

Part 2A of Form ADV: Firm Brochure



HARRIS & HARRIS GROUP, INC.

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**This brochure provides information about the qualifications and business practices of Harris & Harris Group, Inc. If you have any questions about the contents of this brochure, please contact us at 212-582-0900 and/or [rob@hhvc.com](mailto:rob@hhvc.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Harris & Harris Group, Inc. is a registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training.**

Additional information about Harris & Harris Group, Inc. also is available in the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

**Item 2            Material Changes**

Harris & Harris Group, Inc., has no material changes to report.

**Item 3            Table of Contents**

Item 2	Material Changes.....	2
Item 3	Table of Contents.....	3
Item 4	Advisory Business .....	4
Item 5	Fees and Compensation .....	5
Item 6	Performance-Based Fees and Side-By-Side Management .....	6
Item 7	Types of Clients.....	7
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	8
Item 9	Disciplinary Information .....	13
Item 10	Other Financial Industry Activities and Affiliations .....	14
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	15
Item 12	Brokerage Practices .....	16
Item 13	Review of Accounts.....	17
Item 14	Client Referrals and Other Compensation.....	18
Item 15	Custody .....	19
Item 16	Investment Discretion.....	20
Item 17	Voting Client Securities.....	21
Item 18	Financial Information.....	22
Item 19	Requirements for State-Registered Advisers.....	23

#### **Item 4            Advisory Business**

For purposes of this brochure, the “Adviser” means Harris & Harris Group, Inc., a New York corporation, (“Harris & Harris Group,” “we” or the “Company”), together with its wholly-owned subsidiary, H&H Ventures Management, Inc., a Delaware corporation (“Ventures”). The Adviser provides investment advisory services to venture capital funds.

Harris & Harris Group is an internally-managed, publicly-traded, venture capital company specializing in science-enabled technologies, particularly nanotechnology and microsystems that has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940 (the “1940 Act”). We were incorporated under the laws of the state of New York in August 1981. In 1992, we registered as an investment company under the 1940 Act, commencing operations as a closed-end, non-diversified investment company. In 1995, we elected to become a BDC subject to the provisions of Sections 55 through 65 of the 1940 Act.

Our common stock is traded on the NASDAQ Global Market under the symbol “TINY.”

Our primary investment objective is to achieve long-term capital appreciation by making venture capital investments. Generation of current income is a secondary objective. 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 provide managerial assistance to our portfolio companies.

We are overseen by our Board of Directors and managed by our officers and have no external investment advisor. Most of our officers are employed by Ventures and provide administrative services to us pursuant to an Administration Agreement between us and Ventures.

Ventures plans to enter into an advisory contract with its first private fund (the “Fund”) in May 2013. The Fund will make venture capital investments in life sciences technology companies, many of which are expected to be nanotechnology companies.

The Fund will be structured as a limited partnership vehicle in which investors are limited partners. Harris & Harris Group will serve as general partner. It is anticipated that the Adviser will be the largest investor in the Fund. The Fund is privately placed to qualified investors in the United States. The terms and conditions upon which Ventures serves as investment adviser to the Fund is established in a separate management agreement as well as in the Fund’s organizational documents. These terms and conditions were negotiated at the time of fundraising with an initial investor, and include restrictions on investing in certain securities or types of transactions. Examples of such restrictions include limitations on the amount of capital that may be invested in any one portfolio company, geographical limitations, limitations on industries and technologies for investment and borrowing by the Fund.

Investors and prospective investors in the Fund should refer to the private placement memorandum and related agreements and other governing documents for the Fund for complete information.

As of December 31, 2012, the Company did not have any client assets under management.

#### **Item 5 Fees and Compensation**

Management fees (“Management Fees”) paid by the Fund to Ventures are in an amount up to 2 percent of the Fund investor’s capital commitment (excluding Harris & Harris Group’s capital commitment). The Management Fee is paid quarterly in advance. In the event the advisory agreement with the Fund terminates during the period covered by the fees paid in advance, the Adviser would pro rate such fees and reimburse the portion of such fees covering the remainder of the period (i.e., from the date of termination to the end of the respective period).

