

Dear Ms. Nancy M. Morris:

Harris & Harris Group, Inc. appreciates the opportunity to comment on the re-proposed rule to update the definition of eligible portfolio company. Thank you for providing certainty in the final rule that defines an eligible portfolio company to include all private companies and all public companies whose securities are not listed on an Exchange. In particular, we appreciate that the rule confirms that a BDC can make follow-on investments in a company that at the time of the follow-on investment may not meet the definition of an eligible portfolio company. We encourage the Commission to adopt as soon as possible a final rule that modernizes the definition of 'eligible portfolio company' to include all public companies with a market capitalization of \$250 million or less.

We agree that a size-based standard is an appropriate indicator of which public companies have access to capital from traditional sources. We further believe that a \$250 million market cap threshold is the most appropriate alternative. A \$250 million market cap has been cited in the venture capital industry for companies that will need additional financing. Further, such companies are not generally followed by analysts, have less liquid trading activity, and have fewer institutional investors. The growth in size of financial institutions and investment banking firms has also increased the size deal that is large enough to make sense to such investors and investment banks. Accordingly, publicly-traded companies below \$250 million in size do not have ready access to equity capital from traditional sources.

You requested comments on whether the proposed definition aligns with the purpose that Congress intended. We believe that Congress intended that the definition be expansive not restrictive. We also believe that the definition was never intended as a mechanism to restrict providing capital to small public companies, but was intended to describe the companies that would likely seek BDC financing.

You requested comment as to whether a market capitalization or market float definition is a more appropriate approach. We believe that the use of market capitalization is the more appropriate measurement. Adding the complexity of determining affiliate ownership is unnecessary for accomplishing the purpose of the proposed rule.

You also requested comment on the impact of the proposals on shareholders of BDCs. We believe that adopting a final rule that includes the broadest possible definition of eligible portfolio company is in the best interests of BDC shareholders. We would add that it is also in the best interest of shareholders of the public companies seeking financing. Such shareholders will benefit if their company has a greater variety of financing options.

Finally, you request comment on whether the proposal would encourage BDCs to invest in larger companies that satisfy the definition as opposed to smaller companies. We believe that there is no evidence to support such a concern. Historically, BDCs have not invested in larger non-public companies at the expense of smaller non-public companies. There is no reason to suggest that such would occur in the context of public companies. Harris & Harris Group, Inc. has been a BDC since 1995, and there is no evidence in our investment record to support such a concern.

Thank you for your consideration.

Sandra Matrick Forman, Esq.  
General Counsel and Chief Compliance Officer  
Harris & Harris Group, Inc.  
111 West 57th Street, Suite 1100  
New York, New York 10019