-density, nonvolatile, random access memory chip, enabled by carbon nanotubes			
Series A Convertible Preferred Stock	(M)	345,070 \$	1,046,908
Series B Convertible Preferred Stock	(M)	207,051	628,172
Series C Convertible Preferred Stock	(M)	188,315	571,329
			2,246,409
NeoPhotonics Corporation (5)(6) -- Developing and manufacturing optical devices and components			
Common Stock	(M)	716,195	413,244
Series 1 Convertible Preferred Stock	(M)	1,831,256	1,056,634
Series 2 Convertible Preferred Stock	(M)	741,898	428,075
Series 3 Convertible Preferred Stock	(M)	2,750,000	1,586,750
Series X Convertible Preferred Stock	(M)	2,000	230,800
Warrants at \$0.15 expiring 01/26/10	( I )	16,364	7,004
Warrants at \$0.15 expiring 12/05/10	( I )	14,063	6,272
			3,728,779
Polatis, Inc. (5)(6)(7) -- Developing MEMS-based optical networking components			
Series A-1 Convertible Preferred Stock	(M)	16,775	0
Series A-2 Convertible Preferred Stock	(M)	71,611	0
Series A-4 Convertible Preferred Stock	(M)	4,774	0
Series A-5 Convertible Preferred Stock	(M)	16,438	0
			0
PolyRemedy, Inc. (5)(6)(7) -- Developing a robotic manufacturing platform for wound treatment patches			
Series B-1 Convertible Preferred Stock	(M)	287,647	93,866
Series B-2 Convertible Preferred Stock	(M)	676,147	121,706
			215,572

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HARRIS & HARRIS GROUP, INC.  
CONSOLIDATED SCHEDULE OF INVESTMENTS AS OF SEPTEMBER 30, 2009  
(Unaudited)

	Method of Valuation (1)	Shares/ Principal	Value
Investments in Unaffiliated Companies (2)(3)(4)– 15.3% of net assets at value (Cont.)			
Private Placement Portfolio (Illiquid) – 15.1% of net assets at value (Cont.)			
Siluria Technologies, Inc. (5)(6)(7) -- Developing next-generation nanomaterials			
Series S-2 Convertible Preferred Stock	(M)	612,061 \$	204,000
Starfire Systems, Inc. (5)(6)(11) -- Producing ceramic-forming polymers			
Common Stock	(M)	375,000	0
Series A-1 Convertible Preferred Stock	(M)	600,000	0
			0
TetraVitae Bioscience, Inc. (5)(6)(7)(12) -- Developing methods of producing alternative chemicals and fuels through biomass fermentation			
Series B Convertible Preferred Stock	(M)	118,804	125,000
Total Unaffiliated Private Placement Portfolio (cost: \$26,648,390)			\$ 16,892,041
Publicly Traded Portfolio (Liquid) – 0.2% of net assets at value			
Orthovita, Inc. (6)(13) -- Developing materials and devices for orthopedic medical implant applications			
Common Stock	(M)	39,500	173,405
Total Unaffiliated Publicly Traded Portfolio (cost: \$199,432)			\$ 173,405
Total Investments in Unaffiliated Companies (cost: \$26,847,822)			\$ 17,065,446

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HARRIS & HARRIS GROUP, INC.  
CONSOLIDATED SCHEDULE OF INVESTMENTS AS OF SEPTEMBER 30, 2009  
(Unaudited)

	Method of Valuation (1)	Shares/ Principal	Value
Investments in Non-Controlled Affiliated Companies (2)(14) – 43.9% of net assets at value			
Private Placement Portfolio (Illiquid) – 43.9% of net assets at value			
Adesto Technologies Corporation (5)(6)(7) -- Developing low-power, high-performance memory devices			
Series A Convertible Preferred Stock	(M)	6,547,619	\$ 2,420,000
Series B Convertible Preferred Stock	(M)	5,952,381	2,200,000
			4,620,000
Ancora Pharmaceuticals Inc. (5)(6)(7) -- Developing synthetic carbohydrates for pharmaceutical applications			
Series B Convertible Preferred Stock	(M)	1,663,808	34,940
Secured Convertible Bridge Note (including interest)	(M) \$	325,000	327,307
			362,247
BridgeLux, Inc. (5)(6) -- Manufacturing high-power light emitting diodes (LEDs) and arrays			
Series B Convertible Preferred Stock	(M)	1,861,504	1,804,914
Series C Convertible Preferred Stock	(M)	2,130,699	2,065,926
Series D Convertible Preferred Stock	(M)	833,333	807,999
Warrants at \$0.7136 expiring 12/31/14	( I )	163,900	102,602
Warrants at \$1.50 expiring 8/26/14	( I )	124,999	59,250
			4,840,691
Cambrios Technologies Corporation (5)(6)(7) – Developing nanowire- enabled electronic materials for the display industry			
Series B Convertible Preferred Stock	(M)	1,294,025	970,519
Series C Convertible Preferred Stock	(M)	1,300,000	975,000
Series D Convertible Preferred Stock	(M)	515,756	386,817
			2,332,336
CFX Battery, Inc. (5)(6)(7)(15) -- Developing batteries using nanostructured materials			
Series A Convertible Preferred Stock	(M)	2,565,798	2,822,378

The accompanying notes are an integral part of these consolidated financial statements.