Performance-based fees (“Performance Fees”) paid by the Fund generally are paid to Harris & Harris Group as General Partner when distributions are made to the investors and are referred to as a “Carried Interest Percentage.” The Carried Interest Percentage for the Fund equals 20 percent of the Fund’s cumulative net profits. The Fund’s organizational agreement contains a “clawback” provision providing the Fund the opportunity to recoup Performance Fee distributions that exceed the applicable Carried Interest Percentage.

In addition to Management Fees and Performance Fees, the Fund pays, and as a result, the Fund investors bear, other types of fees and expenses as specified in the organizational documents. Ventures shall be responsible for paying, out of the Management Fee, its own normal overhead expenses incurred in its day-to-day affairs as a fund manager, including salaries and benefits provided to its employees (management, administrative and clerical personnel), the costs of the office and office space (including rent, utilities, office supplies and routine administrative expenses), communications, travel, and diligence fees. The Fund will be responsible for all other costs and expenses incurred in connection with operating the Fund, including organizational expenses. These costs and expenses include, but are not limited to (i) Fund organizational and related costs; (ii) legal, accounting, audit, custodial, consulting and other professional fees; (iii) banking, brokerage, and similar fees and commissions; (iv) transfer, capital and other taxes, duties and costs incurred in acquiring, holding, selling or otherwise disposing of Fund assets; and (v) costs of financial statements and other reports.

All fees were negotiated with the investors of the Fund and are set forth in the governing documents. Fees paid to the Adviser are deducted from the Fund.

To the extent possible, third-party legal expenses incurred in connection with consummated transactions are borne by the respective portfolio companies of the Fund. Funds incur brokerage and other transaction costs, except for diligence costs. Brokerage is described in more detail below in response to Item 12.

## **Item 6                      Performance-Based Fees and Side-By-Side Management**

As noted above in Item 5, Harris & Harris Group may receive Performance Fees and will also manage its own portfolio companies. Although Harris & Harris Group does not receive Performance Fees for managing its own portfolio companies, its officers receive shares of restricted stock, 40 percent of which vest over time and 60 percent of which vest with stock appreciation. Performance Fees may create an incentive for an Adviser to allocate attractive investments to performance-fee accounts over accounts not subject to a performance-based fee. Performance Fees may also create an incentive for the Adviser to take increased investment risk on behalf of the Fund.

To the extent that supervised persons of the Adviser face any conflicts of interest owing to managing the assets of Harris & Harris Group and the assets of the Fund, in creating an incentive for the employees of the Adviser to disproportionately allocate time, services or functions to clients of the Adviser (“Clients”) paying Performance Fees, or allocate investment opportunities to these Clients, these conflicts are mitigated by (i) the fact that the Performance Fees will be paid to Harris & Harris Group and not to individual employees, (ii) Harris & Harris Group will be a significant investor in the Fund and therefore will benefit when the Fund benefits, and (iii) contractual provisions and procedures setting forth investment allocation requirements.

In addition, due to the method of calculating Performance Fees, such fees may be affected by factors within the Adviser’s control. Performance Fees are typically dependent, in part, on the unrealized value of certain investments, which could provide an incentive for the Adviser to use higher valuations when calculating Performance Fees. The Fund’s financials, which are used as the basis upon which the Performance Fees are calculated, are reported in conformity with Generally Accepted Accounting Principles (“GAAP”), which generally require fair value measurements. The Adviser has adopted policies and procedures designed to ensure that, among other things, Clients receive fair and equitable investment allocation over time. The Adviser’s allocation policies and procedures are described in more detail below in response to Item 10.

**Item 7            Types of Clients**

The Adviser provides investment advice to the Fund, which is a pooled investment vehicle. Investment advice is provided directly to the Fund and not individually to investors in the Fund. The Fund is not registered or required to be registered under the Investment Company Act of 1940, and the offering of interests in the Fund is exempt from registration under the Securities Act of 1933.

The Fund has a specified minimum investment of \$10,000,000. The Adviser may permit investment of a lesser amount with respect to any investor.

## **Item 8                    Methods of Analysis, Investment Strategies and Risk of Loss**

With respect to the Fund, we focus on investments in life sciences technology companies. We are both seed/early stage and long-term investors. We seek to identify investment opportunities in industries and markets that will become growth opportunities within three-to-seven years from the date of our initial investment. We expect to invest capital in these companies at multiple points in time subsequent to our initial investment. We refer to such investments as "follow-on" investments. Our efforts to identify and predict future growth industries and markets rely on patient, deep due diligence in life science innovations developed at universities and corporate/government research laboratories as well as the examination of macroeconomic and microeconomic trends and industry dynamics.

