

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 8-K**

Current Report Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):

August 2, 2007

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**HARRIS & HARRIS GROUP, INC.**

(Exact name of registrant as specified in its charter)

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**New York**

(State or other jurisdiction  
of incorporation)

**0-11576**

(Commission File Number)

**13-3119827**

(I.R.S. Employer Identification No.)

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**111 West 57<sup>th</sup> Street**  
**New York, New York 10019**

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: **(212) 582-0900**

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**Item 1.01. Entry into a Material Definitive Agreement**

Harris & Harris Group, Inc. (the "Company") and Charles E. Harris, our Chairman and Chief Executive Officer are parties to an Amended and Restated Employment Agreement dated as of October 14, 2004, a Severance Compensation Agreement dated August 15, 1990 and a Supplemental Executive Retirement Plan (the "SERP", also known as the Deferred Compensation Agreement, collectively the "Employment Agreements"). In addition, the Company maintains the Executive Mandatory Retirement Benefit Plan for high policymaking executives (collectively with the Employment Agreements, the "Executive Agreements"). On August 2, 2007, the Executive Agreements were amended for the purpose of complying with new requirements imposed by Section 409A of the Internal Revenue Code of 1986. The amended Executive Agreements are included as exhibits to this Form 8-K.

**Item 9. Financial Statements and Exhibits**

- (a) Not applicable.
- (b) Not applicable.
- (c) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
10.1	Amended and Restated Employment Agreement between Harris & Harris Group, Inc. and Charles E. Harris, dated August 2, 2007
10.2	Amended and Restated Severance Compensation Agreement, dated August 2, 2007
10.3	Amended and Restated Supplemental Executive Retirement Plan, dated August 2, 2007
10.4	Amended and Restated Harris & Harris Group, Inc. Executive Mandatory Retirement Benefit Plan

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: August 3, 2007

HARRIS & HARRIS GROUP, INC.

By: /s/ Douglas W. Jamison

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Douglas W. Jamison  
President

## EXHIBIT INDEX

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**AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT**

**between**

**HARRIS & HARRIS GROUP, INC.**

**and**

**CHARLES E. HARRIS**

**As Amended and Restated for Code Section 409A Effective January 1, 2005,  
but actually on August 2, 2007**

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AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT

This is an AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement"), between HARRIS & HARRIS GROUP, INC. (the "Company"), a New York corporation, and CHARLES E. HARRIS (the "Executive") , which is generally effective August 2, 2007, except where a January 1, 2005 effective date is otherwise specified.

W I T N E S S E T H A T

WHEREAS, the Executive is currently serving as Chairman and Chief Executive Officer of the Company, pursuant to an Amended and Restated Employment Agreement, dated as of October 14, 2004 (the "Prior Agreement"); and

WHEREAS, the Company and the Executive wish to amend the Prior Agreement to bring it into clear compliance with Internal Revenue Code (the "Code") Section 409A effective January 1, 2005 to avoid a 20% additional income tax assessment against employee due to certain compensation items provided for hereunder.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

1. Employment. The Company shall employ the Executive, and the Executive shall be employed by the Company, for the Period of Employment provided in paragraph 3(a) below and upon the other terms and conditions set forth in this Agreement.

2. Position and Responsibilities: During the Period of Employment, the Executive shall:

(a) Serve as the Chairman and Chief Executive Officer of the Company;

(b) Be responsible for the general management of the affairs of the Company and all its subsidiaries, reporting directly to the Board of Directors of the Company (the "Board");

(c) Serve as a member of the Board for the period for which he is and shall from time to time be elected or reelected; and

(d) Serve, if elected, as President of the Company and as an officer and director of any subsidiary or affiliate of the Company.

3. Terms and Duties

(a) Commencement of Period of Employment. The Executive's employment hereunder shall continue, subject to earlier termination in accordance with the terms of this Agreement, until Executive's Mandatory Retirement Date under the Harris & Harris Group, Inc. Executive Mandatory Retirement Plan and Program ("EMRP"), including all extensions.

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(b) End of Period of Employment. Effective January 1, 2005, the following rule shall apply to determine when the Period of Employment ends: The Period of Employment shall end upon the first of the following to occur: Executive's death, in accordance with notice from the Company during disability in as provided in Section 6, on the date specified in notice from the Company to the Executive that his employment is being terminated as a Without Cause Termination or as a Termination for Cause (as defined in Section 8(d)), on the date specified in notice from the Executive to the Company as a Constructive Discharge or as a voluntary termination of employment other than Constructive Discharge. Further, the Period of Employment under this Agreement shall not extend beyond the time period specified in 3(a) above. Notwithstanding the forgoing, the Period of Employment shall be considered to end for purposes of Sections 8 and 10 on the last day on which the Employee performs services for the Company (or any other entity considered a single employer with the Company under Section 414(b) or (c) of the Code) substantially on his regular, full-time schedule, if on that date both the Company and the Employee reasonably anticipate that (i) no further services will be performed thereafter, or (ii) the level of bona fide services performed after that date (as an employee or independent contractor, but not including service as a member of the Board of Directors of the Company) will permanently decrease to no more than 20% of the average level of bona fide services performed over the previous 36 months, or on such later date on which the parties first reasonably anticipate service has reduced in such manner. The Executive's Period of Employment will not be considered to be terminated while the Executive is on military leave, sick leave or other bona fide leave of absence if the leave does not exceed six months. If a bona fide leave of absence extends beyond six months, a termination of the Period of Employment will be deemed to occur on the first day after the end of such six month period. The Compensation Committee of the Board of Directors will determine whether a Termination of Employment has occurred based on all relevant facts and circumstances, in accordance with Treasury Regulation §1.409A-1(h).

(b) Duties. While employed by the Company, (except for illness or incapacity and vacation periods) the Executive shall perform and discharge well and faithfully the duties which the Board may assign to him from time to time. The Executive shall not, without the prior consent of the Board, engage in any business activity for which he is compensated unrelated to the Company's business; provided, however, the foregoing shall not be deemed to prohibit the Executive from devoting time to his personal investments or from continuing the activities he had been engaged in at the time this Agreement is entered into with respect to his then personal investments. The Executive shall be permitted to perform and discharge his duties from any location.

