

HARRIS & HARRIS GROUP INC /NY/  
Form 497

June 17, 2008

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

Subject to Completion, Dated June 16, 2008

**PRELIMINARY PROSPECTUS SUPPLEMENT**  
**(To Prospectus dated May 29, 2008)**

**Filed Pursuant to Rule 497(e)**  
**Registration No. 333-138996**

**2,700,000 Shares**

**Common Stock**

Pursuant to this Prospectus Supplement and the accompanying Prospectus, we are offering 2,700,000 shares of our Common Stock, par value \$0.01 ("Common Stock"). We are offering the Common Stock on a best efforts basis primarily to institutional investors. We have retained ThinkPanmure, LLC to act as our exclusive placement agent in connection with this offering. See "Plan of Distribution" beginning on page S-5 of this Prospectus Supplement for more information regarding this arrangement.

Our Common Stock is listed on the Nasdaq Global Market under the symbol "TINY." On June 13, 2008, the last reported sale price of our Common Stock on the Nasdaq Global Market was \$7.70 per share.

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

**Investing in our Common Stock involves risks. See "Risk Factors" on page S-2 of this Prospectus Supplement and "Risk Factors" on page 24 of the accompanying Prospectus.**

	<u>Per Share</u>	<u>Total</u>
Public offering price	\$	\$
Placement agent's fees	\$	\$
Proceeds, before expenses, to the Company	\$	\$

We estimate the total expenses of this offering that will be payable by us, excluding the placement agent's fee, will be approximately \$325,000. Because there is no minimum offering amount required as a condition to closing in this offering, the actual public offering amount, placement agent's fee and net proceeds to us, if any, in this offering are not presently determinable and may be substantially less than the maximum offering amounts set forth above. The placement agent is not required to sell a minimum number or dollar amount of shares but will use its best efforts to sell the shares offered. We expect that delivery of the Common Stock being offered pursuant to this Prospectus Supplement will be made to purchasers on or about June 20, 2008. Certain purchaser funds will be deposited into an escrow account and held until jointly released by us and the placement agent on the date the shares are to be delivered to the purchasers. All funds received will be held in a non-interest bearing account.

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

The date of this Prospectus Supplement is June , 2008.

**ThinkPanmure, LLC**

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This Prospectus Supplement dated June 16, 2008, and the accompanying Prospectus dated May 29, 2008, are part of a registration statement on Form N-2 (File No. 333-138996) we filed with the Securities and Exchange Commission using a "shelf" registration process. Under this "shelf" registration process, we may from time to time sell the shares described in the accompanying prospectus in one or more offerings up to a total of 2,700,000 shares.

These documents contain important information you should consider when making your investment decision. The accompanying Prospectus provides you with a general description of the securities we may offer. This Prospectus Supplement contains information about the shares issued in this offering. This Prospectus Supplement may add, update or change information in the accompanying Prospectus. You should rely only on the information provided in this Prospectus Supplement, the accompanying Prospectus or incorporated by reference in this Prospectus Supplement or the accompanying Prospectus. We have not authorized anyone to provide you with any other information. The information contained in the Prospectus and the Prospectus Supplement is accurate only as of the date of the Prospectus and the Prospectus Supplement, regardless of the time of delivery of this Prospectus Supplement or of any sale of the shares.

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**THE OFFERING**

Common Stock offered by us pursuant to this supplement	Up to 2,700,000
Shares outstanding after the offering	Up to 26,014,573 <sup>1</sup>
Use of proceeds	We estimate that our net proceeds from this offering after expenses will be approximately \$19,217,600. We intend to use these net proceeds as set forth in "Use of Proceeds" below.
Nasdaq Global Market Symbol	TINY

<sup>(1)</sup> The number of shares of our Common Stock to be outstanding excludes:

- options to purchase approximately 2,267,135 shares of Common Stock at an exercise price of \$10.11 outstanding as of June 13, 2008;
- options to purchase approximately 1,700,609 shares of Common Stock at an exercise price of \$11.11 outstanding as of June 13, 2008;
- options to purchase approximately 348,032 shares of Common stock at an exercise price of \$6.18 outstanding as of June 13, 2008; and
- approximately 347,139 additional shares of Common Stock reserved for issuance under our equity incentive plans as of June 13, 2008.

**TABLE OF FEES AND EXPENSES**

The following tables are intended to assist you in understanding the various costs and expenses directly or indirectly associated with investing in our Common Stock. Amounts are for the current fiscal year after giving effect to anticipated net proceeds of the offering of 2,700,000 shares of Common Stock pursuant to this Prospectus Supplement and the accompanying Prospectus, assuming that we incur the estimated offering expenses. The price per share used in this calculation was the closing price of our Common Stock on June 13, 2008 of \$7.70.