These businesses can range in stage from pre-revenue to generating positive cash flow. Substantially all of our long-term venture capital investments are in thinly capitalized, unproven, small companies focused on commercializing risky technologies. These businesses also tend to lack management depth, to have limited or no history of operations and to have not attained profitability. Because of the speculative nature of these investments, these securities have a significantly greater risk of loss than traditional investment securities. Some of our venture capital investments will never realize their potential, and some will be unprofitable or result in complete loss of our investment.

We may own 100 percent of the securities of a start-up investment for a period of time and may control the company for a substantial period. We also may take minority positions. Start-up companies are more vulnerable to adverse business or economic developments than better capitalized companies. Start-up businesses generally have limited product lines, markets and/or financial resources. Start-up companies are not well-known to the investing public and are subject to general movements in markets, to perceptions of potential growth and to potential bankruptcy.

In evaluating venture capital investment opportunities, our due diligence analysis includes the following:

- Presentation from management;
- Visiting the company;
- Speaking with current investors;
- Speaking with current customers/partners;
- Assessing viability and uniqueness of enabling technology;
- Assessing competitive landscape;
- Assessing intellectual property position;
- Assessing market dynamics, opportunity and position;
- Assessing financial projections, including total capital needs to execute on full business plan;
- Retaining consultants with specific expertise of relevance, if necessary;
- Speaking with references for management team;
- Identifying/introducing potential management talent to the company;

- Performing diligence on legal aspects of the company; and
- Performing diligence on the company's capital structure.

After conducting our due diligence review, which will often involve face-to-face meetings with management, review of marketing strategies, analysis of projects, discussions with suppliers, customers, competitors and prior investors, as well as a review of financial statements and projections, the investment committee of the Fund ("Investment Committee") will vote on whether to make a particular investment.

Typically the investments made by the Fund are in the securities of private companies, although from time to time we may make a private investment in a public company or participate in a follow-on round with one of our portfolio companies that subsequently goes public following our initial investment. Generally our transactions involve the purchase of convertible preferred stock from the portfolio company, although we may also purchase common stock from either the company or from existing shareholders. We also often purchase convertible notes from our companies in bridge financings that may also involve the issuance of warrants. With respect to nearly all transactions, the securities we purchase are most often held for a number of years, are not marketable, are subject to restrictions on transfer and are highly illiquid. Our investments may involve taking minority positions in the companies' capital structure.

In connection with our venture capital investments, we may participate in providing a variety of services to our portfolio companies, including the following:

- recruiting management;
- formulating operating strategies;
- formulating intellectual property strategies;
- assisting in financial planning;
- providing management in the initial start-up stages; and
- establishing corporate goals.

We may control, be represented on, or have observer rights on the board of directors of a portfolio company through one or more of our officers, directors or employees, who may also serve as officers or employees of the portfolio company. We indemnify our officers and directors for serving on the boards of directors or as officers of portfolio companies, which exposes us to additional risks. In rare instances, particularly during the early stages of an investment, we may in effect be conducting the operations of the portfolio company. As a venture capital-backed company emerges from the developmental stage with greater management depth and experience, we expect that our role in the portfolio company's operations will diminish. Our goal is to assist each company in establishing its own independent capitalization, management and board of directors. We expect to be able to reduce our involvement in those start-up companies that become successful, as well as in those start-up companies that fail.

## **Material Risks**

The investment strategies employed by the Adviser subject the Funds to various risks. An investment in the Fund involves the risk that the Fund will not achieve its investment purpose. Fund investments involve a high degree of risk. Fund investments are suitable only for investors of substantial means who have no immediate need for liquidity of the amount invested who can afford a risk of loss of all or a substantial part of the investment. Investing in securities involves risk of loss that Clients should be prepared to bear.

Discussed below is a summary of material risks presented by the Adviser's investment strategies. The following is not a complete summary of all risks involved with these strategies. The Fund's offering document contains a further discussion of material risks associated with the Fund. In addition, material risks related to the investment strategies or methods of analysis described above, and to the types of securities typically purchased for the Clients, include the risks described in Harris & Harris Group's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 15, 2013, in the section entitled "Risk Factors" beginning on page 15.