4. Compensation. For all services rendered by the Executive in any capacity during the Period of Employment, including, without limitation, services as an executive, officer, director or member of any committee of the Company or of any subsidiary, affiliate or division of the Company, the Company shall compensate the Executive as described in paragraphs (a) through (g) below. For purposes of this Section 4, the term "Board" shall mean either the Board of Directors of the Company or a committee of the Board of Directors (i.e., the Compensation Committee of the Board of Directors).

(a) Base Salary. During the Period of Employment, the Company shall pay the Executive a fixed salary (the "Base Salary") at an annual rate of not less than \$202,980 effective October 19, 1999. On January 1, 2001, and on each January 1 thereafter during the Period of Employment, the Base Salary shall be increased so that the new Base Salary equals the product of the Base Salary in effect on the immediately preceding December 31 times the quotient obtained by dividing A by B, where:

"A is the Consumer Price Index, All Urban Consumers (CPI-U), U.S. City of Average for All Items (standard reference base period 1982-84 = 100) (the "CPI"), as published during the September immediately preceding the January 1 with respect to which the increased Base Salary is being computed; and

B is the CPI as published during the September twelve months prior to the September referred to in "A" above. If during the Period of Employment, the United States Bureau of Labor Statistics (the "Bureau") ceases publication of the CPI, the calculations required hereby shall thereafter be made using the consumer price index published by the Bureau (or any successor agency of the federal government) that is most nearly equivalent to the CPI."

(b) Discretionary Base Salary Increases. At any time or from time to time during the Period of Employment, the Board may increase the Base Salary to an amount exceeding the Base Salary determined pursuant to paragraph 3(a) above. Following any such discretionary increase in the Base Salary, the Board may or may not maintain the Base Salary at that increased level (or further increase the Base Salary beyond that level). But in no event shall the Base Salary in effect for any portion of the Period of Employment be an annual amount less than the amount determinable in accordance with paragraph 3(a) above as if no discretionary increases had been made.

(c) Incentive Compensation. Executive acknowledges that in 2006, the Board terminated the Company's incentive compensation Employee Profit Sharing Plan (the "Profit Sharing Plan"), and replaced it, effective for performance in 2006 and later years, with the Harris & Harris Group, Inc 2006 Equity Incentive Plan.

(d) Additional Benefits. In addition, the Executive shall be entitled to participate in all compensation or employee benefit plans or programs, and to receive all benefits, perquisites, and emoluments for which any salaried employees are eligible under any plan or program, now or hereafter established and maintained by the Company for salaried employees (which shall be comparable to those provided to senior officers of other comparable companies), to the extent permissible under the general terms and provisions of such plans or programs and in accordance with the provisions thereof, including group hospitalization, health, dental care, life or other insurance, tax-qualified pension, savings, thrift and profit-sharing plans, termination pay programs, sick-leave plans, travel or accident insurance, disability insurance, auto allowance or auto lease plans, and executive contingent compensation plans, including, without limitation, capital accumulation programs and stock purchase, restricted stock or stock option plans. Specifically, but without limitation, the Company shall furnish the Executive, with (1) cash reimbursement for the cost of term life insurance for the benefit of the Executive's designated beneficiary in the amount of at least \$2,000,000, (2) supplemental uninsured medical reimbursement plan coverage of \$10,000 for expenses incurred by the Executive or his covered dependents which are not covered by the Company's group hospitalization, health and dental care insurance plans, provided that this \$10,000 limit shall be increased so that on a cumulative basis, such limit equals the product of \$10,000 multiplied times the quotient (the "CPI Factor") obtained by dividing the CPI published during the most recent September by the CPI published for September, 1999, (3) disability insurance (through an insurance carrier and/or self-insured by the Company) for the benefit of the Executive providing for continuation of 100% of his Base Salary for the period specified in the insured long term disability coverage in force in August, 2007, and (4) long-term care insurance (through an insurance carrier) for the benefit of the Executive and his spouse in an amount reasonable expected to cover daily expenses of \$250 (subject to cost of living adjustments) the Executive and his spouse may each incur with respect to long-term care. After an event of a Change of Control (as defined in the Amended and Restated Severance Compensation Agreement effective as of August 2, 2007, by and between the Company and the Executive), the disability insurance referred to in clause (3) above shall be provided through an insurance carrier. If such disability insurance is provided to the Executive at any time through an insurance carrier, then at the Executive's election, the Company shall increase the Executive's Base Salary in an amount equal to the premium payments due with respect to such insurance and the Executive shall thereafter be responsible for making the premium payments for such coverage.



(e) Perquisites. The Company shall also furnish the Executive, without cost to him, with (1) a Company-owned or leased automobile which will be replaced with a new automobile every four years, provided that the Executive may select the automobile and, if the value of the automobile selected by the Executive is greater than \$40,000 times the CPI Factor (for purposes of this clause (1) only, the CPI Factor shall be based on the CPI published for September, 1991 rather than for September, 1999), the Executive shall pay to the Company, each month during which he shall have use of the automobile, the difference between the monthly market rental of the vehicle being furnished to the Executive and the monthly market rental of an automobile with a value of \$40,000 times the CPI Factor; and (2) membership in one health club (including the cost of a personal trainer), one luncheon club, and one social or country club of the Executive's choosing. The Company shall also reimburse the Executive annually for the cost of (1) an annual physical examination of the Executive by a physician selected by the Executive, and (2) personal financial, investment or tax advice, not to exceed \$5,000 times the CPI Factor per annum. Any reimbursable amount for the cost of personal financial, investment or tax advice not utilized in a year shall be available to reimburse the Executive for such costs incurred in a prior or subsequent year. The Executive shall properly document such costs for federal income taxation purposes to preserve any deduction for such reimbursements to which the Company may be entitled.