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HARRIS & HARRIS GROUP, INC.  
CONSOLIDATED SCHEDULE OF INVESTMENTS AS OF SEPTEMBER 30, 2009  
(Unaudited)

	Method of Valuation (1)	Shares/ Principal	Value
Investments in Non-Controlled Affiliated Companies (2)(14) – 43.9% of net assets at value (cont.)			
Private Placement Portfolio (Illiquid) – 43.9% of net assets at value (cont.)			
Crystal IS, Inc. (5)(6) -- Developing single-crystal aluminum nitride substrates for light-emitting diodes			
Series A Convertible Preferred Stock	(M)	391,571 \$	0
Series A-1 Convertible Preferred Stock	(M)	1,300,376	0
Unsecured Convertible Bridge Note (including interest)	(M) \$	408,573	0
Warrants at \$0.78 expiring 05/05/13	(I)	15,231	0
Warrants at \$0.78 expiring 05/12/13	(I)	2,350	0
Warrants at \$0.78 expiring 08/08/13	(I)	4,396	0
CSwitch Corporation (5)(6)(7)(16) -- Developed system- on-a-chip solutions for communications-based platforms			
Series A-1 Convertible Preferred Stock	(M)	6,863,118	0
Unsecured Convertible Bridge Note (including interest)	(M) \$	1,766,673	0
0			
Ensemble Discovery Corporation (5)(6)(7)(17) -- Developing DNA- Programmed Chemistry™ for the discovery of new classes of therapeutics and bioassays			
Series B Convertible Preferred Stock	(M)	1,449,275	1,000,000
Unsecured Convertible Bridge Note (including interest)	(M) \$	250,286	271,351
			1,271,351
Innovalight, Inc. (5)(6)(7) -- Developing solar power products enabled by silicon-based nanomaterials			
Series B Convertible Preferred Stock	(M)	16,666,666	2,969,667
Series C Convertible Preferred Stock	(M)	5,810,577	1,252,984
			4,222,651

The accompanying notes are an integral part of these consolidated financial statements.



HARRIS & HARRIS GROUP, INC.  
CONSOLIDATED SCHEDULE OF INVESTMENTS AS OF SEPTEMBER 30, 2009  
(Unaudited)

	Method of Valuation (1)	Shares/ Principal	Value
Investments in Non-Controlled Affiliated Companies (2)(14) – 43.9% of net assets at value (cont.)			
Private Placement Portfolio (Illiquid) – 43.9% of net assets at value (cont.)			
Kovio, Inc. (5)(6)(7) -- Developing semiconductor products using printed electronics and thin-film technologies			
Series C Convertible Preferred Stock	(M)	2,500,000	\$ 1,920,938
Series D Convertible Preferred Stock	(M)	800,000	614,700
Series E Convertible Preferred Stock	(M)	1,200,000	922,050
Warrants at \$1.25 expiring 12/31/12	(I)	355,880	160,858
			3,618,546
Mersana Therapeutics, Inc. (5)(6)(7) -- Developing treatments for cancer based on novel drug delivery polymers			
Series A Convertible Preferred Stock	(M)	68,451	68,451
Series B Convertible Preferred Stock	(M)	866,500	866,500
Unsecured Convertible Bridge Note (including interest)	(M) \$	650,000	691,780
Warrants at \$2.00 expiring 10/21/10	(I)	91,625	21,257
			1,647,988
Metabolon, Inc. (5)(6) -- Developing service and diagnostic products through the use of a metabolomics, or biochemical, profiling platform			
Series B Convertible Preferred Stock	(M)	371,739	1,034,061
Series B-1 Convertible Preferred Stock	(M)	148,696	413,625
Series C Convertible Preferred Stock	(M)	1,000,000	1,000,000
Warrants at \$1.15 expiring 3/25/15	(I)	74,348	115,815
			2,563,501
NanoGram Corporation (5)(6) -- Developing solar power products enabled by silicon-based nanomaterials			
Series I Convertible Preferred Stock	(M)	63,210	0
Series II Convertible Preferred Stock	(M)	1,250,904	0
Series III Convertible Preferred Stock	(M)	1,242,144	0
Series IV Convertible Preferred Stock	(M)	432,179	0
			0



The accompanying notes are an integral part of these consolidated financial statements.

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