**Risks Associated with Investing in Start-up Companies.** The assets of the Fund will be invested in privately held companies, the securities of which are inherently illiquid. These privately held small businesses tend to lack management depth, to have limited or no history of operations and to have not attained profitability. Start-up companies are more vulnerable to adverse business or economic developments than better capitalized companies. Start-up businesses generally have limited product lines, markets and/or financial resources. Companies commercializing products enabled by technology are especially risky, involving scientific, technological and commercialization risks. Because of the speculative nature of these investments, these securities have a significantly greater risk of loss than traditional investment securities. Some of our venture capital investments are likely to be complete losses or unprofitable, and some will never realize their potential. We have been and will continue to be risk seeking rather than risk averse in our approach to venture capital and other investments. Our investments are not intended to constitute a balanced investment program.

**Risks Associated with Life Sciences Industry.** The assets of the Fund will be invested in young portfolio companies focused upon the highly competitive and rapidly changing life sciences industry. This industry is dominated by large multinational corporations with substantial greater financial and technical resources than generally will be available to the portfolio companies. Such large corporations may be better able to adapt to the challenges presented by continuing rapid and major scientific, regulatory and technological changes as well as related changes in governmental and third party reimbursement policies.

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

be relevant and/or be competitive with products from other companies following the costly, time-consuming process of its development.

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

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

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

**Reliance on Certain Persons.** The Fund is particularly dependent upon the efforts, experience, contacts, personal relationships, reputations and skills of certain personnel of the Adviser. The loss of any such personnel could have a material, adverse effect on the Fund, and such loss could occur at any time due to death, disability, resignation or other reasons. Moreover, except as specifically provided in the Fund's organizational agreement, the Adviser's personnel are not required to devote their time and attention exclusively to the Fund. In this respect, they may experience diversions of their attention from the Fund and potential conflicts of interest between their work for Harris & Harris Group and their work for the Fund.

Any prior experience that the Adviser's personnel may have in making investments of the type expected to be made by the Fund necessarily was obtained under different market conditions, with different technologies at the forefront of development and different portfolio companies. There is no assurance that such personnel will be able to duplicate prior levels of success. Any specific benefits accruing to the Adviser in respect of the voting members of the Investment Committee ("Managing Directors") and other professionals, committees and the boards of directors of the Adviser ("Board of Directors"), may terminate at any time.

Strategic individuals or organizations investing in the Fund generally have no contractual or other obligations to provide any actual strategic or other benefits to the Adviser or the Fund. Accordingly, any such benefits may not exist or may terminate at any time.

#### **Conflicts of Interest.**

Our investment adviser and its affiliates, senior management and employees have certain conflicts of interest. The Adviser, its senior management and employees serve or may serve as investment advisers,

officers, directors or principals of entities that operate in the same or a related line of business. Accordingly, these individuals may have obligations to investors in those entities or funds, the fulfillment of which might not be in the best interests of the investors in the Fund. In addition, certain of the personnel employed by the Adviser or focused on our business may change in ways that are detrimental to our business. Subject to the fund agreements, any affiliated investment vehicle formed in the future and managed by the Adviser or its affiliates may invest in asset classes similar to those targeted by the Fund. As a result, the Adviser may face conflicts in allocating investment opportunities between the Fund and such other entities. Although the Adviser will endeavor to allocate investment opportunities in a fair and equitable manner, it is possible that it may not be given the opportunity to participate in such investments. In any such case, if the Adviser forms other affiliates in the future, it is possible we may co-invest on a concurrent basis with such other affiliates, subject to compliance with applicable regulations and regulatory guidance, as well as applicable allocation procedures. In certain circumstances, negotiated co-investments may be made only if we receive an order from the SEC permitting us to do so. There can be no assurance when any such order would be obtained or that one will be obtained at all.

Certain transactions that involve conflicts of interest between Harris & Harris Group and the Fund may be submitted to the advisory committee of the Fund (the “Advisory Committee”) for resolution. The Advisory Committee is comprised of individuals that represent Fund investors and those investors are unaffiliated with the Adviser. However, any Advisory Committee may not necessarily represent the interests of all investors in the Fund and Advisory Committee members may themselves be subject to various conflicts of interest.