(f) Deferred Compensation. This Section 4(f) shall be applicable January 1, 2005. The Company maintains a supplemental executive retirement plan (the "SERP"), as amended and restated (also previously documented by the Company as the "Deferred Compensation Agreement"), for the benefit of the Executive. Under the SERP, the Company shall cause an amount equal to one-twelfth of the Executive's current Base Salary to be credited each month (a "Monthly Credit") to a special account maintained for this purpose on the books of the Company for the benefit of the Executive (the "SERP Account"). The SERP Account shall be credited and debited to reflect the deemed investment returns, losses and expenses attributed to such deemed investments and reinvestments in accordance with the terms of the SERP in effect from time to time. The Executive's benefit under the SERP shall equal the balance in the SERP Account and such benefit shall always be 100% vested (*i.e.*, not forfeitable). One or more payments equal to the balance of the SERP Account shall be made to the Executive in accordance with the provisions of the separate Amended and Restated SERP dated August 2, 2007. The Company shall establish a rabbi trust for the purpose of accumulating funds to satisfy the obligations incurred by the Company pursuant to this paragraph 4(f). Each time the Company credits a Monthly Credit to the SERP Account, the Company shall make a corresponding dollar contribution to the trust. The Executive's rights to benefits pursuant to this paragraph 4(f) shall be no greater than those of a general creditor of the Company. The Executive's benefits pursuant to this paragraph 4(f) may not be anticipated, alienated, pledged, encumbered or subject to attachment, garnishment, levy, execution, or other legal or equitable process. If the Board determines that the investment of the rabbi trust assets in mutual funds will cause the Company to fail to comply with certain statutory asset holding requirements, such assets shall be invested in U.S. Government securities to the extent necessary to meet the statutory requirements.

(g) Office Equipment. During the Period of Employment, the Company shall provide the Executive with state of the art communication and office equipment for use at a residence of the Executive's choice.

(h) Vacation. In each calendar year during the Period of Employment, the Executive shall be entitled to not less than 1½ days of an annual vacation for each full year of employment with the Company (e.g., for 2007, the Executive shall be entitled to not less than 36 vacation days).

5. Business Expenses. The Company shall pay or reimburse the Executive for all reasonable travel or other expenses incurred by the Executive in connection with the performance of his duties and obligations under this Agreement, including, without limitation, routine and necessary costs of maintaining the automobile (including garage space) provided to the Executive by the Company pursuant to paragraph 4(e) above, subject to the Executive's presentation of appropriate vouchers in accordance with such procedures as the Company may from time to time establish for senior officers and to preserve any deductions for federal income taxation purposes to which the Company may be entitled.

6. Disability. This Section 6 is applicable effective January 1, 2005.

(a) In the event of the disability of the Executive during the Period of Employment, the Company shall, subject to the provisions of the next following sentence, continue to pay to the Executive the compensation provided in paragraph 4 above during the period of his disability. But if the Executive's disability continues until the Executive becomes entitled to receive the proceeds of the disability insurance described in paragraph 4(d) above, or after 180 days of the disability benefit if the benefit is fully self-funded, the Company may, at its election, terminate the Period of Employment, in which event the Company's obligation to make payments under paragraph 4 shall cease, except for (1) unpaid continuation of Base Salary disability benefits, (2) Monthly Credits to the SERP Account through the effective date of termination, and (3) retirement benefits as described in paragraph 10 below. However, the benefits described in paragraph 4(d) and the perquisites described in paragraph 4(e) shall continue to be provided for a period of ten years, except that the Company shall only continue to provide the automobile described in paragraph 4(d) for six months following termination of the Period of Employment and then allow the Executive to assume (without any continuing obligations under the lease, if any, on the part of the Company) the Company's rights and obligations to lease or purchase such automobile (to the extent any lease is so assumable) or to purchase such automobile at its then book value.

(b) During the period the Executive is receiving payments, either under paragraph 6 or under the disability insurance described in paragraph 4(d) above, to the extent that he is physically and mentally able to do so, he shall furnish information and assistance to the Company and, upon a reasonable request in writing by the Board from time to time, he shall make himself available to the Company to undertake reasonable assignments consistent with the dignity, importance, and scope of his prior position with the Company and his physical and mental health. During the first six months of disability, the Executive shall report directly to the Board. If the Company fails to make a payment or provide a benefit required under paragraph 6(a), the Executive's obligation to furnish information and assistance and undertake assignments shall terminate.

(c) If the Executive's disability continues until the Executive becomes entitled to receive the proceeds of the disability insurance described in paragraph 4(d) above, or after 180 days of the disability benefit if fully self-funded, then beginning January 1, 2010, the Company shall also pay to the Executive or his wife, if he predeceases her, for a period of three years, the Base Salary amount that existed at the time disability began. Such Base Salary amount shall be paid by the Company in 36 monthly installments.

(d) If the Executive dies prior to the date he becomes entitled to receive the proceeds of the disability insurance described in paragraph 4(d) above, or after 180 days of the disability if the disability benefit is fully self-funded, then the Company shall pay his wife, if she survives him, for a period of two years beginning in the month following the date of the Executive's death, the Base Salary amount that existed at the onset of the disability in the form of a death benefit. Such Base Salary amount shall be paid by the Company in 24 monthly installments commencing in the month following the Executive's death.

(e) As used in this Agreement, the term "disability" shall mean the Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or the Executive is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the participant's employer.

7. Death. If the Executive dies during the Period of Employment, the Executive's designated beneficiary shall be entitled to receive the proceeds of any life or other insurance or other death benefit program provided pursuant to paragraph 4(d) above in accordance with the provisions thereof, and the Period of Employment and the Company's obligation to make payments under paragraph 4 (except for payment of SERP benefits already accrued as provided in paragraph 4(f)) shall cease as of the date of death, except (1) for earned (through the date of death) but unpaid Base Salary or disability benefits, (2) Monthly Credits to the SERP Account through the date of death, and (3) retirement benefits as described in paragraph 10 below. The Company shall pay the Executive's wife, if she survives him, for a period of two years the Base Salary amount that existed at the time of death in the form of a death benefit, provided that this benefit will not be paid if the Executive is already entitled to salary continuation under paragraph 6(d) above. Such Base Salary amount shall be paid by the Company in 24 monthly installments commencing in the month following the Executive's death.

