

SUNTRUST BANKS INC
Form 424B7
September 21, 2011
Table of Contents

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell nor are they soliciting any offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

FILED PURSUANT TO RULE 424 (B) (7)

REGISTRATION NO: 333-161712

PROSPECTUS SUPPLEMENT (Subject to Completion)

(To Prospectus dated September 3, 2009)

Issued September 21, 2011

SunTrust Banks, Inc.

6,008,902 Warrants

Each Warrant is to Purchase One Share of Common Stock

The United States Department of the Treasury (referred to in this prospectus supplement as the *selling security holder* or *Treasury*) is offering to sell 6,008,902 warrants, each of which represents the right to purchase one share of our common stock, par value \$1.00 per share, at an initial exercise price of \$33.70 per share. Both the exercise price and the number of shares that will be acquired upon the exercise of a warrant are subject to adjustment from time to time as described in this prospectus supplement. We will not receive any of the proceeds from the sale of the warrants offered by the selling security holder. The warrants expire on December 31, 2018.

We originally issued the warrants to Treasury in a private placement under the Capital Purchase Program established by the Treasury as part of its Troubled Asset Relief Program (*TARP*) as authorized by the Emergency Economic Stabilization Act of 2008 (the *EESA*). Prior to this offering, there has been no public market for the warrants. We have applied to list the warrants on the New York Stock Exchange (the *NYSE*) under the symbol *STI WS A*. Our common stock is listed on the NYSE under the symbol *STI*. On September 20, 2011, the last reported sale price of our common stock on the NYSE was \$18.98 per share.

The public offering price and the allocation of the warrants in this offering will be determined by an auction process. During the auction period, potential bidders will be able to place bids at any price (in increments of \$0.05) at or above the minimum bid price of \$2.00 per warrant. The minimum size for any bid is 100 warrants. If the selling security holder decides to sell the warrants being offered, the public offering price of the warrants will equal the clearing price set in the auction. If bids are received for 100% or more of the offered warrants, the clearing price will be equal to the highest price at which all offered warrants can be sold in the auction. If bids are received for 100% or more of the offered warrants, and the selling security holder elects to sell warrants in the auction, the selling security holder must sell all of the warrants offered during the auction process at the clearing price. If bids are received for half or more, but less than all, of the offered warrants, then the clearing price will be equal to the minimum bid price of \$2.00 per warrant, and the selling security holder may (but is not required to) sell, at the clearing price, as many warrants as it chooses to sell up to the number of bids received in the auction, so long as at least half of the offered warrants are

Edgar Filing: SUNTRUST BANKS INC - Form 424B7

sold and the warrants remain eligible for listing. In certain cases described in this prospectus supplement, bidders may experience pro-ration of their bids. If bids are received for less than half of the offered warrants, the selling security holder will not sell any warrants in this offering. **Even if bids are received for all of the warrants, the selling security holder may decide not to sell any warrants, regardless of the clearing price set in the auction process.** The method for submitting bids and a more detailed description of this auction process are described in "Auction Process" beginning on page S-17 of this prospectus supplement.

You must meet minimum suitability standards in order to purchase the warrants. You must be able to understand and bear the risk of an investment in the warrants and should be experienced with respect to options and option transactions. You should reach an investment decision only after careful consideration, with your advisers, of the suitability of the warrants in light of your particular financial circumstances and the information in this prospectus supplement and the accompanying prospectus. **The warrants involve a high degree of risk, are not appropriate for every investor and may expire worthless.**

Investing in the warrants and the common stock involves a number of risks. See the "Risk Factors" section on page S-6, along with the other information in this prospectus supplement and the accompanying prospectus before you make your investment decision.

The warrants and the underlying common stock are neither deposits nor savings accounts and are not guaranteed by the United States Department of the Treasury or insured by the Federal Deposit Insurance Corporation or any other governmental agency or instrumentality.

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

	Per warrant	Total
Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds, before expenses, to the selling security holder	\$	\$

The underwriters expect to deliver the warrants in book-entry form only, through the facilities of The Depository Trust Company, against payment on or about September 1, 2011.

Deutsche Bank Securities

Co-Manager

Lebenthal & Co., LLC

Prospectus Supplement dated September 1, 2011

Table of Contents

TABLE OF CONTENTS

Prospectus Supplement

	Page
<u>ABOUT THIS PROSPECTUS SUPPLEMENT</u>	ii
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	iii
<u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	iv
<u>SUMMARY</u>	S-1
<u>RISK FACTORS</u>	S-6
<u>AUCTION PROCESS</u>	S-17
<u>USE OF PROCEEDS</u>	S-24
<u>REGULATORY CONSIDERATIONS</u>	S-25
<u>DESCRIPTION OF WARRANTS</u>	S-26
<u>DESCRIPTION OF CAPITAL STOCK</u>	S-33
<u>SELLING SECURITY HOLDER</u>	S-37
<u>CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS</u>	S-39
<u>EMPLOYEE RETIREMENT INCOME SECURITY ACT</u>	S-45
<u>UNDERWRITING</u>	S-47
<u>VALIDITY OF THE WARRANTS</u>	S-51
<u>EXPERTS</u>	S-51

Prospectus

<u>ABOUT THIS PROSPECTUS</u>	1
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	1
<u>USE OF PROCEEDS</u>	2
<u>VALIDITY OF SECURITIES</u>	2
<u>EXPERTS</u>	3

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part is the prospectus, which describes more general information, some of which may not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus, together with additional information described below under the heading *Where You Can Find More Information*.

