

## Harris & Harris Group (TINY)

**Rating: BUY Target Price: \$14.50**

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Share Data		Valuation	
52 Week Range	\$14.32 – 6.13	Share Price (1/28/08)	\$6.92
Avg. Daily Volume	154K	NAV per share (9/30/07)	\$5.69
Shares Out / Float	23.2 / 22.1	Price/NAV	1.22
Market Cap	\$161.3M		

### Key Points

- We are initiating coverage of Harris & Harris Group (TINY) with a BUY rating and a 12-month price target of \$14.50. TINY is a publicly traded venture capital (VC) company that specializes in early-stage nanotechnology companies.
- TINY was founded in 1981 and has concentrated its initial investments primarily in nanotech companies since 2001. The portfolio now includes investments in 28 active nanotech companies valued at an aggregate \$69.3M.
- Although nanotech IPOs have generally proven slower to emerge than many observers had hoped, the largest nanotech IPO to date was conducted successfully during Q4/07. TINY's maturing portfolio gives it many "shots on goal" from which it must produce just a few significant winners to significantly boost its net asset value (NAV).



- Shares of TINY are currently trading near the bottom of the historical range both on a price-per-share and a price-to-NAV (1.2X) basis. We believe that any IPO filings or profitable acquisitions of TINY portfolio will drive the P/NAV closer to its historical mean of 2.5X.
- Our \$14.50 price target is derived from our base forecast for growth in NAV driven by IPOs and acquisitions of TINY portfolio companies over the next two years along with moderate expansion of the price-to-NAV ratio to 2.0, discounted one period at 20% to arrive at a 12-month target.

## Investment Thesis

TINY represents a unique opportunity for investors to gain exposure to private nanotech companies without the constraints of a traditional investment in a private equity fund. Organized as a business development company (BDC), TINY has active investments in 30 private companies, 28 of which it considers to be working at the nanoscale. The company has a seasoned management team that combines significant experience in VC investing and a thorough understanding of the underlying scientific concepts that form the basis of nanotechnology.

TINY's valuation has historically ebbed and flowed with changes in the market sentiment toward nanotech stocks and, to a lesser extent in recent years, the strength of the tech IPO market. The peak valuation was reached in mid-2004, coinciding with the filing by Nanosys of its proposed offering. That IPO was pulled due to deteriorating market conditions and the valuation bump TINY had enjoyed gradually dissipated. There had been a paucity of nanotech IPOs since that point, until the recent successful offering of Nanosphere (NSPH), the largest offering for a nanotech company to date. While IPOs or acquisitions of TINY portfolio companies are the most significant potential catalyst for the stock, we believe it may recapture some of its historical valuation premium solely on rising evidence that the market is becoming more receptive to such offerings. Currently, shares of TINY are trading near the bottom of the historical range both on a share price and price-to-NAV basis.

While enthusiasm for nanotech as an investment theme has already cycled through its first wave, with valuations having peaked in early-2004, so-called "cleantech" or "greentech" is the current *en vogue* growth investing buzzword. In fact, many of the emerging environmentally-friendly companies are enabled by nanotech, and TINY considers eight of its 28 portfolio companies to fall into this category. Thus, a position in TINY will also benefit from continued enthusiasm for environmentally responsible investing.

Shares of TINY are trading near the 52wk low and the bottom of the historical valuation range on a price-to-NAV basis, which we believe offers an attractive entry point for risk-tolerant investors seeking long-term growth. Our valuation exercise suggests relatively constrained downside risk from the current share price with considerable upside linked to the number and magnitude of liquidity transactions among TINY portfolio companies.

We are initiating coverage of TINY with a BUY rating and a 12-month price target of \$14.50. The price target reflects our base forecast for growth in TINY's NAV over the next two years along with

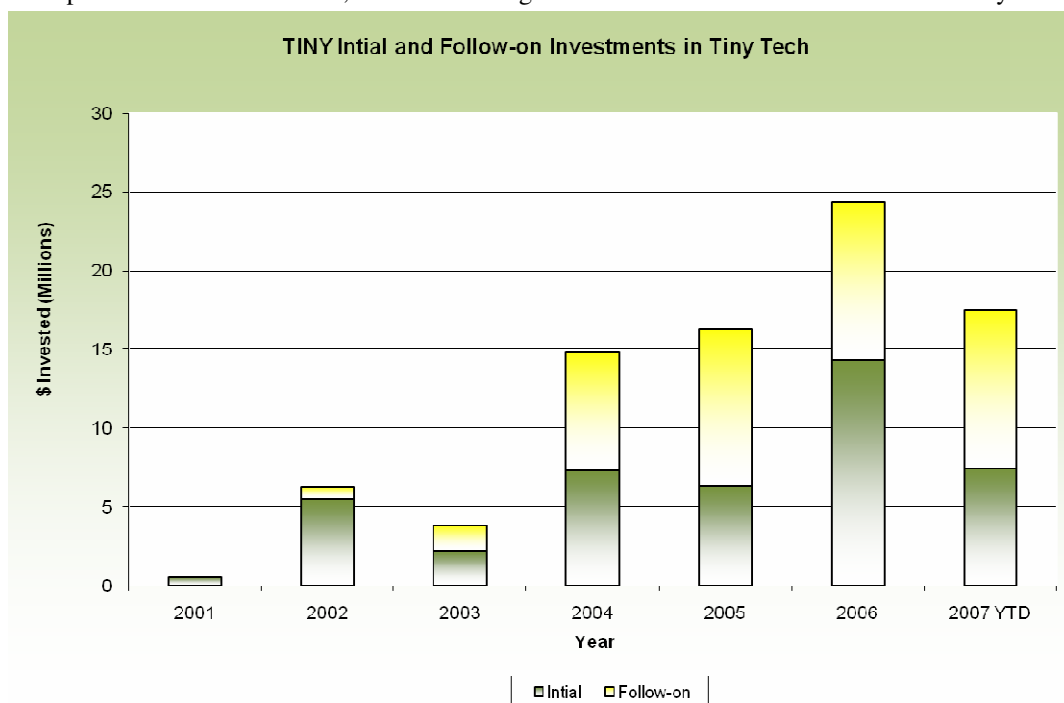
moderate expansion of the price-to-NAV ratio to 2.0, discounted back one period at 20% to arrive at a 12-month target.

## Overview

TINY is a publicly traded venture capital (VC) company focusing exclusively on what it calls “tiny technology,” which encompasses nanotechnology, microsystems and microelectromechanical systems (MEMS). The company was founded in 1981, and has focused new investment expressly on tiny technology since 2002. TINY operates as a business development company (BDC) and has elected to be treated as a regulated investment company (RIC) for taxation. The company is headquartered in New York and has 13 full-time employees.

TINY made its first nanotech investment in 1995 in Nanophase Technologies (NANX), a nanoparticle manufacturer that later went public in 1997 in what is generally regarded as the first nanotech IPO. The experience brought to light the immense economic potential offered by nanotechnology development, and the firm subsequently decided to concentrate its efforts therein.

Typically investing alongside other VCs, TINY has increasingly taken the role of lead investor as its prominence among nanotech financiers has increased. This allows the firm greater strength in negotiating the price and terms of the deal with the investee company. In addition, the relatively weak environment for public offerings of VC-backed tech companies since the bursting of the dotcom bubble has reduced competition for investment in the most promising companies, creating a relative buyer’s market for VC financings. New money invested has risen each year between 2003 and 2006 by a compound annual rate of 86%, while the average deal size of initial investments has risen by 76%.



## Valuation & Price Target

While there exist a growing number of publicly traded business development companies (BDCs), there are few that invest in early-stage technology ventures and none that are suitable for comparison to TINY. Therefore, rather than establishing a valuation multiple based on peer groups analysis, we will look at TINY's historical valuation and how it has changed in response to catalysts. The company's operations focus on the objective of long-term growth of net assets, and revenue and earnings are of interest only to the extent that they impact NAV. Thus, rather than a revenue- or EPS-based valuation multiple, the relevant metric for valuing TINY is price-to-NAV.