8. Effect of Termination of Employment. This Section 8 shall be applicable effective January 1, 2005.

(a) If the Period of Employment hereunder terminates because of either a Without Cause Termination or Constructive Discharge, the Executive shall be entitled to (1) earned (through the effective date of the termination) but unpaid Base Salary, (2) Monthly Credits to the SERP Account through the effective date of the termination and (3) retirement benefits as described in paragraph 10 below. In addition, if the Period of Employment is terminated because of either a Without Cause Termination or Constructive Discharge, the Company shall, as liquidated damages or severance pay, or both, pay to the Executive (or to his estate if he dies before all payments are made) two times his Base Salary in effect at the time of such termination of the Period of Employment, which payments shall be made as follows: ½ year of base salary shall be paid six months and one day after the termination of the Period of Employment, and the remaining 1½ years of Base Salary shall be paid in 18 monthly installments commencing in the month following the date the first payment is made. In addition, benefits described in paragraph 4(d), the perquisites described in paragraph 4(e) and the communication and office equipment described in paragraph 4(g) shall continue to be provided for twenty-four months, except that the Company shall only continue to provide the automobile allowance described in paragraph 4(e) for six months following such termination and then the Executive may assume (without any continuing obligations under the lease, if any, on the part of the Company) the Company's rights and obligations to lease or purchase such automobile (to the extent any lease is so assumable) or to purchase such automobile at its then book value and except that the Company shall continue to provide communication and office equipment to the Executive for only 18 months. To the extent any benefit under 4(d), (e) or (g) is determined to be deferred compensation under Code Section 409A, such benefit shall not be paid or provided until the day six months and one day after termination of the Period of Employment, and then all payments that would have been made during such six month period had this payment delay rule not been in effect shall be made on that payment date.

(ii) To the extent that the Executive is entitled to receive cash compensation that is (or would be, if any elective deferral were disregarded) subject to federal income taxation in respect of any other employment or a consulting position with another company before all compensation provided for in this Section 8(a) is paid, the payments to be made pursuant to this paragraph 8(a) shall be correspondingly reduced by such cash compensation and, to the extent that benefits of the kind required by this paragraph 8(a) to be continued are payable in respect of such other employment or consulting position, such benefits provided by the other Company shall be deemed the primary coverage for purposes of coordination of benefits and avoiding duplication of benefits. However, at no time shall such benefits of a kind described herein, be less than those required by this paragraph 8(a) or paragraphs 4(d) and 4(e).

(b) If the Period of Employment hereunder terminates because of a Termination for Cause, the Executive shall receive: (1) earned (through the effective date of termination) but unpaid Base Salary, and (2) monthly credits to the SERP Account through the effective date of the termination of the Period of Employment, but no other payments (except the SERP benefit as provided in paragraph 4(f)) shall be made, or benefits provided, by the Company.

(c) Notwithstanding anything to the contrary in this Agreement, if the Period of Employment hereunder terminates because the Executive has reached his Mandatory Retirement Date under the EMRP including any extensions, the Executive shall receive: (1) earned (through the effective date of termination) but unpaid Base Salary, (2) Retirement Benefits under Section 10, (3) the monthly credit to the SERP Account through the effective date of the termination, and (4) any benefits to which the Executive may be entitled pursuant to the Employee Mandatory Retirement Benefits Plan, subject to the terms of that Plan, shall be payable to the Executive, but no other payments (except payment under the SERP deferred compensation as provided in paragraph 4(f)) shall be made, or benefits provided, by the Company.

(d) If the Period of Employment hereunder terminates due to the Executive's voluntary termination of the Period of Employment other than on account of Constructive Discharge, death, disability, or termination under the EMRP, the Executive shall receive: (1) earned (through the effective date of termination) but unpaid Base Salary, (2) the Monthly Credit to the SERP Account through the effective date of the termination of the Period of Employment, and (3) the Retirement Benefits under Section 10, but no other payments (except the SERP benefit as provided in paragraph 4(f)) shall be made, or benefits provided, by the Company.

(e) As used in this Agreement:

(1) "Termination for Cause" means a termination of the Period of Employment by the Company, by written notice to the Executive, specifying the event relied upon for such termination, because of the Executive's serious, willful misconduct in respect of his duties under this Agreement, including, without limitation, conviction of a felony or for perpetration of a common law fraud which has resulted in material economic damage to the Company or any of its subsidiaries or affiliates. If the Executive's misconduct can be cured, a Termination for Cause shall not occur until the Executive fails to so cure within 30 days from delivery to the Executive of a written demand by the Company that he do so, which demand shall specify the misconduct being relied upon for termination pursuant to this paragraph 8(c)(1).

(2) "Constructive Discharge" means a termination of the Period of Employment by the Executive because of (A) a failure of the Company to fulfill its obligations under this Agreement in any material respect, including any failure to elect or reelect or to appoint or reappoint the Executive to the offices of Chairman of the Company and its Chief Executive Officer or as a member of the Board or other material change by the Company in the functions, duties, or responsibilities of the Executive's position with the Company which would reduce the ranking or level, dignity, responsibility, importance, or scope of such position, or (B) any assignment or reassignment by the Company of the Executive to a place of employment other than the Company's headquarters, (which shall be located in New York, New York, or other location of the Executive's choosing). A Constructive Discharge shall apply to any case in which the Company shall have failed to remedy within 30 days from delivery to the Company of a written demand by the Executive that it do so, which demand shall specify the circumstances being relied upon for termination pursuant to this paragraph 8(c)(2).

(3) "Without Cause Termination" means a termination of the Period of Employment by the Company other than because of disability or expiration of the Period of Employment and other than a Termination for Cause. The exercise by the Company or the Executive, as the case may be of a right to terminate the Period of Employment under this paragraph 8(c) shall not abrogate the rights and remedies of the terminating party in respect of the circumstances giving rise to such termination.

9. Other Duties of Executive During and After Period of Employment.

(a) The Executive shall, upon reasonable notice, during or after the Period of Employment, furnish such information as may be in his possession to, and cooperate with the Company, as the Company may reasonably request in connection with the analysis, negotiation, and settlement of any pending claims and any litigation in which the Company or any of its subsidiaries or affiliates, is, or may become, a party.