**Investors’ Investments in the Fund Will Be Illiquid and Long Term.** There is not, and will not be, any public market for interests in the Fund, and the interests will not be registered under the Securities Act of 1933 or any state securities law and will be restricted as to transfer by law and the terms of the Fund’s governing documents. Except in limited circumstances, investors will not be entitled to withdraw from the Fund. Therefore, it should be anticipated that an investor will be required to bear the economic risk of its investment for an indefinite period of time.

**Item 9                      Disciplinary Information**

There are no legal or disciplinary events required to be disclosed under this Item 9.

**Item 10            Other Financial Industry Activities and Affiliations**

Harris & Harris Group is an internally-managed, closed-end investment company that has elected to be regulated as a BDC under the 1940 Act. Its investment activities are managed by its Managing Directors and supervised by its Board of Directors, a majority of whom are independent persons (as defined by the 1940 Act). Harris & Harris Group and its wholly-owned subsidiary, Ventures, have identical Boards of Directors. As noted in Item 4, it is anticipated that Harris & Harris Group will be the largest investor in the Fund. Apart from the foregoing, the Adviser currently has no relationships or arrangements with related persons which are material to the advisory business or Clients of the Fund.

The Adviser's Allocation Policy provides that all potential investments in the life sciences sector will be allocated to the Fund. All other investments will be allocated to Harris & Harris Group. If the Fund chooses not to make an investment in a life sciences company, the Adviser may present the opportunity to Harris & Harris Group with the prior written approval of the Advisory Committee.

**Item 11            Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Code of Ethics

The Adviser maintains a written Code of Ethics (the “Code”) that is applicable to all of its directors, officers and employees (the “Covered Persons”). In addition, the Adviser has a Compliance Manual, applicable to the Covered Persons in performing advisory services to its Clients. The Code and the Compliance Manual, which are designed to comply with Rule 204A-1 under the Advisers Act, establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations. Under the Code and the Compliance Manual, as applicable, Adviser personnel are also required to file certain periodic reports with the Adviser’s Chief Compliance Officer (“CCO”) as required by Rule 204A-1 under the Advisers Act. The Code and Compliance Manual help the Adviser detect and prevent potential conflicts of interest. Covered Persons and their families and holders may purchase investments for their own accounts, including in certain circumstance the same investments as may be purchased or sold for a Client, subject to the terms of the Code and Compliance Manual. The Code requires certain Covered Persons to obtain pre-clearance from the CCO before investing in most securities, including private placements, initial public offerings and securities on the Adviser’s restricted list. To the extent certain Covered Persons seek to invest in the Fund, the investment would need to be pre-cleared by the CCO. Under the Code, Covered Persons are prohibited from trading in securities of any company while in possession of material, nonpublic information.

Adviser personnel who violate the Code or Compliance Manual may be subject to remedial actions, including, but not limited to disgorgement, fines, censure, demotion, suspension or dismissal. Adviser personnel are also required to promptly report any violation of the Code of which they become aware. The Covered Persons are required to annually certify compliance with the Code.

The Adviser may invest in securities that it also recommends to the Fund. To the extent it does so, it will act in accordance with the Adviser’s Allocation Policy as described in Item 10.

Copies of the Code are available, free of charge, on the Adviser’s website at [www.hhvc.com](http://www.hhvc.com), and available to any Client or prospective Client upon written request to the CCO at [Sandra@hhvc.com](mailto:Sandra@hhvc.com).

## **Item 12            Brokerage Practices**

The Adviser manages accounts on a discretionary basis, which includes buying and selling of securities and the amount of securities to be bought or sold. The Adviser is generally not frequently involved in the execution of securities transactions for Clients through broker-dealers because the Fund's investments are generally in private companies or private placements. At times, however, the Adviser will select a broker to assist in effecting a securities transaction after a private company completes an initial public offering.