Some argue that, like a typical closed-end fund, TINY should be valued roughly in-line with its NAV. However, TINY's portfolio comprises investments in private rather than publicly traded securities, which has two implications. First, its assets cannot be replicated by simply buying the individual securities it holds. Traditional VC funds are open only to investors who meet income, net worth or sophistication criteria. Moreover, they typically have terms limited to 10 years and are illiquid, featuring substantial penalties for early withdrawal or failure to meet subsequent investment rounds. Second, its NAV is based not upon objective, transparent market prices of securities, but upon the inherently subjective determinations of its valuation committee. The values of positions are often marked down, but rarely marked up unless a public market valuation has been established, as in the case of an IPO. We argue that this dynamic, while duly conservative, results in an understatement of the true value of TINY's VC portfolio.

The table on the following page shows TINY's price/NAV at the close of each quarter since 2002:

	Q1/02	Q2/02	Q3/02	Q4/02
NAV per Share	2.63	2.68	2.61	2.37
Closing Price	5.00	2.88	2.10	2.46
P:NAV Ratio	1.90	1.07	0.80	1.04
	Q1/03	Q2/03	Q3/03	Q4/03
NAV per Share	2.26	2.22	2.11	2.95
Closing Price	2.81	6.95	7.62	11.53
P:NAV Ratio	1.24	3.13	3.61	3.91
	Q1/04	Q2/04	Q3/04	Q4/04
NAV per Share	3.01	2.85	4.44	4.33
Closing Price	16.80	12.24	10.34	16.38
P:NAV Ratio	5.58	4.29	2.33	3.78
	Q1/05	Q2/05	Q3/05	Q4/05
NAV per Share	4.20	4.61	5.94	5.68
Closing Price	12.04	11.91	11.10	13.90
P:NAV Ratio	2.87	2.58	1.87	2.45
	Q1/06	Q2/06	Q3/06	Q4/06
NAV per Share	5.60	5.54	5.54	5.42
Closing Price	13.95	11.04	12.28	12.09
P:NAV Ratio	2.49	1.99	2.22	2.23
	Q1/07	Q2/07	Q3/07	Q4/07
NAV per Share	5.27	5.54	5.69	-
Closing Price	11.73	11.20	10.64	-
P:NAV Ratio	2.23	2.02	1.87	-

During this period, TINY's price/NAV yields a mean of 2.50 and a median of 2.23. The peak valuation was reached in the first half of 2004, coinciding with the IPO filings of Nanosys (later withdrawn due to market conditions) and NeuroMetrix (TINY's last significant non-"tiny tech" holding). The current share price yields a multiple of 1.22X NAV, which is clearly towards the bottom of the historical range and the lowest multiple during the last five years. We believe that an improving environment for VC-

backed tech IPOs or, optimally, filings by one or more of TINY's portfolio companies, could drive the price/NAV ratio closer to the recent historical mean of 2.5.

Looking at the 28 tiny tech companies in TINY's portfolio that are considered going concerns, the average holding period from first dollar invested is about three years with the oldest investment, Nantero, having been held for 6.5 years to date. Historically, the mean holding period on the 44 investments TINY has sold has been 3.6 years. In its year-end letter to shareholders, the firm pointed out that 17 of its portfolio companies had higher revenue in 2006 than NANX did in 1996, its last full year before going public. Along with the seemingly improving IPO environment, this leads us to anticipate an increase in new issue and/or M&A activity within the portfolio during the next two years.

Below, we analyze the potential impact to TINY's NAV under three scenarios of varying activity within its portfolio:

Case	Pessimistic			Base			Optimistic		
<b>Activity</b>	0 IPO, 1 M&A			<b>2 IPO, 4 M&amp;A</b>			4 IPO, 8 M&A		
<b>IPO Return</b>	0			<b>44.46</b>			88.92		
<b>M&amp;A Return</b>	14.82			<b>59.28</b>			118.56		
<b>Residual VC Portfolio Value</b>	57.91			<b>46.69</b>			33.98		
<b>FI Portfolio Value</b>	63.68			<b>63.68</b>			63.68		
<b>Total Year2 Value</b>	136.41			<b>214.11</b>			305.14		
<b>P/NAV Sensitivity</b>	x1.5	x2.0	x2.5	x1.5	<b>x2.0</b>	x2.5	x1.5	x2.0	x2.5
<b>Year2 Mkt Cap</b>	204.62	272.82	341.03	321.17	<b>428.22</b>	535.28	457.71	610.28	762.85
<b>12-month Target Mkt Cap</b>	170.52	227.35	284.19	267.64	<b>356.85</b>	446.07	381.43	508.57	635.71
<b>12-month Target Share Price</b>	7.02	9.36	11.70	11.01	<b>14.69</b>	18.36	15.70	20.93	26.16

Key Assumptions: Due to the inherent difficulty in predicting the specific portfolio companies that may go public in a certain timeframe, we treat each of the 28 active portfolio companies as equal shares of the \$69.27M VC portfolio, or \$2.47M each. We assume the profitable M&A exits will be roughly twice as common as IPO exits, and that they will generate respective mean returns of 6X and 9X the amount invested. The residual VC portfolio is assumed to be marked down by 7.4% of the beginning-of-year value, which is the average annual markdown from 2004-2006. The value of the fixed income portion of the portfolio is held constant at the current value. We assume that the impact to NAV of cash used in operations will continue to be essentially offset by proceeds received on the exercise of employee stock options. Finally, the Year2 value is discounted by 20% to arrive at the 12-month target value. The target share price is based on a projected 24.3M shares outstanding.

Note that taxes on TINY's portfolio gains are disregarded in the above illustration. The company intends to finance growth when possible by reinvesting proceeds of sales. This is accomplished through the declaration of a "deemed dividend," on which TINY pays 35% in taxes and retains 65%. Shareholders of TINY increase their cost basis by the retained amount, pay tax on the full undistributed gain at the federal capital gains rate, and receive an proportional tax credit equivalent to the tax paid by TINY which may be used to reduce the shareholder's tax rate. Thus, while only the retained amount will add to the NAV, the value of the tax credit must be considered part of the stock's total return to shareholders.

There are multiple valuation methodologies that may be applied to arrive at a net present value for TINY's VC portfolio, each of which carry inherent advantages and disadvantages. We found that all of these, however, rely heavily on assumptions that include significant unknowable unknowns, exacerbated by the fact that they must be projected many years into the future. Furthermore, there often exists a wide and lasting disconnect between the result generated from such a methodology and the market price of the stock, largely because it can take several years for the factors being considered to catalyze a change in share price.

The methodology we employed for the exercise above is simplistic, which we consider virtuous when applied to such a speculative situation. Forecasting changes in NAV over a two-year period and applying a price-to-NAV multiple limits the assumptions and creates specific milestones on the path to achievement of the target price. The results suggest that downside from the current share price is relatively constrained, with considerable upside potential linked to the number and magnitude of liquidity transactions among TINY portfolio companies. We believe that, if anything, that this methodology may understate the long-term value of the portfolio.