(b) The Executive recognizes and acknowledges that all information pertaining to the affairs, business, or clients of the Company or any of its subsidiaries or affiliates, as such information may exist from time to time, is confidential information and is a unique and valuable asset of the Company, access to and knowledge of which are essential to the performance of the Executive's duties under this Agreement. The Executive shall not, during the Period of Employment or thereafter, except to the extent reasonably necessary in the performance of his duties under this Agreement, divulge to any person, firm, association, corporation or governmental agency, any information concerning the affairs, business, clients, or customers of the Company or any of its subsidiaries or affiliates (except such information as it is required by law to be divulged to a government agency), or make use of any such information for his own purposes or for the benefit of any person, firm, association or corporation (except the Company or its subsidiaries or affiliates) and shall use his best efforts to prevent the disclosure of any such information by others. All records, memoranda, letters, books, papers, reports, accountings, experience or other data, and other records and documents relating to the business of the Company or any of its subsidiaries or affiliates, whether made by the Executive or otherwise coming into his possession, are confidential information and are, and shall be, and shall remain the property of the Company.

(c) During the Period of Employment and for a one year period thereafter in the event of (1) a Termination for Cause, (2) a termination of the Period of Employment by the Executive that is not a Constructive Discharge, or (3) the disability of the Executive, the Executive shall not:

Make any statement or perform any act intended to advance an interest of any existing or prospective competitor of the Company or any of its subsidiaries or affiliates in any way that will injure an interest of the Company or any of its subsidiaries or affiliates in its relationship and dealings with existing or potential clients, customers or brokers or to do any act that is disloyal to the Company or inconsistent with the Company's interests or in violation of any provision of this Agreement.

(d) The Company's obligation to make payments under paragraph 4, other than the SERP benefits described in paragraph 4(f), shall cease upon any violation of the provisions of paragraph 9 which is not inadvertent and which has resulted in material economic damage to the Company or any of its subsidiaries.

10. Retirement Benefits. At the termination of Executive's Period of Employment with the Company, the Executive, his spouse and dependents shall be entitled to medical and health insurance coverage under the Harris & Harris Group, Inc. Retiree Medical Benefit Plan as amended on May 3, 2007 and as further amended from time to time, provided that no amendment shall reduce the level of benefit to be provided thereunder. Any dispute as to whether the Company has complied with its obligations under this paragraph 10 may be referred to final and binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and the Company agrees to reimburse the Executive or the Executive's spouse, as the case maybe, for reasonable attorney fees and expenses incurred by the Executive or the Executive's spouse in connection with such arbitration.

11. Indemnification, Litigation.

(a) Throughout the Period of Employment and thereafter, the Executive shall continue to be entitled to indemnification from the Company pursuant to the Indemnification Agreement, dated as of December 15, 1992 between the Company and the Executive (the "Indemnification Agreement"), a copy of which is attached hereto as Exhibit B.

(b) In the event of any litigation or other proceeding between the Company and the Executive with respect to the subject matter of this Agreement and the enforcement of rights hereunder, the Company shall reimburse the Executive for all costs and expenses relating to such litigation or other proceeding, including reasonable attorneys' fees and expenses, provided that such litigation or proceeding results in any:

(1) Settlement requiring the Company to make a payment to the Executive; or

(2) Judgment, order, or award in favor of the Executive, regardless of whether such judgment, order, or award is subsequently reversed on appeal or in a collateral proceeding.

(c) In no event shall the Executive be required to reimburse the Company for any of the costs and expenses relating to such litigation or other proceeding referred to in paragraph 11(b).

12. Withholding Taxes. The Company may directly or indirectly withhold from any payments made under this Agreement all federal, state, city, or other taxes as shall be required pursuant to any law or governmental regulation or ruling.

13. Consolidation, Merger, or Sale of Assets; Change of Control.

(a) Nothing in this Agreement shall preclude the Company from consolidating or merging into or with, or transferring all or substantially all of its assets to, another corporation which assumes this Agreement and all obligations and undertakings of the Company hereunder. Upon such a consolidation, merger, or transfer of assets and assumption, the term "Company" as used herein shall mean such other corporation and this Agreement shall continue in full force and effect.

(b) The provisions of the Severance Compensation Agreement, made effective as of August 15, 1990, and amended as of August 2, 2007, by and between the Company and the Executive, (the "Severance Compensation Agreement"), shall apply and coordinate with this Agreement as provided therein.

14. Effect of Prior Agreements. This Agreement between the Company and the Executive, contains the entire understanding between the Company and the Executive with respect to the subject matter hereof and supersedes any prior employment agreement (including the "Prior Agreement") between the Company or any predecessor of the Company and the Executive, except that this Agreement shall not affect or operate to reduce any benefit or compensation inuring to the Executive of a kind elsewhere provided and not expressly provided in this Agreement, and this Agreement shall also not be superseded by, but shall operate in tandem with, the Indemnification Agreement, the Severance Compensation Agreement, the SERP, and the Harris & Harris Group, Inc. 2006 Equity Incentive Plan and awards issued thereunder.

15. Notices. All, notice, requests, demands, and other communications required or permitted hereunder shall be given in writing and shall be deemed to have been duly given if hand delivered or mailed, postage prepaid by same day or overnight mail as follows:

- |     |                   |   |
|-----|-------------------|---|
| (1) | To the Company:   | Harris & Harris Group, Inc.<br>111 West 57th Street, Suite 1100<br>New York, NY 10019<br>Attn.: Secretary |
| (2) | To the Executive: | Charles E. Harris<br>322 East 57th Street, #18A<br>New York, NY 10022                                     |

or to such other address as either party shall have previously specified in writing to the other.

16. No Attachment. Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge, or hypothecation or to execution, attachment, levy, or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void, and of no effect. But nothing in this paragraph 16 shall preclude the executors, administrators, or other legal representatives of the Executive from assigning any rights hereunder to the person or persons entitled thereto.

17. Binding Agreement. This Agreement shall benefit and bind (a) the Executive, his heirs, beneficiaries, and personal representatives, and (b) the Company and its successors and assigns.

18. Severability. If any provision of this Agreement shall be held or deemed to be invalid, inoperative or unenforceable in any jurisdiction or jurisdictions, because of conflicts with any constitution, statute, rule or public policy or for any other reason, such circumstance shall not have the effect of rendering the provision in question unenforceable in any other jurisdiction or in any other case of circumstance or of rendering any other provisions herein contained unenforceable to the extent that such other provisions are not themselves actually in conflict with such constitution, statute or rule or public policy, but this Agreement shall be reformed and construed in any such jurisdiction or case as if such invalid, inoperative, or unenforceable provision had never been contained herein and such provision reformed so that it would be enforceable to the maximum extent permitted in such jurisdiction or in such case.