Unless otherwise mentioned or unless the context requires otherwise, all references in this prospectus supplement to *SunTrust*, *we*, *us*, *our* or similar references mean SunTrust Banks, Inc. and its subsidiaries.

If the information set forth in this prospectus supplement differs in any way from the information set forth in the accompanying prospectus, you should rely on the information set forth in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. This prospectus supplement may be used only for the purpose for which it has been prepared. No one is authorized to give information other than that contained in this prospectus supplement and in the documents referred to in this prospectus supplement and which are made available to the public. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it.

We are not, and the selling security holder and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this prospectus supplement or any document incorporated by reference is accurate as of any date other than the date of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date. Neither this prospectus supplement nor the accompanying prospectus constitutes an offer, or an invitation on our behalf or on behalf of the underwriters or the selling security holder, to subscribe for and purchase, any of the securities and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, or the SEC. Our SEC filings are available to the public from the SEC's web site at <http://www.sec.gov>. To receive copies of public records not posted to the SEC's web site at prescribed rates, you may complete an online form at <http://www.sec.gov>, send a fax to (202) 772-9337 or submit a written request to the SEC, Office of FOIA/PA Operations, 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information. Our SEC filings are also available at the offices of the NYSE. For further information on obtaining copies of our public filings at the NYSE, you should call 212-656-3000.

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement, and later information that we file with the SEC will automatically update and supersede this information. We incorporate by reference the following documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, or the *Exchange Act* (other than, in each case, information that is deemed not to have been filed in accordance with SEC rules), prior to the termination of the offering:

Annual Report on Form 10-K for the year ended December 31, 2010;

Quarterly Reports on Form 10-Q for the quarters ended March 31, 2011 and June 30, 2011;

Current Reports on Form 8-K dated December 31, 2010, February 7, 2011, March 9, 2011 (Item 8.01 only), March 18, 2011, March 21, 2011 (Item 8.01 and related Exhibits 4.1, 5.1, 23.1 and 99.2 only), April 1, 2011 (Form 8-K/A filed on April 27, 2011), April 21, 2011 (Item 5.02 and related Exhibit 99.3 only), April 25, 2011, April 26, 2011 (Form 8-K/A filed on June 20, 2011), June 1, 2011, August 8, 2011 and August 9, 2011; and

the description of SunTrust's common stock, \$1.00 par value per share, contained in our Registration Statement on Form 8-A, under Section 12(b) of the Exchange Act, filed March 5, 2003, including any amendment or report filed for the purpose of updating such description.

You may request a copy of these filings (other than an exhibit to a filing unless that exhibit is specifically incorporated by reference into that filing), at no cost, by writing or calling us at the following address:

SunTrust Banks, Inc.

303 Peachtree Street, NE

Atlanta, Georgia 30308

Telephone: 404-588-7711

Attn: Corporate Secretary

We have also filed a registration statement (No. 333-161712) with the SEC relating to the securities offered by this prospectus supplement and the accompanying prospectus. This prospectus supplement is part of the registration statement. You may obtain from the SEC a copy of the registration statement and exhibits that we filed with the SEC when we registered the securities. The registration statement may contain additional information that may be important to you.

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information included or incorporated by reference in this prospectus supplement may contain forward-looking statements, including statements about credit quality and the future prospects of SunTrust. Statements that do not describe historical or current facts, including statements about beliefs and expectations, are forward-looking statements. These statements often include the words *believes*, *expects*, *anticipates*, *estimates*, *intends*, *plans*, *targets*, *potentially*, *probably*, *projects*, *outlook* or similar expressions or future conditions. *may*, *will*, *should*, *would* and *could*.

Such statements are based upon the current beliefs and expectations of SunTrust's management and on information currently available to management. The forward-looking statements are intended to be subject to the safe harbor provided by Section 27A of the Securities Act of 1933, as amended, or the *Securities Act*, and Section 21E of the Exchange Act. Such statements speak as of the date hereof, and SunTrust does not assume any obligation to update the statements included or incorporated by reference herein or to update the reasons why actual results could differ from those contained in such statements in light of new information or future events.