## Financial Condition

TINY had just \$288K in cash at 9/30/07, but had \$63.7M in its bond portfolio to fund future initial or follow-on investments. We believe this amount is sufficient to support the company's investing activities over the next 12 to 24 months, at which point returns from the portfolio will begin to contribute significant capital to the firm. However, this will not necessarily preclude TINY from issuing more stock if it can be done at favorable terms. Note that, so long as the offering is priced above the NAV per share, the transaction will be accretive to NAV. The following table lists all secondary offerings conducted by TINY since 2002:

Date	Size (M)	Share Price	Total (M)	NAV (pre offering)	Offering P/NAV
Jun-07	1.30	\$10.79	\$13.06	\$5.27	2.05
Aug-05	3.05	\$11.25	\$31.91	\$4.61	2.44
Jul-04	3.45	\$11.25	\$36.50	\$2.85	3.95
Dec-03	2.30	\$8.00	\$17.30	\$2.11	3.79

## Portfolio

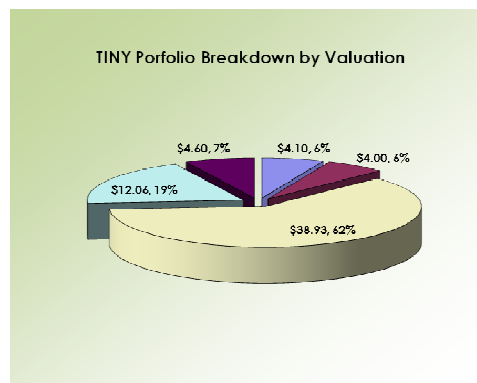
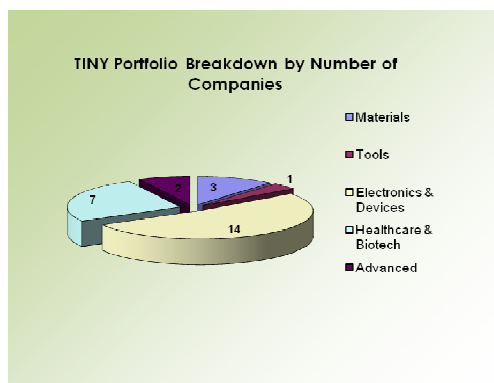
During its history, TINY has made 78 VC investments, including four private placements in securities of publicly traded companies (PIPES). It has sold 44 of these investments, taking a loss on 26 and making a profit on 18. These exits have generated gross proceeds of \$143.6M on invested capital of \$51.2M.

All 36 initial investments made since August 2001 have been in tiny technology, and the company's total capital invested during this period is \$83.5M. TINY's portfolio now contains 32 tiny tech companies, including 28 that it defines as going concerns. Its average holding period on these positions from first dollar invested is about three years. The oldest position on this basis, Nantero, has been held for approximately 6.5 years.

Although the VC portfolio is concentrated in risky, early-stage equity investments in nanotechnology companies, the extremely encompassing nature of the field affords a valuable measure of diversification in terms of markets, products and business models. Moreover, owning a piece of 28 of the most promising tiny tech startups gives TINY many "shots on goal" from which it must produce just a few significant winners in order to generate an attractive overall return on investment.

The pie charts below show the distribution of TINY's active VC investments in terms of the nanotech segment to which they belong:

### TINY Portfolio Breakdown by Nanotech Segment



It is apparent from these charts that TINY's portfolio is weighted most heavily toward companies in the Electronics & Devices and Bio & Healthcare segments. This makes sense, as these technologies tend to require more R&D investment and longer lead times to commercialization than do those in the Materials and Tools segments, but generally offer greater economic potential. The Advanced segment comprises technology platforms that don't correspond closely to any one industry group.

The appendix to this report includes on p.23 a Schedule of Investments for TINY as of 9/30/07. Provided in the following pages are brief profiles on TINY's top ten VC investments, ranked by dollar valuation of TINY's investment as reported 9/30/07:

## Innovalight

**TINY Valuation:** \$5.72M

### Company Overview:

Innovalight is focused on bringing ultra low-cost solar power modules to the marketplace. Innovalight is harnessing a proprietary silicon-ink process, developed by the company to print thin-film solar power modules. Leveraging the advantages of solvent-based processing, Innovalight will help accelerate the promise of more affordable solar power solutions for residential and commercial applications. The company announced on 10/11/07 that it had raised \$28M in new capital (including an investment from TINY) that it would use to commence production of thin-film solar cells.

**Chief Executive:** Conrad Burke, President & CEO

Mr. Burke brings over 17 years of proven expertise guiding innovative semiconductor and optical technologies into the commercial market. Prior to Innovalight, Conrad was senior vice president of worldwide sales and marketing for Bookham Inc. Before Bookham, Mr. Burke was a venture partner at Sevin Rosen Funds, a leading US-based venture capital firm. His career has spanned research and development, product management, marketing, sales, general management and operations in major global organizations, NEC, AT&T, Lucent Technologies and Agere Systems. He was also the first executive hire at OMM Inc., a venture backed startup based in San Diego, California focused on developing MEMS based optical switching systems. He has deep international experience having lived in and run major divisions of these large companies in Germany, UK and Japan. Conrad is on the board of directors of Capella Inc., a subsystems manufacturer based in San Jose, California. He has a MS in Physics from Trinity College, Dublin, a BS in Physics from University College, Dublin, Ireland and he has also attended The London Business School.

## NeoPhotonics

**TINY Valuation:** \$5.46M

### Company Overview:

NeoPhotonics provides photonic integrated circuits (PICs) to the telecommunications industry. The company has built a deep and multi-faceted technology base in order to design and manufacture its photonic integrated circuits with predictable well-characterized performance and low manufacturing

costs. The NeoPhotonics™ technology addresses and solves a range of interrelated problems which are similar in scope to the range of problems that were mastered to create the electronic integrated circuit industry. NeoPhotonics has extensive expertise in the technology domains important for the photonic integrated circuit business, including Planar Lightwave technology, Micro Electro-Mechanical Systems technology, the complex interaction of precision-doped materials, geometries and dimensions to nanoscale tolerances and complex thermal management that must be optimized to achieve stable, high manufacturing yield and consistent high performance for our PIC products. NeoPhotonics is a vertically integrated producer of active components, with end to end design and manufacturing capability for complete transceiver modules. For passive components, NeoPhotonics has advanced integrated optical planar lightwave technology manufactured primarily using standard plasma enhanced Chemical Vapor Deposition (PE-CVD) of silica glass waveguides.

**Chief Executive:** Tim Jenks; Chairman, President & Chief Executive Officer

Mr. Jenks has been President & CEO since April, 1998. In addition, he has served as Board Member and CEO of affiliate and spin out companies NanoGram Corporation, Kainos Energy Corp. and NanoGram Devices Corp. (acquired in 2004 by Greatbatch Technologies, NYSE: GB). Prior to joining the company, Mr. Jenks was a Vice President and General Manager at Raychem Corporation (NYSE) where he served in various general management and functional positions in both the United States and Europe. He served as a reviewer of the National Nanotechnology Initiative and was a panel author of "Small Wonders: Endless Frontiers". He holds a MBA degree from Stanford University, a MS in Nuclear Engineering from the Massachusetts Institute of Technology and a BS in Mechanical Engineering and Marine Engineering from the U.S. Naval Academy.

## Nanosys

**TINY Valuation:** \$5.37

### Company Overview:

Founded in 2001 by an experienced business team and world-renowned nanotechnology leaders, Nanosys is developing, manufacturing and selling products based on a technology platform of high performance inorganic nanostructures. Nanosys' technology is covered by a portfolio of over 500 patents and patent applications that is currently being applied to opportunities in multiple industries including energy, electronics, optoelectronics, life science, and defense. Current application areas of Nanosys technology include flat-panel displays, non-volatile memory, fuel cells, solid-state lighting, chemical analysis chips and medical devices. The company leverages its nanotechnology platform by collaborating with industry leaders to develop and produce products in each of their target markets. Nanosys' partners include Intel, Sharp Corporation, Rockwell Collins, NTT DoCoMo, Bruker Daltronics, In-Q-Tel, and agencies of the United States government. Nanosys works closely with partners to maximize the combined potential of Nanosys' specialized expertise in nanotechnology and the core competencies of its partners to "realize the promise of nanotechnology".

**Chief Executive:** Calvin Chow, CEO

Mr. Chow is our chief executive officer. Prior to joining Nanosys, Mr. Chow, co-founded Caliper Technologies and served in various capacities, including as its chief operating officer. Mr. Chow was a co-founder of and last served as vice president of engineering and operations at Molecular Devices Corporation. Mr. Chow holds a B.S.E.E. from Illinois Institute of Technology and an M.S. in Electrical Engineering from Stanford University.