19. Modification and Waiver. This Agreement may not be modified or amended except by an instrument in writing signed by the parties hereto. No terms or condition of the Agreement shall be deemed to have been waived, nor shall there be any estoppel against the enforcement of any provision of this Agreement except by written instrument signed by the party charged with such waiver or estoppel. No such written waiver shall be deemed a continuing waiver unless specifically stated therein, and each such waiver shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future as to any act other than that specifically waived.

20. Headings of No Effect. The paragraph headings contained in this Agreement are included solely for convenience of reference and shall not in any way affect the meaning or interpretation of any of the provisions of this Agreement.

21. Governing Law. The laws of New York shall govern the validity, construction, and interpretation of this Agreement.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed and its seal to be affixed hereunto by its duly authorized officers, and the Executive has signed and delivered this Agreement, on the date set forth above.

HARRIS & HARRIS GROUP, INC.

BY: /s/ Douglas W. Jamison

\_\_\_\_\_  
Douglas W. Jamison, President

BY: /s/ Charles E. Harris

\_\_\_\_\_  
Charles E. Harris

AMENDED AND RESTATED  
SEVERANCE COMPENSATION AGREEMENT

This is a SEVERANCE COMPENSATION AGREEMENT, originally effective August 15, 1990 and now amended and restated effective as of January 1, 2005, by and between Harris & Harris Group, Inc., a New York corporation (the "Company"), and Charles E. Harris (the "Executive"). This amendment and restatement is made to update the Plan for Internal Revenue Code (the "Code") Section 409A.

WHEREAS, the Company and the Executive are parties to an employment agreement effective as of August 2, 2007 (the "Employment Agreement") providing for the employment of the Executive by the Company for a period and upon the other terms and conditions therein stated; and

WHEREAS, the Company considers the maintenance of a sound and vital senior management to be essential to protecting and enhancing the interests of the Company and its shareholders; and

WHEREAS, the Company recognizes that, as is the case with many publicly owned corporations, the possibility of a change in control of the Company may arise and that such possibility, and the uncertainty and questions which it may raise among senior management, may result in the departure or distraction of senior management personnel to the detriment of the Company and its shareholders; and

WHEREAS, accordingly the Company has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's senior management to their assigned duties and long-range responsibilities without distraction in circumstances arising from the possibility of a change in control of the Company; and

WHEREAS, the Company believes it important and in the best interests of the Company and its shareholders, should the Company face the possibility of a change in control, that the senior management of the Company be able to assess and advise the Board of Directors of the Company whether such a proposed change in control would be in the best interests of the Company and its shareholders and to take such other action regarding such a proposal as the Board of Directors might determine to be appropriate, without senior management being influenced by the uncertainties of their own employment situations; and

WHEREAS, in order to induce the Executive to remain in the employ of the Company in the event of any actual or threatened change in control of the Company, the Company has determined to set forth the severance benefits which the Company will provide to the Executive under the circumstances set forth below.

NOW, THEREFORE, the parties hereto hereby agree as follows:

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1. Definitions.

(a) All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Employment Agreement.

(b) "Change in Control" shall mean the occurrence of any of the following events:

(i) any person, within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") , or group of persons, within the meaning of Exchange Act Rule 13d-5, other than the Company or any of its subsidiaries, becomes a beneficial owner, directly or indirectly, of thirty percent (30%) or more in voting power or amount of the Company's then outstanding equity securities, without the approval of not less than two-thirds of the Board in existence prior to such ownership;

(ii) individuals who constitute the Board on any day (the "Incumbent Board") cease for any reason other than their deaths or resignations to constitute at least a majority of the Board on the following day (which day shall be considered the day upon which occurs the Change in Control), provided that any individual becoming a director subsequent to the date of this Agreement whose election or nomination for election by the Company's shareholders was approved by a vote of not less than three-quarters of the Incumbent Board or not less than two-thirds of the then incumbent Nominating Committee of the Board shall be for purposes of this subsection considered as though such person were a member of the Incumbent Board;

(iii) The necessary majority of the Company's shareholders approve any reorganization (other than a mere change in identity, form or place of organization of the Company, however effected), merger or consolidation of the Company, or any other transaction with one or more business entities or persons as a result of which the stock of the Company is exchanged for or converted into cash or property or securities not issued by the Company, or as a result of which there is a change in ownership of existing equity securities of the Company or the issuance of new equity securities of the Company (or the right or option to acquire such equity securities) which equals or exceeds thirty percent (30%) in voting power or amount of the equity securities of the Company outstanding upon completion of such transaction, unless such reorganization, merger consolidation or other transaction shall have been affirmatively recommended to the Company's shareholders by not less than two-thirds of the Incumbent Board;

(iv) the necessary majority of the Company's shareholders approve the sale of (or agreement to sell or grant of a right or option to purchase as to) all or substantially all of the assets of the Company to any person or business entity, unless such sale or other transaction shall have been affirmatively recommended to the Company's shareholders by not less than two-thirds of the Board;

(v) the dissolution or liquidation of the Company;

(vi) the occurrence of any circumstance having the effect that persons who were nominated for election as directors by the Board shall fail to become directors of the Company other than because of their death or withdrawal;

(vii) a change in control of a nature that would be required to be reported in response to Item 1(a) of the Current Report on Form 8-K, as in effect on the date hereof, pursuant to Section 13 or 15(d) of the Exchange Act, unless such change in control is approved by not less than two-thirds of the Board in existence prior to such change in control;

(viii) such other events as the Board may designate.