<b>Shareholder Transaction Expenses</b>	
Sales Load <sup>(1)</sup> (as a percentage of offering price)	6.00%
Offering Expenses (as a percentage of offering price)	1.56%
Annual Expenses (as a percentage of net assets attributable to Common Stock)	
Management Fees <sup>(2)</sup>	N/A
Other Expenses <sup>(3)</sup>	
Salaries and Benefits <sup>(4)</sup>	5.65%
Administration and Operations <sup>(5)</sup>	1.51%
Professional Fees	0.55%
Total Annual Expenses <sup>(6)</sup>	7.71%

**Example**

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

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

<u><b>1 Year</b></u>	<u><b>3 Years</b></u>	<u><b>5 Years</b></u>	<u><b>10 Years</b></u>
\$1,460	\$2,811	\$4,089	\$6,993

\*This example includes non-cash, stock-based compensation. Excluding the non-cash, stock-based compensation, you would pay expenses of \$1,171 in one year, \$2,009 in three years, \$2,854 in five years and \$5,008 in 10 years, on a \$10,000 investment, assuming a five percent return.

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

- (1) This represents the placement fee of six percent (6%) of the gross proceeds of this offering.
- (2) The Company has no external management fees, as it is internally managed.
- (3) "Other Expenses" are based on estimated amounts for the current fiscal year.
- (4) "Salaries and Benefits" includes non-cash stock-based compensation expense of \$5,040,687. The Company accounts for stock-based compensation expense pursuant to SFAS No. 123(R) "Share-Based Payment," which requires that we determine the fair value of all share-based payments to employees, including the fair value of grants of employee stock options, and record these amounts as an expense in the Statement of Operations over the vesting period with a corresponding increase to our additional paid-in capital. There is no effect on net asset value from stock-based compensation expense at the time of grant. If options are exercised, net asset value per share will be decreased if the net asset value per share at the time of exercise is higher than the exercise price, and net asset value per share will be increased if the net asset value per share at the time of exercise is lower than the exercise price. Excluding the non-cash, stock-based compensation expense, "Salaries and Benefits" total \$3,766,756 or 2.42 percent of net assets attributable to Common Stock.
- (5) "Administration and Operations" includes expenses incurred for administration, operations, rent, directors' fees and expenses, depreciation and custodian fees.
- (6) "Total Annual Expenses" includes non-cash compensation expense of \$5,040,687. See Footnote (4) above. Cash-based total annual expenses as a percentage of net assets attributable to Common Stock are 4.48 percent.

## **RISK FACTORS**

**We may have a contingent liability arising out of a possible violation of Section 5 of the Securities Act of 1933 (the "Securities Act") in connection with the distribution of a management presentation to prospective purchasers of our Common Stock.**

After effectiveness of the registration statement with respect to the shares of Common Stock being sold in this offering, our placement agent electronically mailed to certain potential purchasers of our Common Stock in this offering a copy of the management presentation used in connection with this offering. This mailing may have constituted a prospectus that did not meet the requirements of the Securities Act, in which case the mailing may have caused us to violate Section 5 of the Securities Act. The mailing should not be considered in isolation and you should make your investment decision only after reading this entire Prospectus Supplement and the accompanying Prospectus carefully, including all of the related risks and uncertainties described therein. You should carefully evaluate all the information in this Prospectus Supplement and the accompanying Prospectus, including the risks described in this section and the accompanying Prospectus. You should rely only on the information contained in this Prospectus Supplement and the accompanying Prospectus in making your investment decision.

If the mailing were held by a court to be in violation of Section 5 of the Securities Act, we believe that purchasers in this offering who received the mailing from the placement agent may have the right, for a period of one year from the date of their purchase of the Common Stock, to bring an action for rescission of their purchase of Common Stock. We cannot assure you, however, that this right would be limited to those purchasers. If successful in such action, such investors could require us to repurchase the shares sold to purchasers in this offering at the original purchase price,

plus statutory interest from the date of purchase.

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

On June 16, 2008, our net asset value per share was \$5.77. If we sell 2,700,000 shares of Common Stock, the net asset value per share after giving effect to the offering will be approximately \$ , less than the price you paid in the offering.

For additional risk factors, please see "Risk Factors" on page 24 in the accompanying prospectus.

### **FORWARD-LOOKING INFORMATION**

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

You should understand that under Section 27A(b)(2)(B) of the Securities Act and Section 21E(b)(2)(B) of the Securities Exchange Act of 1934, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 may not as a technical matter apply to statements made in connection with this offering.

### **USE OF PROCEEDS**

We estimate the total net proceeds of the offering to be approximately \$19,217,600 based on the closing price of our Common Stock on June 13, 2008 of \$7.70 per share.