## Molecular Imprints

**TINY Valuation:** \$4.05

### Company Overview:

Molecular Imprints, Inc. (MII) was founded in Austin, TX, in 2001 to design, develop, manufacture and support imprint lithography systems to be used by semiconductor device and other industry manufacturers. MII offers a novel technique of lithography and 3-dimensional printing, capable of patterning nano-scale devices and structures. The technique is based on Step and Flash<sup>®</sup> imprint lithography (S-FIL<sup>®</sup>) technology that delivers a lower cost, low complexity alternative to expensive optical lithography tools. The patented S-FIL technology is a step and repeat, room temperature, low pressure (<1psi) nano-imprint process that demonstrates sub-20nm resolution. MII sells to integrated circuit makers, chip makers, and device makers in various markets, including: semiconductor component devices, photonic and optical structures, nano fabrication, advanced packaging, data storage and MEMs/NEMs fabrication. Molecular Imprints holds, or has filed for, over 400 patent applications worldwide, related to all aspects of S-FIL, including intellectual property in the areas of fluid dispense and control, overlay alignment, template fabrication, and imprint materials. It was announced on 10/16/07 that Toshiba has validated the company's imprint lithography tools for 22nm CMOS device production.

**Chief Executive:** C. Mark Melliar-Smith, CEO

Mark has over 30 years of experience in the semiconductor industry. Prior to joining MII, he was a Venture Partner with Austin Ventures, and prior to that, President and CEO of SEMATECH (1997 to 2001) and Chief Technical Officer for Lucent Technologies Microelectronics, the forerunner of Agere Systems (1990 - 1996). Mark has held a wide variety of technical and management positions in R&D, manufacturing, and business management, including Executive Director of the Bell Laboratories Photonics and Integrated Circuit Division, and also as the VP and General Manager of the AT&T Lightwave Business Unit. He serves on the Board of Directors for Power-One, Technitrol, Metrosol, and Molecular Imprints. Dr. Melliar-Smith holds BS, PhD and MBA degrees.

## SiOnyx

**TINY Valuation:** \$4.30M

### **Company Overview:**

SiOnyx is located in Cambridge, Massachusetts, and is a spinout of Harvard University. SiOnyx is developing silicon-based optoelectronic products enabled by its proprietary, "Black Silicon." Black-silicon-based detectors exhibit extremely high response to visible wavelengths and extend the useful range of silicon-based photodetectors into the IR region. SiOnyx aims to address market opportunities in high-quality and high-resolution cameras, day/night cameras for security and surveillance, and high-sensitivity detectors and imagers for biotechnology applications.

**Chief Executive:** Stephen Saylor, CEO

Before joining SiOnyx, Mr. Saylor was VP of Marketing and Product Management for Adobe Systems. He was formerly President of FlashPoint Technology, prior to which he held positions at Apple and Polaroid. Mr. Saylor received a degree in Electrical Engineering from Northeastern University.

## **Kovio**

**TINY Valuation:** \$4.13

### **Company Overview:**

Kovio, a Silicon Valley company, is developing a new category of semiconductor products using printed electronics and thin film technology. This new technology combines the low cost and high throughput of printing with the power and functionality of semiconductors. Printed electronics enables fabrication of semiconductor devices over large areas, on flexible substrates, and at a significant cost advantage over conventional silicon technology. It is ideally suited for manufacturing semiconductor products that require low cost, low complexity, lightweight, flexibility, and large area.

**Chief Executive:** Amir Mashkooori, CEO

Amir Mashkooori applies nearly 30 years of semiconductor industry experience to his leadership role at Kovio, Inc. Mr. Mashkooori came to Kovio from Spansion, the largest company focused exclusively on Flash memory. He played an instrumental role in the formation of Spansion in 2003, and managed the company's Wireless Business Unit. During his tenure, the division experienced more than double market share growth in the wireless handset market as the market itself expanded to almost one billion units in 2006. Mr. Mashkooori began his professional career at AMD in 1978, serving in various senior level operational roles for a period of 17 years. Mr. Mashkooori was also vice president of operations and later senior vice president of operations and business development at Trident Microsystems between 1996 and 1998, before re-joining AMD in 1999. Mr. Mashkooori holds bachelor's and master's degrees in business administration from San Jose State University.

## Xradia

**TINY Valuation:** \$4.00M

### **Company Overview:**

Located in Concord, California, near the heart of Silicon Valley, Xradia designs, develops and manufactures high-resolution 3D x-ray microscopes and x-ray imaging systems. Formed in 2000, Xradia is a privately held Delaware corporation that was established to commercialize the design and processing of zone plate optics for the development of state-of-the-art x-ray microscope systems.

**Chief Executive:** Wenbing Yun, Ph.D.; Founder, CEO & President

Dr. Wenbing Yun has over 20 years of experience in developing advanced x-ray optics and x-ray imaging techniques. He has numerous issued and pending patents on x-ray optics and imaging, and has authored more than 100 publications. Before founding Xradia in 2000, Dr. Yun was a staff scientist at Lawrence Berkeley National Laboratory (LBL) responsible for the development of x-ray microfocusing optics and the three-dimensional x-ray tomography program. He demonstrated the first x-ray imaging microscope with sub 150-nm resolution that operated in the 4–10 keV x-ray region and used a zone plate lens as an objective lens. Prior to LBL, he was a physicist at Argonne National Laboratory where he initiated the x-ray microscopy program at the Advanced Photon Source. Dr. Yun received his PhD degree in Physics from the State University of New York at Stony Brook, under the supervision of Profs. David Sayre and Janos Kirz.

## Cswitch

**TINY Valuation:** \$3.96M

### **Company Overview:**

Cswitch was founded by a team of highly experienced semiconductor executives to develop the next generation of configurable solutions for a wide range of networking-based platforms. Their groundbreaking work building advanced processors and ASICs at companies such as LSI Logic, Sun Microsystems, SGI and most recently Transmeta, has allowed them to develop the insight to chart a new course for the networking, telecom, storage and wireless base station markets.

**Chief Executive:** Doug Laird, President & CEO

Doug Laird is the President and CEO of Cswitch Corporation. Before co-founding Cswitch, Doug worked for Charles River Ventures as an Executive in Residence. Previously he was a founder and Executive VP of Product Development for Transmeta Corporation. In that role he managed the entire

engineering organization of the company and customer support organizations. Prior to founding Transmeta, he led engineering organizations at Sun Microsystems, LSI Logic, Ultra Network Technologies, ROLM Mil-Spec Computers, and National Semiconductor. He received his BSEE from Rochester Institute of Technology and an MSCS from Santa Clara University.

## BridgeLux

**TINY Valuation:** \$2.85M

### Company Overview:

BridgeLux is a leading developer and provider of high power indium gallium nitride light emitting diodes (InGaN LEDs) which provide an efficient, reliable source of blue, green, or white light in various solid state lighting, mobile appliance, signage, and automotive applications. The company has developed technology to fulfill an emerging market demand for large area (~1mm square) LED chips which exhibit high light output (~40 lumens) while consuming only 1 watt of power. Customers worldwide have been using BridgeLux chips to replace bulb technology in high volume applications since 2004. The mobile phone you are using today may have a BridgeLux chip in the camera flash, and the company's chips can also be found in other lighting products in your home, office, or neighborhood, such as retail displays, reading lights, torches, LCD panel backlights, police car warning lights, and architectural lighting.

**Chief Executive:** Mark Swoboda, CEO

Mark Swoboda joined BridgeLux as CEO in June 2007 and is the former Executive Vice President of Philips Lumileds Lighting Company. He led the sales, marketing, applications, and custom product development teams at the corporate spin-off and joint venture between Hewlett-Packard/Agilent and Royal Philips Electronics. The company pioneered the power LED product class and Luxeon brand to develop high growth markets and applications in solid state lighting including automotive forward lighting, mobile phone camera flash, LED backlighting, and general lighting. Prior to joining Philips Lumileds, Mr. Swoboda spent 17 years with the Hewlett-Packard Semiconductor Products Group in various sales, marketing, and channel management positions. He holds a BSEE from Marquette University.