In selecting brokers, the Adviser will seek best execution, which involves a number of quantitative and qualitative factors. The Adviser will consider the full range and quality of the broker-dealer's service to meet best execution obligations and may not pay the lowest commission rate available. The primary consideration is selecting brokers which we believe are most likely to be in contact with likely buyers of the thinly traded securities of our portfolio companies as well as the trade price and commission quoted by the broker-dealer. The Adviser has no formal arrangements with any broker-dealer to receive research or other products or services other than execution, and the Adviser does not have any soft dollar or commission sharing arrangements that would require it to provide any specified amount of brokerage to a broker dealer. The Adviser may at times receive research reports free of charge from broker-dealers who may provide or seek to provide services to the Adviser, the Fund or the portfolio companies. Any research reports received is consistent with the safe harbor for brokerage and research services under Section 28(e) of the Securities Exchange Act of 1934. When the Adviser receives research or other information from a broker-dealer free of charge, it could be viewed as receiving a benefit it does not have to pay for, and the Adviser could be viewed as having an incentive to select or recommend a broker-dealer for a transaction on behalf of a Fund or portfolio company based on its interest in receiving such benefits rather than on receiving most favorable execution.

## **Item 13            Review of Accounts**

### Account Reviews

The investment portfolios of the Clients are generally private, illiquid and long-term in nature, and accordingly, the Adviser's review of them is not directed toward a short-term decision to dispose of securities. However, the Adviser closely monitors the portfolio companies of the Clients and frequently maintains an ongoing oversight position in such portfolio companies. The Fund has the right to receive certain financial and other information from each portfolio company. The portfolios are reviewed by a team of investment professionals on an ongoing basis. The team includes the members of the Investment Committee and other investment professionals of the Adviser.

### Investor Reports

The Adviser provides Fund investors with detailed written reports about the Fund generally on a quarterly basis as set forth in the Fund agreements. Fund investors receive a copy of the audited financial statements as well as quarterly financial reports. The Adviser may from time to time, at its sole discretion, provide additional information relating to the Fund and to one or more investors in the Fund as it deems appropriate.

**Item 14            Client Referrals and Other Compensation**

Item 14 does not apply to the Adviser.

**Item 15            Custody**

The Adviser is deemed to have custody of the Fund's assets under the applicable Advisers Act rule. The Adviser has retained Union Bank, N.A. to maintain custody of Client assets. Investors receive, on an annual basis, audited financial statements prepared in accordance with generally accepted accounting principles within 120 days of the Fund's fiscal year end. The financial statements are prepared by an independent public accountant that is registered with the Public Company Accounting Oversight Board. Investors should carefully review the annual financial statements and compare the statements with information about the Fund that has been provided by the Adviser.

**Item 16            Investment Discretion**

The Adviser has discretionary authority to manage securities accounts on behalf of the Fund pursuant to its management agreement, subject to certain limitations. The management agreement is subject to negotiation with Fund investors and establishes the Fund's investment purpose, policies and strategies, including sectors and types of technologies (the "Investment Guidelines") and limitations. Examples of such limitations include limitations on the amount of capital that may be invested in any one portfolio company, geographical limitations and limitations on borrowing by the Fund. The Investment Committee must receive approval from the Advisory Committee, made up of certain investors of the Fund, prior to making an investment outside the approved Investment Guidelines.

**Item 17            Voting Client Securities**

In accordance with Rule 206(4)-6 under the Advisers Act, the Adviser has adopted and implemented written policies and procedures to address how it will vote proxies on behalf of the Fund.

The Adviser votes proxies relating to the portfolio securities of the Fund in accordance with what management of the Adviser believes is in the best interest of the Clients. We carefully review on a case-by-case basis each proposal submitted to a shareholder vote to determine its impact on the portfolio securities held by us. Although we generally vote against proposals that may have a negative impact on our portfolio securities, we may vote for such a proposal if there exists compelling long-term reasons to do so.

Our proxy voting decisions are made by the Investment Committee, members of which are responsible for monitoring each of our investments. To ensure that our vote is not the product of a conflict of interest, we require that: (i) anyone involved in the decision making process disclose to our CCO any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (ii) employees involved in the decision making process or vote administration are prohibited from revealing how we intend to vote on a proposal in order to reduce any attempted influence from interested parties. If a conflict of interest arises, the involved person will not be involved in the vote.

Clients may obtain a copy of our proxy voting procedures and information regarding how we voted proxies with respect to our portfolio companies by making a written request for proxy voting information or by contacting us by telephone.

**Item 18            Financial Information**

Item 18 is not applicable to the Adviser.

**Item 19            Requirements for State-Registered Advisers**

Item 19 is not applicable to the Adviser.