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

### **CAPITALIZATION**

We are authorized to issue 45,000,000 shares of Common Stock, par value \$0.01 per share, and 2,000,000 shares of preferred stock, par value \$0.10 per share. Each share within a particular class or series thereof has equal voting, dividend, distribution and liquidation rights. When issued, in accordance with the terms thereof, shares of Common

Stock will be fully paid and non-assessable. Shares of Common Stock are not redeemable and have no preemptive, conversion, or cumulative voting rights.

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The following table shows the number of shares of (i) capital stock authorized, (ii) the amount held by us or for our own account, and (iii) capital stock outstanding for each class of our authorized securities as of June 13, 2008.

<b>Title of Class</b>	<b>Amount Authorized</b>	<b>Amount Held by Company or for its Own Account</b>	<b>Amount Outstanding</b>
Common Stock	45,000,000	1,828,740	23,314,573 <sup>(1)</sup>
Preferred Stock	2,000,000	0	0

<sup>(1)</sup> The number of shares of our Common Stock to be outstanding excludes:

- options to purchase approximately 2,267,135 shares of Common Stock at an exercise price of \$10.11 outstanding as of June 13, 2008;
- options to purchase approximately 1,700,609 shares of Common Stock at an exercise price of \$11.11 outstanding as of June 13, 2008;
- options to purchase approximately 348,032 shares of Common stock at an exercise price of \$6.18 outstanding as of June 13, 2008; and
- approximately 347,139 additional shares of Common Stock reserved for issuance under our equity incentive plans as of June 13, 2008.

### 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.

<b>Quarter Ended</b>	<b>Market Price</b>		<b>Net Asset Value ("NAV") Per Share at</b>	<b>Premium or (Discount) as a % of NAV</b>	
	<b>High</b>	<b>Low</b>	<b>End of Period</b>	<b>High</b>	<b>Low</b>
March 31, 2006	16.10	12.75	5.60	187.5	127.7
June 30, 2006	14.26	9.57	5.54	157.4	72.7
September 30, 2006	12.99	9.38	5.54	134.5	69.3
December 31, 2006	15.16	11.80	5.42	179.7	117.7
March 31, 2007	13.58	11.00	5.27	157.7	108.7
June 30, 2007	14.32	11.01	5.54	158.5	98.7
September 30, 2007	11.79	9.51	5.69	107.2	67.1
December 31, 2007	11.10	8.00	5.93	87.2	34.9
March 31, 2008	8.98	5.76	5.86	53.2	(1.7)
Second Quarter through June 13, 2008	8.73	7.10	--	--	--

Historically, the shares of our Common Stock have traded at times at a discount and at other times at a premium to net asset value. The last reported price for our Common Stock on June 13, 2008 was \$7.70 per share. As of June 13, 2008, we had approximately 136 shareholders of record.

As of June 16, 2008, our net asset value per share was \$5.77.

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## RECENT DEVELOPMENTS

As reported in our quarterly report on Form 10-Q for the quarter ended March 31, 2008, on May 6, 2008, we invested \$2 million in a privately held tiny technology company. This company is named Laser Light Engines, Inc., and it is developing an innovative digital light source for movie theatre projectors. We classify Laser Light Engines as part of our Tiny Tech for Cleantech portfolio. As of June 16, 2008, our Tiny Tech for Cleantech portfolio constituted 36.73 percent of our venture capital portfolio.

On May 14, 2008, we made a \$200,000 follow-on investment in a privately held tiny technology portfolio company.

On May 27, 2008, we made a \$200,000 follow-on investment in a privately held tiny technology portfolio company.

The Board of Directors recently appointed a new Ad Hoc Pricing Committee. The Pricing Committee is responsible for determining the price at which shares of our Common Stock shall be sold in any offering, determining the exact number of shares to be sold, determining any other terms with respect to the sale of our Common Stock, and for taking all such further actions as it may deem necessary or appropriate in connection with the transactions contemplated by this Prospectus Supplement and the accompanying Prospectus. The members of the Pricing Committee are W. Dillaway Ayres, Jr., Dr. C. Wayne Bardin, G. Morgan Browne, Lori D. Pressman, and James E. Roberts.

On May 30, 2008, we received regulated investment company ("RIC") certification under Section 851(e) of Subchapter M of the Internal Revenue Code (the "Code") for the 2007 tax year. For 2007, we qualified as a RIC even without such certification. For additional information about our qualification under Section 851(e) of the Code, please see "Taxation" on page 79 in the accompanying prospectus.

On June 4, 2008, we made a \$25,000 follow-on investment in a privately held tiny technology portfolio company.

Our portfolio companies generated approximately \$194 million in revenue in 2007. Six portfolio companies generated more than \$10 million and one portfolio company generated nearly \$100 million.