## Nanogram

**TINY Valuation:** \$2.60M

### Company Overview:

NanoGram bridges the gap between nanomaterials and breakthrough nano-enabled products. NanoGram enables partners to realize product performance previously thought impossible. Through a unique manufacturing platform, NanoGram creates customized application-specific nanotechnology solutions for its partners. NanoGram's complete licensing package includes a proven materials production process, surface modification and dispersion technologies, process transfer expertise, and ongoing support.

**Chief Executive:** Kieran F. Drain, President & CEO

Dr. Drain has been President & CEO since August, 2005. Prior to joining NanoGram Corporation, Dr. Drain was a Vice President and General Manager for the Performance Polymers Division of Avery Dennison Corporation with prior leadership roles at Ciba Specialty Chemicals and Loctite Corporation (now Henkel). Dr. Drain has more than twenty five years industrial experience in technology and business management in diverse industrial segments including polymer batteries, LCD displays, electronics interconnect, automotive, and composites. Dr. Drain holds PhD (Industrial Chemistry), MSc (Polymer Chemistry) and BSc (Pharmacy) degrees from The Queens University of Belfast in Northern Ireland, an MBA (Finance and Accounting) from Regis University in Denver, Colorado and is a Fellow of the Royal Society of Chemistry, United Kingdom. He has served as a board member for the Adhesive and Sealant Council, US.

## Management

Management is an important factor in the evaluation of any enterprise, but perhaps particularly so in the case of an investment company. Without products or intellectual property, the investment strategy and management's ability to execute that strategy effectively are the sole sources of competitive advantage. The TINY management team combines significant experience in VC investing and a through understanding of the underlying scientific concepts related to nanotechnology.

Charles Harris, Chairman and CEO, will reach the company's mandatory retirement age next year, and has announced his retirement as of 12/31/08. The Board of Directors has named Douglas Jamison, currently President, COO and CFO, as Mr. Harris' successor.

### **CHARLES E. HARRIS**

Chairman of the Board and Chief Executive Officer / Managing Director since 1984

Prior to 1984, Mr. Harris had an 18 year career in the investment industry, including serving as Chairman of Wood, Struthers and Winthrop Management Corp., the investment advisory subsidiary of Donaldson, Lufkin & Jenrette. He is a past Trustee, and current Co-Chairman of the President's Council, of Cold Spring Harbor Laboratory (CSHL), a research and education institution in molecular biology and genetics, and a current Trustee and Chairman of the audit committee of Nidus Center, a life sciences business incubator. He is a life-sustaining fellow of the Massachusetts Institute of Technology and a Shareholder of its Entrepreneurship Center. He was a member of the Advisory Panel for the Congressional Office of Technology Assessment. He was graduated from Princeton University

(A.B.) and the Columbia University Graduate School of Business (M.B.A.).

Portfolio responsibilities: Alpha Simplex, Exponential Business Development, Mersana Therapeutics, Nantero, Questech and SiOnyx.

## **DOUGLAS W. JAMISON**

President, Chief Operating Officer, Chief Financial Officer and Managing Director since 2005

From 2002 to 2004, Mr. Jamison served as Vice President of Harris & Harris Group. Prior to joining the Company, Mr. Jamison worked for five years as a Senior Technology Manager at the University of Utah Technology Transfer Office, where he managed intellectual property for the University of Utah. This included assessing technologies in both the biological sciences and the physical sciences, working with patent attorneys to develop patent protection, and developing and marketing these technologies with industry. He is a Co-Editor-in-Chief, Journal of Nanotechnology Law & Business and Co-Chair of the Advisory Board, Converging Technology Bar Association. He was graduated from Dartmouth College (B.A.) and the University of Utah (M.S.).

Portfolio responsibilities: Ancora Pharmaceuticals, Chlorogen, Metabolon, Nextreme Thermal Solutions, Solazyme and Starfire Systems.

## **ALEXEI A. ANDREEV, PH.D.**

Executive Vice President / Managing Director since 2005

Prior to joining Harris & Harris Group, Mr. Andreev was an Associate with Draper Fisher Jurvetson (DFJ), a venture capital firm, where he was exclusively focused on nanotechnology and material science investment opportunities. While at DFJ, he played an integral role in sourcing and funding EoPlex, Intematix, Solicore and D-Wave Systems, for which companies he served as an active Board Director or Observer. Previously, he worked for TLcom Capital Partners, a London-based venture capital fund backed by Morgan Stanley. Prior to that, he was employed by Renaissance Capital Group/Sputnik Funds, a venture capital fund in Moscow, Russia. Before he started his business career, he was a researcher at the Centre of Nanotechnology, ISAN (RAS), in Troitsk, Russia, where he was focused on optical and electrical properties of Quantum Dot heterostructures. He was graduated from the Department of Theoretical Physics of Moscow Steel & Alloys Institute with a Ph.D. degree, where he was a recipient of the Scholarship for Outstanding Young Scientists of Russian Academia of Sciences, the Scholarship from the International Center of Fundamental Physics and Soros Scientific Foundation. He also was graduated from Moscow Steel & Alloys Institute with a B.S. with honors in Engineering/Material Sciences and from Stanford Graduate School of Business with an M.B.A. He is a co-founder and Director of the American Business Association of Russian Expatriates (AmBar).

Portfolio responsibilities: C-Switch, D-Wave Systems, Kovio, Lifco, Molecular Imprints, NanoGram, NeoPhotonics and Xradia.

## **MICHAEL A. JANSE**

Executive Vice President / Managing Director since 2007

Prior to joining Harris & Harris Group, Mr. Janse was a Principal at ARCH Venture Partners in the

firm's Chicago office, focusing on nanotechnology, semiconductors and advanced materials technologies. His role included a particular focus on technologies emanating from universities, research labs and national labs. Prior to ARCH, Mr. Janse worked in Motorola's Semiconductor Products Sector as a process engineer, and later marketed semiconductor components to manufacturers of personal computers and networking products. He holds an M.B.A. from The University of Chicago, and a B.S. in Chemical Engineering from Brigham Young University.

Portfolio responsibilities: Adesto, BridgeLux, Cambrios, Crystal IS, Innovalight and Nanomix.

### **SANDRA MATRICK FORMAN, ESQ.**

General Counsel, Chief Compliance Officer and Director of Human Resources since 2004

Prior to joining Harris & Harris Group, Ms. Forman was an Associate at Skadden, Arps, Slate, Meagher & Flom LLP, in the Investment Management Group. She served as an intern from August to December 2000 in the office of the General Counsel, United States Department of Defense, Office of the Secretary of Defense. From June to August 1999, she served as an intern for the Honorable Ronald S. Lew, United States Federal District Court, Central District of California. She was graduated from New York University (B.A.), where her honors included National Journalism Honor Society, and from the University of California Los Angeles (J.D.), where her honors included Order of the Coif and membership on the Law Review. She is currently a member of the working group for the National Venture Capital Association model documents.

### **DANIEL B. WOLFE, PH.D.**

Principal since 2007; Vice President since 2004

From 2006 to 2007, Mr. Wolfe served as Senior Associate of Harris & Harris Group. Prior to joining the Company, Mr. Wolfe was a consultant to Nanosys, Inc., CW Group, and Bioscale, Inc., and was the Co-founder and President of Scientific Venture Assessments, Inc., a provider of scientific analysis of prospective investments for private equity placements and of scientific expertise to high-technology companies. He was graduated from Harvard University with a Ph.D. and A.M. in Chemistry. He was a NSF Predoctoral Fellow at Harvard, and his thesis advisor was Professor George Whitesides. He was also graduated from Rice University with a B.A. in Chemistry, where he worked with Professor Naomi Halas, and his honors included the Zevi and Bertha Salsburg Memorial Award in Chemistry and the Presidential Honor Role. He has published over 15 articles in scientific peer-reviewed journals.

Portfolio responsibilities: Ensemble, Kereos, Nanosys, Nextreme Thermal Solutions, SiOnyx and Zia Laser.