Forward-looking statements are subject to significant risks and uncertainties. Investors are cautioned against placing undue reliance on such statements. Actual results may differ materially from those set forth in the forward-looking statements. Factors that could cause actual results to differ materially from those described in the forward-looking statements can be found beginning on page 8 of SunTrust's Annual Report on Form 10-K for the year ended December 31, 2010 (as updated on page 92 of SunTrust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 and on page 110 of SunTrust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011) and elsewhere in SunTrust's periodic reports and Current Reports filed on Form 8-K with the SEC and available at the SEC's internet site (<http://www.sec.gov>). Those factors include:

difficult market conditions have adversely affected our industry;

concerns over market volatility continue;

the Dodd-Frank Act makes fundamental changes in the regulation of the financial services industry, some of which may adversely affect our business;

we are subject to capital adequacy and liquidity guidelines and, if we fail to meet these guidelines, our financial condition would be adversely affected;

emergency measures designed to stabilize the U.S. banking system are beginning to wind down;

we are subject to credit risk;

our allowance for loan and lease losses may not be adequate to cover our eventual losses;

we will realize future losses if the proceeds we receive upon liquidation of nonperforming assets are less than the carrying value of such assets;

weakness in the economy and in the real estate market, including specific weakness within our geographic footprint, has adversely affected us and may continue to adversely affect us;

weakness in the real estate market, including the secondary residential mortgage loan markets, has adversely affected us and may continue to adversely affect us;

we are subject to certain risks related to originating and selling mortgages;

Table of Contents

we may be required to repurchase mortgage loans or indemnify mortgage loan purchasers as a result of breaches of representations and warranties, borrower fraud, or certain borrower defaults, which could harm our liquidity, results of operations, and financial condition;

we are subject to risks related to delays in the foreclosure process;

we may continue to suffer increased losses in our loan portfolio despite enhancement of our underwriting policies;

as a financial services company, adverse changes in general business or economic conditions could have a material adverse effect on our financial condition and results of operations;

changes in market interest rates or capital markets could adversely affect our revenue and expense, the value of assets and obligations, and the availability and cost of capital or liquidity;

the fiscal and monetary policies of the federal government and its agencies could have a material adverse effect on our earnings;

depressed market values for our stock may require us to write down goodwill;

clients could pursue alternatives to bank deposits, causing us to lose a relatively inexpensive source of funding;

consumers may decide not to use banks to complete their financial transactions, which could affect net income;

we have businesses other than banking which subject us to a variety of risks;

hurricanes and other natural or man-made disasters may adversely affect loan portfolios and operations and increase the cost of doing business;

negative public opinion could damage our reputation and adversely impact business and revenues;

the soundness of other financial institutions could adversely affect us;

we rely on other companies to provide key components of our business infrastructure;

we rely on our systems, employees, and certain counterparties, and certain failures could materially adversely affect our operations;

we depend on the accuracy and completeness of information about clients and counterparties;

Edgar Filing: SUNTRUST BANKS INC - Form 424B7

regulation by federal and state agencies could adversely affect the business, revenue, and profit margins;

competition in the financial services industry is intense and could result in losing business or margin declines;

future legislation could harm our competitive position;

maintaining or increasing market share depends on market acceptance and regulatory approval of new products and services;

v

Table of Contents

we may not pay dividends on our common stock;

disruptions in our ability to access global capital markets may negatively affect our capital resources and liquidity;

any reduction in our credit rating could increase the cost of our funding from the capital markets;

we have in the past and may in the future pursue acquisitions, which could affect costs and from which we may not be able to realize anticipated benefits;

we are subject to certain litigation, and our expenses related to this litigation may adversely affect our results;

we depend on the expertise of key personnel, and if these individuals leave or change their roles without effective replacements, our operations may suffer;

we may not be able to hire or retain additional qualified personnel and recruiting and compensation costs may increase as a result of turnover, both of which may increase costs and reduce profitability and may adversely impact our ability to implement our business strategies;

our accounting policies and processes are critical to how we report our financial condition and results of operations, and require management to make estimates about matters that are uncertain;

changes in our accounting policies or in accounting standards could materially affect how we report our financial results and condition;

our stock price can be volatile;

our disclosure controls and procedures may not prevent or detect all errors or acts of fraud;

our financial instruments carried at fair value expose us to certain market risks;

our revenues derived from our investment securities may be volatile and subject to a variety of risks; and

we may enter into transactions with off-balance sheet affiliates or our subsidiaries.

Table of Contents

SUMMARY

The following information should be read together with the information contained in or incorporated by reference in other parts of this prospectus supplement and in the accompanying prospectus. It may not contain all the information that is important to you. You should carefully read this entire prospectus supplement and the accompanying prospectus, as well as the information to which we refer you and the information incorporated by reference herein, before making a decision about whether to invest in the warrants or the common stock. To the extent the following information is inconsistent with the information in the accompanying prospectus, you should rely on the following information. If any statement in this prospectus supplement conflicts with any statement in a document which we have incorporated by reference, then you should consider only the statement in the more recent document. You should pay special attention to the Risk Factors section of this prospectus supplement to determine whether an investment in the warrants or the common stock is appropriate for you.

The Issuer

SunTrust Banks, Inc., with total assets of \$172.2 billion as of June 30, 2011, is one of the nation's largest financial services holding companies.

Through our flagship subsidiary, SunTrust Bank, we provide deposit, credit and trust and investment services. Additional subsidiaries provide mortgage banking, insurance, asset management, equipment leasing, brokerage and capital market services. SunTrust's client base encompasses a broad range of individuals and families, high net worth clients, businesses and institutions.