Two of our nanobiotech portfolio companies currently have products in clinical trials.

Two of our portfolio companies have been considering with their advisors the possibility of filing for initial public offerings (IPOs) in 2008. Recently, another portfolio company announced the possibility of filing for an IPO in 2009. There can be no assurance that any of them will file for an IPO in 2008 or 2009, and a variety of factors, including stock market and general business conditions, could lead any or all of them to terminate such considerations.

## PLAN OF DISTRUBUTION

ThinkPanmure, LLC (the "placement agent"), located at 600 Montgomery Street, San Francisco, CA 94111, has entered into a placement agency agreement with us in which they have agreed to act as placement agent in connection with this offering. Under the terms of the placement agency agreement, the placement agent has agreed to be our exclusive placement agent in connection with the issuance and sale by us of up to 2,700,000 shares of our Common Stock for \$        in a proposed takedown from our registration statement. The placement agent is not purchasing or selling any shares by this Prospectus Supplement or accompanying Prospectus, nor is it required to arrange for the purchase or sale of any specific number or dollar amount of shares, but has agreed to use best efforts to arrange for the sale of all 2,700,000 shares.

The terms of any such offering will be subject to market conditions and negotiations between us, the placement agent, and prospective purchasers. The shares will be offered to prospective purchasers for \$        per share. The placement

agency agreement provides that the obligations of the placement agent are subject to certain conditions precedent, including the absence of any material adverse change in our business and the receipt of certain certificates, opinions and letters from us and our counsel.

The placement agent proposes to arrange for the sale to one or more purchasers of the Common Stock offered pursuant to this Prospectus Supplement and the accompanying Prospectus through direct subscription agreements between the purchasers and us. Confirmations and definitive prospectuses will be distributed to all investors who agree to purchase the Common Stock, informing investors of the closing date as to such shares. We currently anticipate that closing of the sale of 2,700,000 shares of Common Stock will take place on or about June 20, 2008.

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On the scheduled closing date, the following will occur:

- we will receive funds in the amount of the aggregate purchase price; and

- ThinkPanmure, LLC will receive the placement agent's fee in accordance with the terms of the placement agency agreement.

We will deliver the Common Stock being issued to the purchasers electronically upon receipt of purchaser funds for the purchase of the shares of our Common Stock offered pursuant to this Prospectus Supplement. We will not issue certificated shares of Common Stock to purchasers in this offering.

We and our executive officers and directors have agreed that for a period of 90 days after the date of this Prospectus Supplement, we and they will not, without the prior written consent of the placement agent, offer to sell, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock.

Exceptions to that agreement allow us to:

- file or cause to become effective a registration statement on Form S-8 relating to employee benefit plans;
- issue employee stock options or restricted stock awards pursuant to existing equity incentive plans;
- issue Common Stock upon the exercise of outstanding options or warrants (either upon current terms thereof or upon subsequently amended terms but excluding a general repricing) or upon the conversion or exchange of outstanding convertible or exchangeable securities;
- issue any shares of Common Stock as consideration for mergers, acquisitions, other business combinations, or strategic alliances; *provided* that each recipient of shares agrees that all such shares remain subject to lock-up restrictions substantially similar to those described above; and
- purchase or sell our securities pursuant to an existing plan, contract or instruction that satisfies all of the requirements of Rule 10b5-1(c)(1)(i)(B).

Exceptions to that agreement allow our executive officers and directors to:

- transfer shares of Common Stock (i) as a bona fide gift or gifts, provided that the donee or donees thereof agree to be bound in writing by the lock-up restrictions described above, (ii) to any trust for the direct or indirect benefit of the executive officer or director or the immediate family of the executive officer or director, provided that the trustee of the trust agrees to be bound in writing by the lock-up restrictions described above, and provided further that any such transfer may not involve a disposition for value or (iii) effected pursuant to any exchange of "underwater" options with us;
- acquire or exercise any stock option issued pursuant to our existing equity incentive plans;
- surrender shares of Common Stock to us to pay required tax withholdings due upon the vesting of any restricted stock awards; and
- purchase or sell our securities pursuant to an existing plan, contract or instruction that satisfies all of the requirements of Rule 10b5-1(c)(1)(i)(B).





In addition, during the lock-up period, we and our executive officers may establish or amend an existing 10b5-1 trading plan, provided that, in each case, no sales or other dispositions of shares of Common Stock under such 10b5-1 trading plans that were not in effect prior to the date hereof by any person that has signed or is otherwise bound by a lock-up agreement will be permitted during the lock-up period.