### **MISTI USHIO, PH.D.**

Vice President and Associate since 2007

Prior to joining Harris & Harris Group, Ms. Ushio was a Technology Licensing Officer at Columbia University, where she managed the nanotechnology and materials science invention and patent portfolios. From May 1996 to May 2006, she was employed by Merck & Co., Inc., most recently as a Senior Biochemical Engineer with the Bioprocess R&D group. She is a graduate of University College London (Ph.D., Biochemical Engineering), Lehigh University (M.S., Chemical Engineering) and Johns

Hopkins University (B.S., Chemical Engineering).

Portfolio responsibilities: Ancora Pharmaceuticals, Biovex and Mersana Therapeutics.

## Risk Factors

Risks in owning TINY shares and that may impede achievement of target price include, but may not be limited to:

- **TINY's VC portfolio is invested in small, private companies that involve a high degree of risk.** These investments are speculative and their securities are inherently illiquid. The firm's investment strategy is risk-seeking, and many of its investments will be complete losses or unprofitable.
- **Protracted weakness in the market for VC-backed tech IPOs may impede portfolio returns and increase write-downs and write-offs of portfolio investments.** The IPO market has not fully recovered from the tech bubble that occurred in the late-1990s. Though emerging evidence indicates that conditions may be improving, a continued lack of IPO opportunities for TINY portfolio companies could cause them to remain private for a longer period and require additional funding. If additional funding could only be obtained at unfavorable terms or could not be found at all, this would lead to increased write-downs or write-offs of portfolio investments.
- **TINY's share price tends to change in relation to its NAV, which in turn is based on determinations by the Valuation Committee that may differ materially from the value that a ready market or third party would attribute to these investments.** Because there is no public equity market for the securities in which TINY invests, the VC portfolio's fair value is determined by a committee of independent members of the Board of Directors. This requires that judgment be applied to the specific facts and circumstances of each portfolio investment pursuant to specified valuation principles and processes. Because the outlook for an early-stage company can change rapidly, change in the NAV can be volatile quarter-to-quarter. Furthermore, when a portfolio company conducts an IPO, the value of that position will often increase so that its market value becomes a significant driver of TINY's NAV until the position is sold.

## Appendix

### TINY Statement of Changes in Net Assets

	Nine Months Ended September 30, 2007	Year Ended December 31, 2006
	<b>(Unaudited)</b>	
<b>Changes in net assets from operations:</b>		
Net operating loss	\$ (8,676,380)	\$ (7,612,935)
Net realized (loss) gain on investments	(83,047)	258,693
Net increase in unrealized depreciation on investments held	(1,120,140)	(4,418,870)
<b>Net decrease in net assets resulting from operations</b>	<b>(9,879,567)</b>	<b>(11,773,112)</b>
<b>Changes in net assets from capital stock transactions:</b>		
Issuance of common stock on offering	13,000	0
Issuance of common stock upon the exercise of stock options	9,568	2,587
Additional paid-in capital on common stock issued	22,644,262	2,612,603
Stock-based compensation expense	5,725,031	5,038,956
<b>Net increase in net assets resulting from capital stock transactions</b>	<b>28,391,861</b>	<b>7,654,146</b>
<b>Changes in net assets from adoption of SFAS No. 158</b>	<b>0</b>	<b>61,527</b>
<b>Net increase (decrease) in net assets</b>	<b>18,512,294</b>	<b>(4,057,439)</b>
<b>Net assets:</b>		
Beginning of the period	113,930,303	117,987,742
End of the period	\$132,442,597	\$113,930,303

## TINY Balance Sheet

	September 30, 2007 (Unaudited)	December 31, 2006
<b><u>ASSETS</u></b>		
Investments, at value (Cost: \$143,074,052 at 9/30/07, \$121,331,398 at 12/31/06)	\$132,946,492	\$112,323,978
Cash and cash equivalents	288,397	2,071,788
Restricted funds	2,533,929	2,149,785
Receivable from broker	0	819,905
Interest receivable	499,079	625,372
Prepaid expenses	142,459	10,945
Other assets	286,123	326,817
<b>Total assets</b>	<b>\$136,696,479</b>	<b>\$118,328,590</b>
<b><u>LIABILITIES &amp; NET ASSETS</u></b>		
Accounts payable and accrued liabilities	\$ 4,237,657	\$ 4,115,300
Accrued profit sharing	0	261,661
Deferred rent	16,225	21,326
<b>Total liabilities</b>	<b>4,253,882</b>	<b>4,398,287</b>
<b>Net assets</b>	<b>\$132,442,597</b>	<b>\$113,930,303</b>
<b>Net assets are comprised of:</b>		
Preferred stock, \$0.10 par value, 2,000,000 shares authorized; none issued	\$ 0	\$ 0
Common stock, \$0.01 par value, 45,000,000 shares authorized at 9/30/07 and 12/31/06; 25,100,598 issued at 9/30/07 and 22,843,757 issued at 12/31/06	251,006	228,438
Additional paid-in capital	158,170,494	129,801,201
Accumulated net realized loss	(12,507,339)	(3,747,912)
Accumulated unrealized depreciation of investments	(10,127,560)	(9,007,420)
Unrecognized net gain on retirement benefit plans	61,527	61,527
Treasury stock, at cost (1,828,740 shares at 9/30/07 and 12/31/06)	(3,405,531)	(3,405,531)
<b>Net assets</b>	<b>\$132,442,597</b>	<b>\$113,930,303</b>
<b>Shares outstanding</b>	<b>23,271,858</b>	<b>21,015,017</b>
<b>Net asset value per outstanding share</b>	<b>\$ 5.69</b>	<b>\$ 5.42</b>

## TINY Operating Statement

	Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
	2007	2006	2007	2006
<b>Investment income:</b>				
Interest from:				
Fixed-income securities	\$ 743,375	\$ 719,619	\$ 2,033,574	\$ 2,302,246
Miscellaneous income	39	0	39	7,500
<b>Total investment income</b>	<b>743,414</b>	<b>719,619</b>	<b>2,033,613</b>	<b>2,309,746</b>
<b>Expenses:</b>				
Salaries, benefits and stock-based compensation	3,230,838	3,151,338	8,409,888	4,741,850
Administration and operations	311,332	242,930	1,049,375	971,471
Profit-sharing provision	0	51,545	0	51,545
Professional fees	155,999	95,742	673,261	483,567
Rent	60,314	59,310	178,634	177,929
Directors' fees and expenses	80,364	85,287	333,717	266,089
Depreciation	16,734	16,201	47,955	49,097
Custodian fees	5,428	6,056	17,163	18,618
<b>Total expenses</b>	<b>3,861,009</b>	<b>3,708,409</b>	<b>10,709,993</b>	<b>6,760,166</b>
<b>Net operating loss</b>	<b>(3,117,595)</b>	<b>(2,988,790)</b>	<b>(8,676,380)</b>	<b>(4,450,420)</b>
<b>Net realized gain (loss) from investments:</b>				
Realized gain from investments	14,828	6,420	5,941	19,873
Income tax expense (benefit)	4,083	(242,352)	88,988	(222,815)
<b>Net realized gain (loss) from investments</b>	<b>10,745</b>	<b>248,772</b>	<b>(83,047)</b>	<b>242,688</b>
<b>Net decrease (increase) in unrealized depreciation on investments:</b>				
Change on investments held	3,711,087	151,926	(1,120,140)	(1,317,347)
<b>Net decrease (increase) in unrealized depreciation on investments</b>	<b>3,711,087</b>	<b>151,926</b>	<b>(1,120,140)</b>	<b>(1,317,347)</b>
<b>Net realized and unrealized gain (loss) from investments</b>	<b>3,721,832</b>	<b>400,698</b>	<b>(1,203,187)</b>	<b>(1,074,659)</b>
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ 604,237</b>	<b>\$ (2,588,092)</b>	<b>\$ (9,879,567)</b>	<b>\$ (5,525,079)</b>
<b>Per average basic and diluted outstanding share</b>	<b>\$ 0.03</b>	<b>\$ (0.12)</b>	<b>\$ (0.45)</b>	<b>\$ (0.27)</b>
<b>Average outstanding shares</b>	<b>23,235,023</b>	<b>20,756,345</b>	<b>22,084,893</b>	<b>20,756,345</b>