SunTrust enjoys strong market positions in some of the highest growth markets in the United States and also serves clients in selected markets nationally. Our priorities include consistency in financial performance, quality in customer service and a strong commitment to all segments of the communities we serve.

As of June 30, 2011, SunTrust had 1,661 retail and specialized service branches and 2,919 ATMs, which are located primarily in Florida, Georgia, Maryland, North Carolina, South Carolina, Tennessee, Virginia and the District of Columbia. In addition, SunTrust provides clients with a selection of technology based banking channels including Internet, PC and Telephone Banking. Our internet address is www.suntrust.com. Information presented on or accessed through our web site is not incorporated into, or made a part of, this prospectus supplement.

As of June 30, 2011, SunTrust had total assets under advisement of \$201.0 billion. This includes \$165.2 billion in trust assets as well as \$35.8 billion in retail brokerage assets. SunTrust's mortgage servicing portfolio was \$162.9 billion as of June 30, 2011.

Our principal executive offices are located at SunTrust Banks, Inc., 303 Peachtree Street, NE, Atlanta, Georgia 30308. Our telephone number is 404-588-7711.

Table of Contents**Summary of the Offering**

*The following summary contains basic information about the warrants, the common stock, and the auction process and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the warrants and the common stock, you should read the sections of this prospectus supplement entitled *Description of Warrants* and *Description of Capital Stock*.*

Issuer	SunTrust Banks, Inc.
Warrants offered by the selling security holder	6,008,902
Common stock outstanding after this offering	536,906,686 shares ⁽¹⁾⁽²⁾
Auction process	The selling security holder and the underwriters will determine the public offering price and the allocation of the warrants in this offering through an auction process conducted by Deutsche Bank Securities Inc., the sole book-running manager, in its capacity as the auction agent. The auction process will entail a modified Dutch auction mechanic in which bids may be submitted through the auction agent or one of the other brokers that is a member of the broker network, which are collectively referred to in this prospectus supplement as the network brokers, established in connection with the auction process. Each broker will make suitability determinations with respect to its own customers wishing to participate in the auction process. The auction agent will not provide bidders with any information about the bids of other bidders or auction trends, or with advice regarding bidding strategies, in connection with the auction process. We encourage you to discuss any questions regarding the bidding process and suitability determinations applicable to your bids with your broker. We do not intend to submit any bids in the auction. For more information about the auction process, see <i>Auction Process</i> in this prospectus supplement.
Minimum bid price and price increments	The offering is being made using an auction process in which prospective purchasers are required to bid for the warrants. During the auction period, bids may be placed by qualifying bidders at any price (in increments of \$0.05) at or above the minimum bid price of \$2.00 per warrant. See <i>Auction Process</i> in this prospectus supplement.
Minimum bid size	100 warrants
Bid submission deadline	The auction will commence at 8:00 a.m., New York City time, on the date specified by the auction agent in a press release issued prior to the opening of the equity markets on such day,

Table of Contents

and will close at 6:30 p.m., New York City time, on that same day, which is referred to as the submission deadline.

Irrevocability of bids

Bids that have not been modified or withdrawn by the time of the submission deadline are final and irrevocable, and bidders who submit successful bids will be obligated to purchase the warrants allocated to them. The auction agent is under no obligation to reconfirm bids for any reason; however, the auction agent may require that bidders confirm their bids at its discretion before the auction process closes. See Auction Process in this prospectus supplement.

Clearing price

The price at which the warrants will be sold to the public will be the clearing price set by the auction process. The clearing price will be determined based on the valid, irrevocable bids at the time of the final submission deadline as follows:

if valid, irrevocable bids are received for 100% or more of the number of warrants being offered, the clearing price will be equal to the highest price in the auction at which the quantity of all bids at or above such price equals 100% or more of the number of warrants being offered in the auction.

If bids are received for half or more, but less than all, of the offered warrants, the clearing price will be equal to the minimum bid price of \$2.00 per warrant.

Unless the selling security holder decides not to sell any warrants or as otherwise described below, the warrants will be sold to bidders at the clearing price. Even if bids are received for 100% or more of the warrants being offered, the selling security holder may decide not to sell any warrants in the auction process, regardless of the clearing price. If the selling security holder decides to sell warrants in the auction, after the selling security holder confirms its acceptance of the clearing price (and, in the case where bids are received for fewer than 100% of the warrants being offered, the number of warrants to be sold), the auction agent and each network broker that has submitted bids will notify successful bidders that the auction has closed and that their bids have been accepted (subject in some cases to pro-ration, as described below). The clearing price and number of warrants being sold are also expected to be announced by press release prior to the opening of the equity markets on the business day following the end of the auction. See Auction Process in this prospectus supplement.

Number of warrants to be sold

If bids are received for half or more, but less than all, of the offered warrants, then the selling security holder may, but is not required to, sell at the minimum bid price in the auction (which will be deemed to be the clearing price) as many warrants as it chooses to sell up to the number of bids received in the auction, so long as at least half of the offered warrants are sold

Table of Contents

and the warrants remain eligible for listing. If bids are received for less than half of the offered warrants, the selling security holder will not sell any warrants in this offering. Even if bids are received for all of the warrants, the selling security holder may decide not to sell any warrants in the auction process, regardless of the clearing price. If bids are received for all of the offered warrants and the selling security holder elects to sell warrants in the auction, the selling security holder must sell all of the offered warrants. See Auction Process in this prospectus supplement.