Notwithstanding the foregoing, if (1) during the last 17 days of the lock-up period, we release earnings results or publicly announce other material news or a material event relating to us occurs or (2) prior to the expiration of the lock-up period, we announce that we will release earnings results during the 16-day period beginning on the last day of the lock-up period, then in each case the lock-up period will be extended until the expiration of the 18-day period beginning on the date of release of the earnings results or the public announcement regarding the material news or the occurrence of the material event, as applicable, unless the placement agent waives, in writing, such extension. Without the prior written consent of the placement agent, we have agreed not to accelerate the vesting of any option or warrant or the lapse of any repurchase right prior to the expiration of the lock-up period.

The placement agent has informed us that it will not engage in over-allotment, stabilizing transactions or syndicate covering transactions in connection with this offering.

In order to facilitate the closing, purchaser funds will be deposited into a non-interest bearing escrow account and held by JP Morgan Chase Bank N.A., as escrow agent, until jointly released by us and the placement agent on the date the shares are delivered to the purchasers via a written instruction to the escrow agent. The escrow agent will not accept any purchaser funds until the date of this Prospectus Supplement. The escrow agent or its affiliates currently provide custody and brokerage services to the Company and may provide investment banking, additional commercial banking and/or other services to us from time to time, for which it may in the future receive customary fees and expenses.

We have agreed to indemnify the placement agent against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the placement agent may be required to make in respect of those liabilities; provided that such indemnification shall not extend to any liability or action resulting from the gross negligence or willful misconduct of the placement agent.

The placement agent has agreed to indemnify us for losses that we may incur as a result of the electronic mailing of the management presentation used in connection with this offering to potential purchasers in this offering. For more information regarding this mailing, see "Risk Factors -- We may have a contingent liability arising out of a possible violation of Section 5 of the Securities Act of 1933 (the "Securities Act") in connection with the distribution of a management presentation to prospective purchasers of our Common Stock."

The placement agent also acts as broker for employees' transactions pursuant to our Equity Incentive Plan.

### **Commissions and Discounts**

We have agreed to pay the placement agent a fee equal to 6.0 percent (6%) of the gross proceeds of this offering. Under no circumstances will the fee, commission or discount received by the placement agent or any other FINRA member or independent broker-dealer exceed eight percent (8%) of the gross proceeds to us in this offering or any other offering in the United States pursuant to the Prospectus Supplement and accompanying Prospectus. The following table shows the per share and total fees we will pay to the placement agent in connection with the sale of the shares being offered pursuant to this Prospectus Supplement and the accompanying Prospectus, assuming the purchase of all the shares offered hereby.

Per share placement agent's fee	\$
Total placement agent's fee	\$



In addition, we have agreed to reimburse the placement agent for its reasonable out of pocket expenses, including the fees, disbursements and other charges of counsel to the placement agent, in an amount not to exceed \$75,000.

We estimate that the total expenses of this offering that will be payable by us, excluding the placement agent's fee, will be approximately \$325,000. After deducting certain fees due to the placement agent and our estimated offering expenses, we expect the net proceeds from this offering to be up to approximately \$19,217,600.

### **LEGAL MATTERS**

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

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**2,700,000 Shares**

**Common Stock**

Harris & Harris Group, Inc.<sup>®</sup>, is a venture capital company specializing in tiny technology that operates as a business development company under the Investment Company Act of 1940. We may offer, from time to time, shares of our common stock, \$0.01 par value per share ("Common Stock"), in one or more delayed offerings. The Common Stock may be offered at prices and on terms to be set forth in one or more supplements to this Prospectus (each a "Prospectus Supplement"). The offering price per share of our Common Stock will not be less than the net asset value per share of our Common Stock at the time we make the offering exclusive of any underwriting commissions or discounts. You should read this Prospectus and the applicable Prospectus Supplement carefully before you invest in our Common Stock.

Our Common Stock may be offered directly to one or more purchasers through agents designated from time to time by us, or to or through underwriters or dealers. The Prospectus Supplement relating to the offering will identify any agents or underwriters involved in the sale of our Common Stock, and will set forth any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters, or among our underwriters, or the basis upon which such amount may be calculated. We may not sell any of our Common Stock through agents, underwriters or dealers without delivery of a Prospectus Supplement describing the method and terms of the particular offering of our Common Stock. Our Common Stock is listed on the Nasdaq Global Market under the symbol "TINY." On May 28, 2008, the last reported sale price of our Common Stock was \$7.98.

**An Investment in the Securities Offered in this Prospectus Involves a High Degree of Risk. You Should Consider Investing in Us Only if You Are Capable of Sustaining the Loss of Your Entire Investment. See "Risk Factors" beginning on page 24.**

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

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

The date of the Prospectus is May 29, 2008.