## TINY Cash Flow Statement

	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
<b>Cash flows used in operating activities:</b>		
Net decrease in net assets resulting from operations	\$ (9,879,567)	\$ (5,525,079)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash used in operating activities:		
Net realized and unrealized loss on investments	1,114,199	1,297,473
Depreciation and amortization	31,425	(351,229)
Stock-based compensation expense	5,725,031	2,585,680
<b>Changes in assets and liabilities:</b>		
Restricted funds	(384,144)	(282,806)
Receivable from portfolio company	(5,000)	75,000
Receivable from broker	819,905	0
Interest receivable	126,292	(317,199)
Income tax receivable	7,209	(159,199)
Prepaid expenses	(131,514)	(138,258)
Other assets	25,630	0
Accounts payable and accrued liabilities	122,356	268,980
Accrued profit sharing	(261,661)	(1,845,527)
Deferred rent	(5,101)	(7,976)
Current income tax liability	0	(9,438,827)
<b>Net cash used in operating activities</b>	<b>(2,694,940)</b>	<b>(13,838,967)</b>
<b>Cash flows from investing activities:</b>		
Purchase of short-term investments and marketable securities	(60,744,292)	(56,380,294)
Sale of short-term investments and marketable securities	56,454,594	96,174,284
Investment in private placements and loans	(17,480,885)	(20,252,341)
Proceeds from sale of investments	51,669	28,295
Purchase of fixed assets	(36,367)	(11,762)
<b>Net cash (used in) provided by investing activities</b>	<b>(21,755,281)</b>	<b>19,558,182</b>
<b>Cash flows from financing activities:</b>		
Proceeds from stock option exercises	9,673,662	0
Proceeds from stock offering	12,993,168	0
<b>Net cash provided by financing activities</b>	<b>22,666,830</b>	<b>0</b>
<b>Net (decrease) increase in cash and cash equivalents:</b>		
Cash and cash equivalents at beginning of the period	2,071,788	1,213,289
Cash and cash equivalents at end of the period	288,397	6,932,504
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>\$ (1,783,391)</b>	<b>\$ 5,719,215</b>

## TINY Schedule of Investments

Company	Method of Valuation*	Shares/Principal	Value
<b>ADESTO TECHNOLOGIES CORPORATION</b>			
Series A Convertible Preferred Stock	A	\$ 3,416,149.00	\$ 1,147,826.00
<b>Total Value:</b>			\$ 1,147,826.00
<b>ALPHASIMPLEX GROUP, LLC</b>			
Limited Liability Company Interest	B	\$ 1.00	\$ 125,000.00
<b>Total Value:</b>			\$ 125,000.00
<b>ANCORA PHARMACEUTICALS, INC.</b>			
Series B Convertible Preferred Stock	A	\$ 909,091.00	\$ 800,000.00
Warrants at \$1.06 expiring 5/1/08	B	\$ 754,717.00	\$ -
<b>Total Value:</b>			\$ 800,000.00
<b>BIO VEX</b>			
Series E Convertible Preferred Stock	A	\$ 2,799,552.00	\$ 2,500,000.00
<b>Total Value:</b>			\$ 2,500,000.00
<b>BRIDGELUX, INC.</b>			
Series B Convertible Stock	C	\$ 1,861,504.00	\$ 1,328,369.00
Series C Convertible Stock	C	\$ 2,130,699.00	\$ 1,520,466.00
Warrants at \$.7136 exp. 2/2/2017	B	\$ 98,340.00	\$ -
Warrants at \$.7136 exp. 4/26/2017	B	\$ 65,560.00	\$ -
<b>Total Value:</b>			\$ 2,848,835.00
<b>CAMBRIOS TECHNOLOGY CORPORATION</b>			
Series B Convertible Preferred Stock	C	\$ 1,294,025.00	\$ 1,294,025.00
Series C Convertible Preferred Stock	C	\$ 1,300,000.00	\$ 1,300,000.00
<b>Total Value:</b>			\$ 2,594,025.00
<b>CHLOROGEN, INC.</b>			
Series A Convertible Preferred Stock	B	\$ 4,478,038.00	\$ -
Series B Convertible Stock	B	\$ 2,077,930.00	\$ -
Secured Convertible Bridge Note (including interest)	B	\$ 176,811.00	\$ -
<b>Total Value:</b>			\$ -
<b>CRYSTAL IS, INC.</b>			
Series A Convertible Preferred Stock	C	\$ 391,571.00	\$ 305,425.00
Series A-1 Convertible Preferred Stock	C	\$ 1,300,376.00	\$ 1,014,294.00
Warrants at \$0.78 expiring 5/5/13	B	\$ 15,231.00	\$ -
Warrants at \$0.78 expiring 5/12/13	B	\$ 2,350.00	\$ -
Warrants at \$0.78 expiring 8/08/13	B	\$ 4,396.00	\$ -
<b>Total Value:</b>			\$ 1,319,719.00
<b>CSWITCH, INC.</b>			
Series A-1 Convertible Preferred Stock	B	\$ 6,863,118.00	\$ 3,431,559.00
Secured Convertible Bridge Note (including interest)	A	\$ 529,852.00	\$ 531,129.00
<b>Total Value:</b>			\$ 3,962,688.00

Company	Method of Valuation*	Shares/Principal	Value
<b>D-WAVE SYSTEMS, INC.</b>			
Series B Convertible Preferred Stock	A	\$ 2,000,000.00	\$ 2,008,240.00
Warrants at \$0.85 expiring 10/19/07	B	\$ 1,800,000.00	\$ -
<b>Total Value:</b>			\$ 2,008,240.00
<b>ENSEMBLE DISCOVERY CORPORATION</b>			
Series B Convertible Preferred Stock	A	\$ 1,449,275.00	\$ 2,000,000.00
<b>Total Value:</b>			\$ 2,000,000.00
<b>EVOLVED NANOMATERIAL SCIENCES, INC.</b>			
Series A Convertible Preferred Stock	B	\$ 5,870,021.00	\$ -
<b>Total Value:</b>			\$ -
<b>EXPONENTIAL BUSINESS DEVELOPMENT COMPANY</b>			
Limited Partnership Interest	B	\$ 1.00	\$ 1,973.00
<b>Total Value:</b>			\$ 1,973.00
<b>INNOVALIGHT, INC.</b>			
Series B Convertible Preferred Stock	A	\$ 16,666,666.00	\$ 5,718,216.00
<b>Total Value:</b>			\$ 5,718,216.00
<b>KEREOS, INC.</b>			
Series B Convertible Preferred Stock	A	\$ 545,456.00	\$ 1,500,000.00
<b>Total Value:</b>			\$ 1,500,000.00
<b>KOVIO, INC.</b>			
Series C Convertible Preferred Stock	C	\$ 2,500,000.00	\$ 3,125,000.00
		\$ 800,000.00	\$ 1,000,000.00
<b>Total Value:</b>			\$ 4,125,000.00
<b>LIFCO CO.</b>			
Series A Convertible Preferred Stock	A	\$ 1,208,262.00	\$ 946,528.00
<b>Total Value:</b>			\$ 946,528.00
<b>MERSANA THERAPEUTICS, INC.</b>			
Series A Convertible Preferred Stock	C	\$ 68,451.00	\$ 136,902.00
Series B Convertible Preferred Stock	C	\$ 866,500.00	\$ 1,733,000.00
Warrants at \$2.00 expiring 10/21/10	B	\$ 91,625.00	\$ -
<b>Total Value:</b>			\$ 1,869,902.00
<b>METABOLON, INC.</b>			
Series B Convertible Preferred Stock	A	\$ 2,173,913.00	\$ 2,500,000.00
<b>Total Value:</b>			\$ 2,500,000.00
<b>MOLECULAR IMPRINTS, INC.</b>			
Series B Convertible Preferred Stock	B	\$ 1,333,333.00	\$ 2,000,000.00
Series C Convertible Preferred Stock	B	\$ 1,250,000.00	\$ 2,500,000.00
Warrants at \$2.00 expiring 12/31/11	B	\$ 125,000.00	\$ -
<b>Total Value:</b>			\$ 4,500,000.00