Allocation; pro-ration

If bids for all the warrants offered in this offering are received, and the selling security holder elects to sell warrants in the offering, then any bids submitted in the auction above the clearing price will receive allocations in full, while any bids submitted at the clearing price may experience pro-rata allocation. If bids for half or more, but less than all, of the warrants offered in this offering are received, and the selling security holder chooses to sell fewer warrants than the number of warrants for which bids were received, then all bids will experience equal pro-rata allocation. See Auction Process in this prospectus supplement.

Use of proceeds

We will not receive any proceeds from the sale of any of the securities offered by the selling security holder. See Use of Proceeds.

Risk factors

See Risk Factors and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of the factors you should consider carefully before deciding to invest in the warrants.

Listing

We have applied to list the warrants on the NYSE under the symbol STI WS A. Our common stock is listed on the NYSE under the symbol STI.

Warrant agent

Computershare Trust Company

Auction agent

Deutsche Bank Securities Inc.

Network brokers

See page S-19 for a list of brokers participating as network brokers in the auction process.

Concurrent warrant auction

Concurrently with this offering of warrants, the selling security holder is offering up to 11,891,280 warrants, each to purchase one share of our common stock, in a separate modified Dutch auction. These additional warrants have an exercise price of \$44.15, expire on November 14, 2018 and will be immediately

Table of Contents

exercisable. The public offering price of the warrants in the concurrent offering is \$ per warrant. A prospectus supplement relating to those additional warrants has been filed with the SEC.

This offering of warrants is separate from the selling security holder's concurrent offering of the additional warrants. If you wish to bid on the additional warrants being sold in the concurrent offering, you must submit those bids separately in the auction for those warrants, and any bid you submit for the warrants offered by this prospectus supplement will not be a bid for the additional warrants in the concurrent auction.

- (1) The number of shares of common stock outstanding immediately after the closing of this offering is based on 536,906,686 shares of common stock outstanding as of June 30, 2011.
- (2) Unless otherwise indicated, the number of shares of common stock presented in this prospectus supplement excludes 5,850,535 shares of common stock issuable under our stock compensation plans, shares issuable upon exercise of the warrants being offered by this prospectus supplement and shares issuable upon exercise of the additional warrants being sold by Treasury in a separate concurrent auction.

Table of Contents

RISK FACTORS

An investment in our securities involves certain risks. You should carefully consider the risks described below, the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2010 and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2011 and June 30, 2011, as well as the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of the warrants or our common stock could decline due to any of these risks, and you may lose all or part of your investment. This prospectus supplement also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks related to our common stock and faced by us described below and elsewhere in this prospectus supplement and the accompanying prospectus.

Risks Related to the Auction Process

The Price of the Warrants Could Decline Rapidly and Significantly Following this Offering.

The public offering price of the warrants, which will be the clearing price, will be determined through an auction process conducted by the selling security holder and the auction agent. Although we have applied to list the warrants on the NYSE, prior to this offering there has been no public market for the warrants, and the public offering price may bear no relation to market demand for the warrants once trading begins. We have been informed by both Treasury and Deutsche Bank Securities Inc. (Deutsche Bank Securities), as the auction agent, that they believe that the bidding process will reveal a clearing price for the warrants offered in the auction process, which will either be the highest price at which all of the warrants offered may be sold to bidders, if bids are received for 100% or more of the offered warrants, or the minimum bid price of \$2.00, if bids are received for half or more, but less than all, of the offered warrants. If there is little or no demand for the warrants at or above the public offering price once trading begins, the price of the warrants would likely decline following this offering. Limited or less-than-expected liquidity in the warrants, including decreased liquidity due to a sale of less than all of the warrants being offered, could also cause the trading price of the warrants to decline. In addition, the auction process may lead to more volatility in, or a decline in, the trading price of the warrants after the initial sales of the warrants in this offering. If your objective is to make short-term profit by selling the warrants you purchase in the offering shortly after trading begins, you should not submit a bid in the auction.

The Minimum Bid Price that the Auction Agent Has Set for the Warrants in this Offering May Bear No Relation to the Price of the Warrants after the Offering.

Prior to this offering, there has been no public market for the warrants. The minimum bid price set forth in this prospectus supplement was agreed by Deutsche Bank Securities, the sole book running manager of this offering, and Treasury. We did not participate in the determination of the minimum bid price and therefore cannot provide any information regarding the factors that Treasury and Deutsche Bank Securities considered in such determination. An analysis of the value of complex securities such as the warrants is necessarily uncertain as it may depend on several key variables, including for example the volatility of the trading prices of the underlying security. The difficulty associated with determining the value of the warrants is further increased by the substantial time period during which the warrants can be exercised. We cannot assure you that the price at which the warrants will trade after completion of this offering will exceed this minimum bid price, or that Treasury will choose to or will succeed in selling, any or all of the warrants at a price equal to or in excess of the minimum bid price.