2. Termination of Employment.

If the Executive is an employee of the Company on the day before a Change in Control and the Executive's Period of Employment (as defined in the Employment Agreement, being a Code Section 409A separation from service definition) with the Company terminates (i) by the Executive or (ii) by the Company as a Without Cause Termination, in either case within one year from the date of such Change in Control, the Company hereby agrees to provide to the Executive the following benefits:

(a) a lump sum payment, payable in cash, cashier's check or by wire, six months and one day after the date of such termination of Executive's Period of Employment, equal to 2.99 times the Executive's average Base Salary plus other amounts included in the Executive's income as compensation from the Company, but excluding bonus, incentive, Profit Sharing Plan and equity compensation, over the most recent five (5) years preceding the year in which the Change in Control occurred;

(b) a lump sum payment, payable in cash, cashier's check or by wire, six months and one day after the date of such termination of the Executive's Period of Employment, in an amount equal to any amounts forfeited, on account of such termination, under any employee pension benefit plan, as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), maintained or contributed to by the Company and participated in by the Executive at any time between the day before the Change in Control and the day of the Executive's termination of employment, including benefits under the Executive Mandatory Retirement Benefit Plan;

(c) retirement benefits as stated in Section 10 of the Employment Agreement, and all other benefits provided for under the Employment Agreement upon termination of the Executive's Period of Employment by the Company that is a Without Cause Termination or termination by the Executive that is a Constructive Discharge (even if such sections are not otherwise applicable), provided that such benefits shall not duplicate the benefits provided hereunder. Further, in the event that 2.99 times five year average base salary is payable under Section 2(a), then the Executive shall not also be paid two times Base Salary under Section 8(a) of the Executive's Employment Agreement with the Company.

3. No Obligation to Mitigate Damages; No Effect on Other Contractual Rights.

(a) The Executive shall not be required to mitigate damages or the amount of any payment provided for under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by the Executive as the result of employment by another employer after the date of termination of his employment with the Company or otherwise.

(b) Except as expressly provided in Section 2(c), the provisions of this Agreement, and any payment provided for hereunder, shall not reduce any amounts otherwise payable, supersede, affect or in any way diminish the Executive's existing rights, or rights which would accrue solely as a result of the passage of time, under any applicable law or any pension benefit or welfare benefit plan, employment agreement or other contract, plan or arrangement.

4. Limitation on Benefits; Attorney's Fees; Interest.

(a) Notwithstanding any provisions to the contrary in this Agreement, if any part of the payments provided for under Section 2 of this Agreement (the "Agreement Payments") would, if paid, constitute a "parachute payment" under Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), then the Agreement Payments shall be payable to the Executive only if (i) the sum of the value of the Agreement Payments and of the value of all other to or for the benefit of the Executive that constitute "parachute payments", less the amount of any excise taxes payable under Code Section 4999 and any similar or comparable taxes in connection with such payments, is greater than (ii) the greatest value of payments in the nature of compensation contingent upon a change in control that could be paid at such time to or for the benefit of the Executive and not constitute a "parachute payment" (the "Alternative Payment"); otherwise, only the Alternative Payment shall be payable to the Executive. For purposes of this Section 4(a), the value of payments shall be determined in accordance with Code Section 280G(d)(4) and any regulations issued thereunder.

(b) In the event that the Alternate Payment is to be made under 4(a), the 2.99 times specified compensation payment referenced in Section 2(a) shall be reduced as required to limit total payments to the Alternate Payment amount. Further, should the Internal Revenue Service ever determine to the Executive's satisfaction that any of Alternate Payment constitutes a "parachute payment," the Executive shall repay to the Company an amount sufficient at that time to prevent any of such payments from constituting a "parachute payment".

(c) If the Company shall fail to pay or provide benefits under this Agreement or under any benefit plan, agreement or arrangement established, agreed to or contracted for by the Company for the benefit of or with the Executive, the Executive shall be entitled to consult with independent counsel, and the Company shall pay the reasonable fees and expenses of such counsel for the Executive in advising him in connection therewith or in bringing any proceedings, or in defending any proceedings, involving the Executive's rights under this Agreement, such right to reimbursement to be immediate upon the presentment by the Executive of written billings of such reasonable fees and expenses and shall be considered a reimbursement that is not deferred compensation under Treasury Regulation Section 1.409A-1(b)(9)(v) to the extent such expense is incurred no later than the end of the second calendar year after termination of the Period of Employment and is reimbursed no later than three taxable years following termination of the Executive's Period of Employment. The Executive shall be entitled to interest at the "prime rate" established from time to time by the Bank of New York for any payments of such expenses, or any other payments following the Executive's termination of employment, that are overdue.

(d) The Company shall have the right to withhold from all payments due hereunder all income and excise taxes required to be withheld by applicable law and regulations.

5. Governing Law.

This agreement shall be governed by and construed in accordance with the laws of the State of New York.

6. Miscellaneous.

(a) If any rights pursuant to Section 2 above have accrued to the Executive prior to the Executive's death or a judicial determination of the Executive's incompetence, but have not been fully satisfied hereunder at the time of such event, such rights shall survive and shall inure to the benefit of the Executive's heirs, beneficiaries and legal representative. Otherwise, this Agreement shall terminate upon the Executive's death or a judicial determination of the Executive's incompetence.

(b) Nothing herein (other than as provided in Section 2(c)) shall be deemed to affect or alter the Executive's current employment status and the status of the Employment Agreement.

(c) In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions or portions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

7. Notice.

All notices or communications hereunder shall be given in accordance with the requirements for notices contained in the Employment Agreement.

8. Amendment; Termination; Waiver.

No provisions of this Agreement may be amended, modified or waived and this Agreement may not be terminated unless such is authorized by a majority of the Board and agreed to in writing by the Executive; provided that if the term of the Employment Agreement, as such may be extended, expires, this Agreement shall simultaneously be terminated. No waiver by either party hereto of any breach by the other party hereto of any condition or any provision of this Agreement to be performed by such other party shall be deemed a waiver of a subsequent breach of such condition or provision or waiver of a similar or dissimilar condition or provision at the same time or any subsequent time.

9. Successors.

(a) Except as otherwise provided herein, the Company's rights, duties and obligations under this Agreement shall be binding upon and inure to the benefit of the Company and any successor of the Company, including, without limitation, any business entity or business entities acquiring directly or indirectly all or substantially all of the assets or shares of Stock whether by merger, consolidation, sale or otherwise – and such successor shall thereafter be deemed the "Company" for all purposes of this Agreement -- but such rights, duties and obligations shall not otherwise be assignable by the Company.

(b) Within thirty (30) days following a Change in Control, the Company (including any successor of the Company) shall in writing affirm to the Executive its obligations under this Agreement, and any failure by the Company to so affirm this Agreement shall, for purposes of this Agreement only, be considered a Without Cause Termination of the Executive's Period of Employment.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed and its seal to be affixed hereunto by its duly authorized officers, and the Executive has signed and delivered this Agreement, all as of January 1, 2005, but actually on the dates set forth below.