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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.**

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

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## PROSPECTUS SUMMARY

*This summary highlights information that is described more fully elsewhere in this Prospectus and in the documents to which we have referred. It may not contain all of the information that is important to you. To understand the offering fully, you should read the entire document carefully, including the risk factors beginning on page 24.*

### **Our Business**

Harris & Harris Group, Inc., is a venture capital company, specializing in tiny technology, that operates as a business development company under the Investment Company Act of 1940, which we refer to as the 1940 Act. For tax purposes, we operate as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, which we refer to as the Code. We are an internally managed investment company; that is, our officers and employees, rather than an investment adviser, manage our operations under the general supervision of our Board of Directors. Our investment objective is to achieve long-term capital appreciation, rather than current income, by making venture capital investments in early-stage companies. Our approach includes patient examination of available early stage opportunities, thorough due diligence and close involvement with management.

We make initial venture capital investments exclusively in "tiny technology," which we define as nanotechnology, microsystems and microelectromechanical systems (which we refer to as MEMS). Nanotechnology is measured in nanometers, which are units of measurement in billionths of a meter. Microsystems and microelectromechanical systems are measured in micrometers, which are units of measurement in millionths of a meter. We consider a company to be a tiny technology company if a product or products, or intellectual property covering a product or products, that we consider to be at the microscale or smaller is material to its business plan. At March 31, 2008, 60.9 percent of our net assets and 99.9 percent of our venture capital portfolio were invested in tiny technology investments. The remaining 0.1 percent of our venture capital portfolio represents one non-tiny technology investment made prior to 2001. We may make follow-on investments in any of our portfolio companies. By making these investments, we seek to provide our shareholders with a specific focus on tiny technology through a portfolio of venture capital investments that addresses a variety of markets and products. We believe that we are the only publicly traded business development company making initial venture capital investments exclusively in tiny technology.

Except for our holdings of U.S. treasury securities for liquidity, all of our current investments are in privately held, venture-capital-backed companies. All of our active portfolio companies are involved in tiny technology. We define active portfolio companies as those companies that are currently operating and are not in the process of unwinding their businesses. Tiny technology is multidisciplinary and widely applicable, and it incorporates technology that was not previously in widespread use. Products enabled by tiny technology are found in many industries, including pharmaceuticals, medical devices, electronics and cleantech, which includes alternative-energy and energy-saving products. A subset of our tiny-technology companies are focused on the commercialization of cleantech products, which we refer to as our "Tiny Tech for Cleantech" portfolio. The use of nanotechnology-enabled advanced materials for clean energy in particular is an area of increasing global interest, and these types of materials are the cornerstones of new generations of photovoltaics, batteries, solid-state lighting, fuel cells, bio-fuels and other energy-related applications that are the focus of a number of recently funded early-stage companies. Although we have not specifically targeted investments in cleantech companies, as of March 31, 2008, eight of our 31 active portfolio companies were in our "Tiny Tech for Cleantech" portfolio. These companies represented 35.5 percent of the value of the active companies in our portfolio as of March 31, 2008.

As a venture capital company, we make it possible for our investors to participate at an early stage in this emerging field, while our portfolio companies are still private. By making investments in companies that control intellectual property relevant to tiny technology, we are building a portfolio that we believe will be difficult to replicate in the future, as we believe it will likely become increasingly difficult to create new foundational intellectual property in

nanotechnology. Because we typically invest as part of a syndicate of venture capital firms, the syndicate's time horizon often determines ours, though we may provide seed capital before forming a syndicate with other investors, or maintain our investment in an investee company after it goes public, even after our co-investors sell or distribute their shares. To the investor, we offer:

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- a portfolio consisting of investments that are generally available only to a small, highly specialized group of professional venture capital firms as investors;
- a team of professionals, including six full-time members of management, five of whom are designated as Managing Directors: Charles E. Harris, Douglas W. Jamison, Alexei A. Andreev, Michael A. Janse and Daniel B. Wolfe, and a Vice President, Misti Ushio, to evaluate and monitor investments. One of our directors is also a consultant to us, Lori D. Pressman. These seven professionals collectively have expertise in venture capital investing, intellectual property and tiny technology;
- the opportunity to benefit from our experience in a new field expected to permeate a variety of industries; and
- through the ownership of our publicly traded shares, a measure of liquidity not typically available in underlying venture capital portfolio investments.

The number of tiny technology investment opportunities available to us has increased over the past five years, through both new opportunities and opportunities for follow-on investments in our existing portfolio companies. We believe that our expertise and record of prior investments in tiny technology are likely to lead us to additional tiny technology investment opportunities in the future. We intend to use the net proceeds of this offering to:

- increase our capital in order to take advantage of these investment opportunities;
- lower our expenses as a percentage of assets and otherwise achieve certain economies and advantages of scale in our operations, as our costs are primarily fixed. As our assets increase by the net proceeds of this offering, our fixed costs will represent a smaller percentage of our assets; and
- pay operating expenses, including due diligence expenses on potential investments.