Table of Contents

The Auction Process for this Offering May Result in a Phenomenon Known as the Winner's Curse, and, as a Result, Investors May Experience Significant Losses.

The auction process for this offering may result in a phenomenon known as the winner's curse. At the conclusion of the auction process, successful bidders that receive allocations of warrants in this offering may infer that there is little incremental demand for the warrants above or equal to the public offering price. As a result, successful bidders may conclude that they paid too much for the warrants and could seek to immediately sell their warrants to limit their losses should the price of the warrants decline in trading after the auction process is completed. In this situation, other investors that did not submit successful bids may wait for this selling to be completed, resulting in reduced demand for the warrants in the public market and a significant decline in the price of the warrants. Therefore, we caution investors that submitting successful bids and receiving allocations may be followed by a significant decline in the value of their investment in the warrants shortly after this offering.

The Auction Process for this Offering May Result in a Situation in which Less Price Sensitive Investors Play a Larger Role in the Determination of the Public Offering Price and Constitute a Larger Portion of the Investors in this Offering, and, as a Result, the Public Offering Price May Not Be Sustainable Once Trading of Warrants Begins.

In a typical public offering of securities, a majority of the securities sold to the public are purchased by professional investors that have significant experience in determining valuations for companies in connection with such offerings. These professional investors typically have access to, or conduct their own, independent research and analysis regarding investments in such offerings. Other investors typically have less access to this level of research and analysis, and as a result, may be less sensitive to price when participating in the auction. Because of the auction process used in this auction, these less price sensitive investors may have a greater influence in setting the public offering price (because a larger number of higher bids may cause the clearing price in the auction to be higher than it would otherwise have been absent such bids) and may have a higher level of participation in this offering than is normal for other public offerings. This, in turn, could cause the auction process to result in a public offering price that is higher than the price professional investors are willing to pay for the warrants. As a result, the price of the warrants may decrease once trading of the warrants begins. Also, because professional investors may have a substantial degree of influence on the trading price of the warrants over time, the price of the warrants may decline and not recover after this offering. Furthermore, if the public offering price of the warrants is above the level that investors determine is reasonable for the warrants, some investors may attempt to short sell the warrants after trading begins, which would create additional downward pressure on the trading price of the warrants.

The Clearing Price for the Warrants May Bear Little or No Relationship to the Price for the Warrants that Would Be Established Using Traditional Valuation Methods or the Market Price of Our Common Stock, and, as a Result, the Trading Price of the Warrants May Decline Significantly Following the Issuance of the Warrants.

The public offering price of the warrants will be equal to the clearing price. The clearing price of the warrants may have little or no relationship to, and may be significantly higher than, the price for the warrants that otherwise would be established using traditional indicators of value, such as our future prospects and those of our industry in general; our revenues, earnings, and other financial and operating information; multiples of revenue, earnings, cash flows, and other operating metrics; market prices of securities and other financial and operating information of companies engaged in activities similar to us; and the views of research analysts. The trading price of the warrants may vary significantly from the public offering price. Potential investors should not submit a bid in the auction for this offering unless they are willing to take the risk that the price of the warrants could decline significantly.

Table of Contents

No Maximum Price or Set Auction Price Range Has Been Established in Connection with the Auction Process, and any Bids Submitted as Market Bids Will Be Included at the Highest Bid Received From any Bidder.

Although the auction agent has established a minimum bid in connection with the auction process, no maximum price or set price range has been implemented, meaning that there is no ceiling on the per-warrant amount that an investor can bid in the auction. If a bidder submits a market bid (i.e., a bid that specifies the number of warrants the bidder is willing to purchase without specifying the price it is willing to pay), that bid will be treated as a bid at the highest price received from any other bidder in the auction. Because market bids will increase the number of warrants that are covered by bids at the highest price received, the submission of market bids could cause the clearing price in the auction process to be higher than it would otherwise have been absent such market bids. Since the only information being provided in connection with the auction process is the minimum bid price and the auction agent is under no obligation to reconfirm bids for any reason, potential investors should carefully evaluate all factors that may be relevant about us, our operations, the warrants and the auction process in determining the appropriateness of any bids they may submit.

Successful Bidders May Receive the Full Number of Warrants Subject to their Bids, so Potential Investors Should Not Make Bids for More Warrants than They are Prepared to Purchase.

Each bidder may submit multiple bids. However, as bids are independent, each bid may result in an allocation of warrants. Allocation of the warrants will be determined by, first, allocating warrants to any bids made above the clearing price, and second, allocating warrants on a pro-rata basis among bids made at the clearing price. If bids for all the warrants offered in this offering are received, and the selling security holder elects to sell warrants in the offering, the bids of successful bidders that are above the clearing price will be allocated all of the warrants represented by such bids, and only bids submitted at the clearing price will experience any pro-rata allocation. Bids that have not been modified or withdrawn by the time of the submission deadline are final and irrevocable, and bidders who submit successful bids will be obligated to purchase the warrants allocated to them. Accordingly, the sum of a bidder's bid sizes as of the submission deadline should be no more than the total number of warrants the bidder is willing to purchase, and investors are cautioned against submitting a bid that does not accurately represent the number of warrants that they are willing and prepared to purchase.