Company	Method of Valuation*	Shares/Principal	Value
<b>NANOGRAM CORPORATION</b>			
Series I Convertible Preferred Stock	C	\$ 63,210.00	\$ 64,259.00
Series II Convertible Preferred Stock	C	\$ 1,250,904.00	\$ 1,271,670.00
Series III Convertible Preferred Stock	C	\$ 1,242,144.00	\$ 1,262,764.00
<b>Total Value:</b>		\$	2,598,693.00
<b>NANOMIX, INC.</b>			
Series C Convertible Preferred Stock	B	\$ 9,779,181.00	\$ 57,905.00
Series D Convertible Preferred Stock	B	\$ 6,802,398.00	\$ 402,789.00
<b>Total Value:</b>		\$	460,694.00
<b>NANOOPTO CORPORATION</b>			
Series A-1 Convertible Preferred Stock	B	\$ 267,857.00	\$ -
Series B Convertible Preferred Stock	B	\$ 3,819,935.00	\$ -
Series C Convertible Preferred Stock	B	\$ 1,932,789.00	\$ -
Series D Convertible Preferred Stock	B	\$ 13,977,218.00	\$ -
Secured Convertible Bridge Note (including interest)	B	\$ 2,686,754.00	\$ -
Warrants at \$0.4359 expiring 03/15/10	B	\$ 193,279.00	\$ -
<b>Total Value:</b>		\$	-
<b>NANOSYS, INC.</b>			
Series C Convertible Preferred Stock	C	\$ 803,428.00	\$ 2,370,113.00
Series D Convertible Preferred Stock	C	\$ 1,016,950.00	\$ 3,000,003.00
<b>Total Value:</b>		\$	5,370,116.00
<b>NANTERO, INC.</b>			
Series A Convertible Preferred Stock	C	345,070	\$ 1,046,908.00
Series B Convertible Preferred Stock	C	\$ 207,051.00	\$ 628,172.00
Series C Convertible Preferred Stock	C	\$ 188,315.00	\$ 571,329.00
<b>Total Value:</b>		\$	2,246,409.00
<b>NEOPHOTONICS CORPORATION</b>			
Common Stock	B	\$ 716,195.00	\$ 133,141.00
Series 1 Convertible Preferred Stock	B	\$ 1,831,256.00	\$ 1,831,256.00
Series 2 Convertible Preferred Stock	B	\$ 741,898.00	\$ 741,898.00
Series 3 Convertible Preferred Stock	B	\$ 2,750,000.00	\$ 2,750,000.00
Warrants at \$0.15 expiring 01/26/10	B	\$ 16,364.00	\$ 164.00
Warrants at \$0.15 expiring 12/05/10	B	\$ 14,063.00	\$ 140.00
<b>Total Value:</b>		\$	5,456,599.00
<b>NEXTREME THERMAL SOLUTIONS, INC.</b>			
Series A Convertible Preferred Stock	B	\$ 1,750,000.00	\$ 1,750,000.00
<b>Total Value:</b>		\$	1,750,000.00
<b>POLATIS, INC.</b>			
Series A-1 Convertible Preferred Stock	B	\$ 16,775.00	\$ -
Series A-2 Convertible Preferred Stock	B	\$ 71,611.00	\$ 132,653.00
Series A-4 Convertible Preferred Stock	B	\$ 4,774.00	\$ 8,768.00
Series A-5 Convertible Preferred Stock	B	\$ 9,311.00	\$ 76,523.00
<b>Total Value:</b>		\$	217,944.00

Company	Method of Valuation*	Shares/Principal	Value
<b>QUESTECH CORPORATION</b>			
Common Stock	B	\$ 655,454.00	\$ 747,217.00
Warrants at \$1.50 expiring 11/21/07	B	\$ 3,750.00	\$ -
Warrants at \$1.50 expiring 11/19/08	B	\$ 5,000.00	\$ -
Warrants at \$1.50 expiring 11/19/09	B	\$ 5,000.00	\$ -
<b>Total Value:</b>			\$ 747,217.00
<b>SOLAZYME, INC.</b>			
Series A Convertible Preferred Stock	B	\$ 988,204.00	\$ 385,400.00
Series B Convertible Preferred Stock	B	\$ 495,246.00	\$ 500,000.00
<b>Total Value:</b>			\$ 885,400.00
<b>STARFIRE SYSTEMS, INC.</b>			
Common Stock	B	\$ 375,000.00	\$ 150,000.00
Series A-1 Convertible Preferred Stock	C	\$ 600,000.00	\$ 600,000.00
<b>Total Value:</b>			\$ 750,000.00
<b>SIONYX, INC.</b>			
Series A Convertible Preferred Stock	C	\$ 233,499.00	\$ 135,686.00
Series A-1 Convertible Preferred Stock	C	\$ 2,966,667.00	\$ 1,723,930.00
Series A-2 Convertible Preferred Stock	C	\$ 4,207,537.00	\$ 2,445,000.00
<b>Total Value:</b>			\$ 4,304,616.00
<b>XRADIA, INC.</b>			
Series D Convertible Preferred Stock	A	\$ 3,121,099.00	\$ 4,000,000.00
<b>Total Value:</b>			\$ 4,000,000.00
<b>ZIA LASER, INC.</b>			
Series C Convertible Preferred Stock	B	\$ 1,500,001.00	\$ 15,000.00
<b>Total Value:</b>			\$ 15,000.00
<b>Total VC Portfolio</b>			<b>69,270,640</b>
<b>Total Bond Portfolio</b>			<b>63,675,852</b>
<b>Total Investments</b>			<b>132,946,492</b>

\*Equity-related securities are valued using one or more of the following basic methods of valuation:

A. Cost. The cost method is based on our original cost. This method is generally used in the early stages of a company's development until significant positive or negative events occur subsequent to the date of the original investment that dictate a change to another valuation method. Some examples of these events are: (1) a major recapitalization; (2) a major refinancing; (3) a significant third-party transaction; (4) the development of a meaningful public market for the company's common stock; and (5) significant positive or negative changes in a company's business.

B. Analytical Method. The analytical method is generally used to value an investment position when there is no established public or private market in the company's securities or when the factual information available to us dictates that an investment should no longer be valued under either the cost or private market method. This valuation method is inherently imprecise and ultimately the result of reconciling the judgments of our Valuation Committee members, based on the data available to them. The resulting valuation, although stated as a precise number, is necessarily within a range of values that vary depending upon the significance attributed to the various factors being considered. Some of the factors considered may include the financial condition and operating results of the company, the long-term potential of the business of the company, the values of similar securities issued by companies in similar businesses, the proportion of the company's securities we own and the nature of any rights to require the company to register restricted securities under applicable securities laws.

C. Private Market. The private market method uses actual, executed, historical transactions in a company's securities by responsible third parties as a basis for valuation. The private market method may also use, where applicable, unconditional firm offers by responsible third parties as a basis for valuation.

D. Public Market. The public market method is used when there is an established public market for the class of the company's securities held by us or into which our securities are convertible. We discount market value for securities that are subject to significant legal and contractual restrictions. Other securities, for which market quotations are readily available, are carried at market value as of the time of valuation. Market value for securities traded on securities exchanges or on the Nasdaq Global Market is the last reported sales price on the day of valuation. For other securities traded in the over-the-counter market and listed securities for which no sale was reported on that day, market value is the mean of the closing bid price and asked price on that day. This method is the preferred method of valuation when there is an established public market for a company's securities, as that market provides the most objective basis for valuation.