We identify investment opportunities primarily through four channels:

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

Since registering as an investment company in 1992, we have invested in a variety of industries. In 1994, we invested in our first tiny technology company, Nanophase Technologies Corporation. In 1995, we elected to be regulated as a business development company. Recognizing the potential of tiny technology, we continued to monitor developments in the field, and since 2001, we have made tiny technology our exclusive focus for initial investments. From August 2001 through March 31, 2008, all 39 of our initial investments have been in companies involved in the development of products and technologies based on tiny technology. At March 31, 2008, our portfolio included investments in a total of 34 companies, 31 of which we consider to be active tiny technology companies.

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.

## **Tiny Technology**

In our view, tiny technology is neither an industry nor a single technology, but a variety of enabling technologies with critical dimensions below 100 micrometers. Tiny technology manifests itself in tools, materials, systems and devices that address broad markets, including instrumentation, alternative energy, electronics, photonics, computing, medical devices, pharmaceutical manufacturing, drug delivery and drug discovery. The development and commercialization of tiny technology often require the integration of multiple disciplines, including biology, physics, chemistry, materials science, computer science and the engineering sciences.

Examples of tiny technology-enabled products currently on the market are quite diverse. They include sensors, accelerometers used in automobiles to sense impact and deploy airbags, cosmetics with ingredients that block ultraviolet light but are invisible to the human eye, nanoclays used for strength in the running boards of minivans, textiles with liquid-stain repellent surfaces, fast acting painkillers and certain pharmaceutical therapeutics.

We currently have 15 companies in our tiny technology portfolio that generate commercial revenue from the sale of products or services. These companies offer a range of products including components for optical networking, high-brightness LEDs, carbon nanotube-based sensors, optical switches, silicon carbide brake rotors, solid-state cooling, metabolomic profiling services and decorative tiles.

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

Although the practical application of tiny technology requires great expertise to implement in manufacturing processes, we believe that tiny technology's broad applicability presents significant and diverse market opportunities.

## **Risk Factors**

Set forth below is a summary of certain risks that you should carefully consider before investing in our Common Stock. See "Risk Factors" beginning on page 24 for a more detailed discussion of the risks of investing in our Common Stock.

### **Risks related to the companies in our portfolio.**

- A continuing lack of initial public offering opportunities may cause companies to stay in our portfolio longer, leading to lower returns, write-downs and write-offs.
  - Investing in small, private companies involves a high degree of risk and is highly speculative.
- We may invest in companies working with technologies or intellectual property that currently have few or no proven commercial applications.
  - Our portfolio companies may not successfully develop, manufacture or market their products.

·Our portfolio companies working with tiny technology may be particularly susceptible to intellectual property litigation.

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- Unfavorable general economic conditions, as well as unfavorable conditions specific to the venture capital industry or a segment of portfolio companies, could result in the inability of our portfolio companies to access additional capital, leading to financial losses in our portfolio.

- Unstable credit markets could adversely affect our portfolio companies.

- The value of our portfolio could be adversely affected if the technologies utilized by our portfolio companies are found or even rumored or feared, to cause health or environmental risks, or if legislation is passed that limits the commercialization of any of these technologies.

- Our portfolio companies may generate revenues from the sale of non-tiny technology-enabled products.

#### **Risks related to the illiquidity of our investments.**

- We invest in illiquid securities and may not be able to dispose of them when it is advantageous to do so, or ever.

- Unfavorable economic conditions and regulatory changes could impair our ability to engage in liquidity events.

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

#### **Risks related to our Company.**

- Because there is generally no established market in which to value our investments, our Valuation Committee's value determinations may differ materially from the values that a ready market or third party would attribute to these investments.

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

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

- Because we do not choose investments based on a strategy of diversification, the value of our business 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.

- We will need to hire additional employees as the size of our portfolio increases.

- The market for venture capital investments, including tiny technology investments, is highly competitive.

- In addition to the difficulty of finding attractive investment opportunities, our status as a regulated business development company may hinder our ability to participate in investment opportunities or to protect the value of existing investments.

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

Bank borrowing or the issuance of debt securities or preferred stock by us, to fund investments in portfolio companies or to fund our operating expenses, would make our total return to common shareholders more volatile. The use of debt would leverage our available common equity capital, magnifying the impact of changes in the value of our investment portfolio on our net asset value. In addition, the cost of debt or preferred stock financing could exceed the return on the assets the proceeds are used to acquire, in which case the use of leverage would have an adverse impact on the holders of our Common Stock.