Submitting a Bid Does Not Guarantee an Allocation of Warrants, Even If a Bidder Submits a Bid At or Above the Public Offering Price of the Warrants.

The auction agent may require, at its discretion, that bidders confirm their bids before the auction closes (although the auction agent is under no obligation to reconfirm bids for any reason). If a bidder is requested to confirm a bid and fails to do so within the permitted time period, that bid may be deemed to have been withdrawn and, accordingly, that bidder may not receive an allocation of warrants even if the bid is at or above the public offering price. The auction agent may, however, choose to accept any such bid even if it has not been reconfirmed. In addition, the auction agent may determine in some cases to impose size limits on the aggregate size of bids that it chooses to accept from any bidder (including any network broker), and may reject any bid that it determines, in its discretion, has a potentially manipulative, disruptive or other adverse effect on the auction process or the offering. Furthermore, if bids for all the warrants offered in this offering are received, and the selling security holder elects to sell warrants in the offering, each bid submitted at the clearing price will be allocated a number of warrants approximately equal to the pro-rata allocation percentage multiplied by the number of warrants represented by such bid, rounded to the nearest whole number of warrants (subject to rounding to eliminate odd-lots). Similarly, if bids for half or more, but less than all, of the warrants offered in this offering are received, and the selling security holder chooses to sell fewer warrants than the number of warrants for which bids were received, then all bids will experience equal pro-rata allocation. The selling security holder could also decide, in its sole discretion, not to sell any

Table of Contents

warrants in this offering after the clearing price has been determined. As a result of these factors, you may not receive an allocation for all the warrants for which you submit a bid.

We Cannot Assure You that the Auction Will Be Successful or that the Full Number of Offered Warrants Will be Sold.

If sufficient bids are received and accepted by the auction agent to enable the selling security holder to sell all of the warrants in this offering, the public offering price will be set at the clearing price, unless the selling security holder decides, in its sole discretion, not to sell any warrants in this offering after the clearing price is determined. If, however, bids are received for half or more, but less than all, of the offered warrants, then the selling security holder may (but is not required to) sell, at the minimum bid price in the auction (which will be deemed the clearing price) as many warrants as it chooses to sell up to the number of bids received in the auction, so long as at least half of the offered warrants are sold and the warrants remain eligible for listing. If bids are received for less than half of the offered warrants, the selling security holder will not sell any warrants in this offering. Even if bids are received for all of the offered warrants, the selling security holder is not obligated to sell any warrants regardless of the clearing price set through the auction process. The liquidity of the warrants may be limited if less than all of the offered warrants are sold by the selling security holder. Possible future sales of the selling security holder's remaining warrants, if any are held following this offering, could affect the trading price of the warrants sold in this offering.

Submitting Bids Through a Network Broker or Any Other Broker that is Not the Auction Agent May in Some Circumstances Shorten Deadlines for Potential Investors to Submit, Modify or Withdraw Their Bids.

In order to participate in the auction, bidders must have an account with, and submit bids to purchase warrants through, either the auction agent or a network broker. Brokers that are not network brokers will need to submit their bids, either for their own account or on behalf of their customers, through the auction agent or a network broker. Potential investors and brokers that wish to submit bids in the auction and do not have an account with the auction agent or a network broker must either establish such an account prior to bidding in the auction or cause a broker that has such an account to submit a bid through that account. Network brokers and other brokers will impose earlier submission deadlines than those imposed by the auction agent in order to have sufficient time to aggregate bids received from their respective customers and to transmit the aggregate bid to the auction agent (or, in the case of non-network brokers submitting bids through a network broker, to such network broker to transmit to the auction agent) before the auction closes. As a result of such earlier submission deadlines, potential investors who submit bids through a network broker, or brokers that submit bids through the auction agent or a network broker, will need to submit or withdraw their bids earlier than other bidders, and it may in some circumstances be more difficult for such bids to be submitted, modified or withdrawn.

Risks Related to the Warrants

The Warrants Are a Risky Investment. You May Not Be Able to Recover the Value of Your Investment in the Warrants, and the Warrants May Expire Worthless.

On September 20, 2011, the last reported price of our common stock on the NYSE was \$18.98 per share, which is below the exercise price of the warrants. In order for you to recover the value of your investment in the warrants, either a trading market must develop for the warrants and the trading price of the warrants must exceed the public offering price, or our stock price must increase to more than the sum of the exercise price of the warrants (\$33.70) and the clearing price of the warrants. If, for example, the clearing price of the warrants were the minimum bid price, our stock price would have to

Table of Contents

be more than \$35.70 for you to have an opportunity to exercise the warrants and achieve a positive return on your investment.