· 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 RIC would reduce our net asset value and distributable income.
- We operate in a heavily regulated environment, and changes to, or non-compliance with, regulations and laws could harm our business.
  - Market prices of our Common Stock will continue to be volatile.
  - Quarterly results fluctuate and are not indicative of future quarterly performance.
- To the extent that we do not realize income or choose not to retain after-tax realized capital gains, we will have a greater need for additional capital to fund our investments and operating expenses.
  - Investment in foreign securities could result in additional risks.

**Risks related to this offering.**

- Investing in our stock is highly speculative and an investor could lose some or all of the amount invested.
  - We will have discretion over the use of proceeds of this offering.
- Our shares might trade at discounts from net asset value or at premiums that are unsustainable over the long term.
  - The Board of Directors intends to grant stock options to our employees pursuant to the Company's Equity Incentive Plan. When exercised, these options may have a dilutive effect on existing shareholders.
    - You have no right to require us to repurchase your shares.

**Other Information**

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

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

## **The Offering**

### **Common Stock offered**

We may offer, from time to time, up to a total of 2,700,000 shares of our Common Stock available under this Prospectus on terms to be determined at the time of the offering. Our Common Stock may be offered at prices and on terms to be set forth in one or more Prospectus Supplements. The offering price per share of our Common Stock net of underwriting commissions or discounts will not be less than the net asset value per share of our Common Stock.

### **Use of proceeds**

Although we will make initial investments exclusively in tiny technology, we can make follow-on investments in non-tiny technology companies currently in our portfolio. Further, while considering venture capital investments, we may invest the proceeds in U.S. government and agency securities, which may yield less than our operating expense ratio. We expect to invest or reserve for potential follow-on investment the net proceeds of any sale of shares under this Prospectus within two years from the completion of such sale. 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. For this purpose, we do not expect to reserve for follow-on investments in any particular portfolio holding more than the greater of twice the investment to date in that portfolio holding or five times the initial investment in the case of seed-stage investments, though we may invest more than the amount reserved for this purpose in any particular portfolio holding.

### **Dividends and Distributions**

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

### **Nasdaq Global Market symbol**

TINY

**TABLE OF FEES AND EXPENSES**

The following tables are intended to assist you in understanding the various costs and expenses directly or indirectly associated with investing in our Common Stock. Amounts are for the current fiscal year after giving effect to anticipated net proceeds of the offering for the 2,700,000 shares registered pursuant to this Prospectus, assuming that we incur the estimated offering expenses. The price per share used in this calculation was the closing price of our Common Stock on May 28, 2008 of \$7.98.

## Shareholder Transaction Expenses

Sales Load <sup>(1)</sup> (as a percentage of offering price)	N/A
Offering Expenses (as a percentage of offering price)	1.16%
Annual Expenses (as a percentage of net assets attributable to Common Stock)	
Management Fees <sup>(2)</sup>	N/A
Other Expenses <sup>(3)</sup>	
Salaries and Benefits <sup>(4)</sup>	5.58%
Administration and Operations <sup>(5)</sup>	1.49%
Professional Fees	.54%
Total Annual Expenses <sup>(6)</sup>	7.61%

**Example**

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

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

<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
\$859	\$2,288	\$3,643	\$6,731

\*This example includes non-cash, stock-based compensation. Excluding the non-cash, stock-based compensation, you would pay expenses of \$554 in 1 year, \$1,439 in 3 years, \$2,333 in 5 years and \$4,616 in 10 years, on a \$10,000 investment, assuming a five percent return.

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

(1) In the event that the shares of Common Stock to which this Prospectus relates are sold to or through underwriters, a corresponding Prospectus Supplement will disclose the sales load.

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

(3) "Other Expenses" are based on projected amounts for the fiscal year ended December 31, 2008.

(4) "Salaries and Benefits" includes non-cash stock-based compensation expense of \$5,040,687. The Company accounts for stock-based compensation expense pursuant to SFAS No. 123(R) "Share-Based Payment," which requires that we determine the fair value of all share-based payments to employees, including the fair value of grants of employee stock options, and record these amounts as an expense in the Statement of Operations over the vesting period with a corresponding increase to our additional paid-in capital. There is no effect on net asset value from stock-based compensation expense at the time of grant. If options are exercised, net asset value per share will be decreased if the net asset value per share at the time of exercise is higher than the exercise price and net asset value per share will be increased if the net asset value per share at the time of exercise is lower than the exercise price. Excluding the non-cash, stock-based compensation expense, "Salaries and benefits" totals \$3,766,636 or 2.39 percent of net assets attributable to Common Stock.

- (5) "Administration and Operations" includes expenses incurred for administration, operations, rent, directors' fees and expenses, depreciation and custodian fees.
- (6) "Total Annual Expenses" includes non-cash compensation expense of \$5,040,687. See Footnote (4) above. Cash-based total annual expenses as a percentage of net assets attributable to Common Stock is 4.42 percent.