The warrants are exercisable only until December 31, 2018. Generally, a component of the value of option securities such as the warrants is time until expiration and, as the period of time until expiration of the warrants decreases, the market price of the warrants will, holding other variables constant, likely decline. In the event our common stock price does not increase to the level discussed above during the period when the warrants are exercisable, you will likely not be able to recover the value of your investment in the warrants. In addition, if our common stock price remains below the exercise price of the warrants, the warrants may not have any value and may expire without being exercised, in which case you will lose your entire investment. There can be no assurance that the trading price of our common stock will exceed the exercise price or the price required for you to achieve a positive return on your investment. Furthermore, upon exercise of the warrants, you will receive a number of shares of stock calculated based on the closing price of our common stock on that day. Accordingly, the number of shares and the value of our common stock you receive upon exercise of the warrants will depend on the market price of our common stock on the day on which you choose to exercise those warrants.

There Is No Existing Market for the Warrants, and You Cannot Be Certain that an Active Market Will Be Established.

Prior to this offering, there has been no existing trading market for the warrants. The public offering price for the warrants is being determined by an auction process, and may not be indicative of the price that will prevail in the trading market following this offering. The market price for the warrants may decline below the public offering price, and may be volatile. The liquidity of any market for the warrants will depend on a number of factors, including but not limited to:

the number of warrants that investors purchase in the auction;

the number of warrants that the selling security holder elects to sell in this offering;

the number of holders of the warrants;

our performance;

the market for similar securities;

the interest of securities dealers in making a market in the warrants; and

the market price of our common stock.

The market price of the warrants also may be adversely affected by the market price of any additional warrants sold by the selling security holder in the separate auction being conducted concurrently with this offering.

The Warrants Are Not Suitable for All Investors.

The warrants are complex financial instruments for which there is no established trading market. Accordingly, the auction agent, each network broker and any other broker that submits bids through the auction agent or any network broker will be required to establish and enforce client suitability standards, including eligibility, account status and size, to evaluate whether an investment in the warrants is appropriate for any particular investor. Each of them will individually apply its own standards in making that determination, but in each case those standards will be implemented in accordance with the applicable requirements and guidelines of the Financial Industry Regulatory Authority, Inc., (*FINRA*). If you do not meet the relevant suitability requirements of the auction agent or another broker, you will not be able to bid in the auction. You should be prepared to sustain a total loss of the purchase price of your warrants.

Table of Contents

Purchasers of Warrants Who Exercise Their Warrants for Shares of Our Common Stock Will Incur Immediate and Future Dilution.

Upon exercise of your warrants for shares of our common stock, you could experience immediate and substantial dilution if the exercise price of your warrants at the time were higher than the net tangible book value per share of the outstanding common stock. In addition, you will experience dilution (subject to the anti-dilution protections contained in the warrants and described in this prospectus supplement) when we issue additional shares of common stock in any future offerings or under outstanding options and warrants (including any warrants sold by the selling security holder in the separate auction being conducted concurrently with this offering) and under our stock compensation plans or other employee or director compensation plans.

The Market Price of the Warrants Will Be Directly Affected by the Market Price of Our Common Stock, which May Be Volatile.

To the extent a secondary market develops for the warrants, the market price of our common stock will significantly affect the market price of the warrants. This may result in greater volatility in the market price of the warrants than would be expected for warrants to purchase securities other than our common stock. The market price of our common stock could be subject to significant fluctuations and we cannot predict how shares of our common stock will trade in the future. I us to the purchaser.

5. We hereby undertake:

- (a) that for purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of Prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of Prospectus filed by the Company pursuant to Rule 497(e) and Rule 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective; and
- (b) that for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of Prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

6. Not Applicable.

7. We hereby undertake that we will not sell any shares pursuant to this Shelf Registration Statement below net asset value.

C-7

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, and State of New York, on the 17th day of June, 2008.

HARRIS & HARRIS GROUP, INC.

By: /s/ Charles E. Harris

Name: Charles E. Harris

Title: Chairman of the Board and Chief Executive Officer

(Principal Executive Officer)

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Charles E. Harris Charles E. Harris	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	June 17, 2008
/s/ Daniel B. Wolfe Daniel B. Wolfe	Chief Financial Officer (Principal Financial Officer)	June 17, 2008
/s/ Patricia N. Egan Patricia N. Egan	Chief Accounting Officer, Senior Controller and Vice President	June 17, 2008
* W. Dillaway Ayres, Jr.	Director	June 17, 2008
* Dr. C. Wayne Bardin	Director	June 17, 2008
* Dr. Phillip A. Bauman	Director	June 17, 2008
* G. Morgan Browne	Director	June 17, 2008
* Dugald A. Fletcher	Director	June 17, 2008
/s/ Douglas W. Jamison Douglas W. Jamison	Director	June 17, 2008
* Lori D. Pressman	Director	June 17, 2008
* Charles E. Ramsey	Director	June 17, 2008
* James E. Roberts	Director	June 17, 2008
* Richard P. Shanley	Director	June 17, 2008

*By: /s/ Charles E. Harris
Attorney-in-fact

EXHIBITS

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
(h)(1)	Placement Agency Agreement
(h)(2)	Form of Subscription Agreement
(h)(3)	Escrow Agreement
(n)	Consent of Independent Registered Public Accounting Firm