HARRIS & HARRIS GROUP, INC.

/s/ Douglas W. Jamison

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Douglas W. Jamison, President

Date: August 2, 2007

/s/ Charles E. Harris

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Charles E. Harris

Date: August 2, 2007

**AMENDED AND RESTATED  
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

This is an AMENDED AND RESTATED SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN ("SERP") made as of the 2nd day of August, 2007, by and between Harris & Harris Group, Inc., a corporation organized under the laws of the State of New York (the "Company"), and Charles E. Harris (the "Executive"). The SERP was originally effective February 2, 2000 and was at that time called "Deferred Compensation Agreement", and is hereby amended and restated effective January 1, 2005, but actually on the date first shown above, for compliance with Internal Revenue Code (the "Code") Section 409A.

WHEREAS, the Company and the Executive are parties to an employment agreement;

WHEREAS, the employment agreement obligates the Company to maintain a supplemental executive retirement plan for the benefit of the Executive, and the Company and the Executive wish to enter into this Amended and Restated SERP to bring it into compliance with Code Section 409A.

NOW, THEREFORE, in consideration of the premises and covenants hereinafter contained, the parties hereto agree as follows:

**Section 1. Deferred Compensation Account; Contributions to Trust.**

(1) The Company shall credit to a book reserve (the "Deferred Compensation Account" commencing as of October 19, 1999 and for each month thereafter, an amount equal to 1/12<sup>th</sup> of the Executive's Base Salary (as defined in the employment agreement in effect from time to time between the Company and the Executive (the "Employment Agreement")) for such month; provided that the Executive is employed with the Company on the last business day of such month. The Deferred Compensation Account shall be debited with amounts representing all losses and distributions from the Trust (as hereinafter defined) and shall be credited with all earnings of and deposits to the Trust or amounts otherwise contributed to the Trust.

(2) Any amounts represented by credits made to the Deferred Compensation Account in accordance with the first sentence of paragraph (a) above shall be contributed by the Company on the last business day of each month to the trust (the "Trust") established under the Trust Agreement substantially in the form of Exhibit A annexed hereto (the "Trust Agreement"). Amounts contributed to the Trust shall be invested and reinvested in accordance with the provisions of the Trust Agreement in such investments as are requested by the Executive and agreed to by the Company, which agreement shall not be unreasonably withheld. To the extent that the Company is required to withhold hospital insurance tax or other taxes in respect of credits to the Deferred Compensation Account representing earnings of the Trust prior to distribution of such earnings to the Executive pursuant to Section 2 below, as provided in Amendment No. 3 to this SERP made in December, 2005 (i) for taxes owed in 2005, such taxes shall be paid from the Trust, and (ii) for taxes owed in 2006 and later years, such taxes shall be paid from amounts otherwise payable by the Company to Executive that are not paid under this Agreement.



(3) The Executive agrees on behalf of himself and his designated beneficiary to assume all risk in connection with any debits or credits made to him under the Trust by reason of losses or earnings on investments made in accordance with the provisions of the Trust Agreement.

## **Section 2. Benefit Payments.**

(1) In accordance with Amendment No. 3 made in 2005, the Executive was paid the sum of \$125,000 of the Deferred Compensation Account in December, 2005 and the remainder of the Deferred Compensation Account was scheduled to be paid on December 31, 2008 regardless of whether the Executive has then separated from service. In accordance with Amendment No. 4, the Executive was permitted to make a new payment timing election in 2006 in accordance with Code Section 409A transition rules, and the Executive elected payment on January 6, 2009. The Executive may make a new payment timing election on or before December 31, 2007, provided that such election cannot be for payment to be made in 2007. If Executive does not make a new payment timing election by December 31, 2007, the balance of the Deferred Compensation Account will be paid to Executive on January 6, 2009. Notwithstanding the Executive's payment timing election, if the Executive dies before his entire Deferred Compensation Account has been paid to him, the remainder of the Deferred Compensation Account shall be paid on the 90<sup>th</sup> day after his date of death, and further provided that if the Executive separates from service with the Company the meaning of Code Section 409A within six months prior to the date after 2007 when payments are to be paid or begin to be paid, no payment shall not be made until six months and one day after separation from service, and then all payments that would have been made in that six month period shall be made.

(2) The beneficiary referred to in paragraph (a) above may be designated or changed by the Executive (without the consent of any prior beneficiary) on a form provided by the Company and delivered to the Company before the Executive's death. If no such beneficiary shall have been designated, or if no designated beneficiary shall survive the Executive, the lump sum payment payable under paragraph (a) above shall be payable to the Executive's estate.

(3) This SERP shall be administered by the Compensation Committee of the Board of Directors of the Company (the "Committee"). The Committee shall perform the duties required, and shall have the powers necessary, to administer the Plan and carry out the provisions thereof. Specifically, the Committee shall have the power:

(a) To determine any question arising in connection with the SERP, including factual matters, and its decision or action in respect thereof shall be final, conclusive and binding upon the Company and the Executive and any other individual interested herein; and

(b) To engage the services of counsel or attorney (who may be counsel or attorney for the Company) and an actuary, if it deems necessary, and such other agents or assistants as it deems advisable for the proper administration of the SERP.

Subject to the provisions of this SERP, the Committee shall make all determinations as to the right of any individual to a benefit. Any denial by the Committee of the claim for benefits under the SERP shall be stated in writing by the Committee and delivered or mailed to the claimant. Such notice shall set forth the specific reasons for the denial, written to the best of the Committee's ability in a manner that may be understood without legal or actuarial counsel. In addition, the Committee shall afford the claimant a reasonable opportunity for a review of the decision denying the claim.

**Section 3. Vesting.**

The Executive's interest in the Deferred Compensation Account shall be 100% vested and non-forfeitable.

**Section 4. Unfunded Arrangement.**

It is the intention of the parties hereto that the arrangement described in this SERP be unfunded for tax purposes and for purposes of Title 1 of the Employee Retirement Income Security Act of 1974, as amended. Nothing contained in this SERP or the Trust Agreement and no action taken pursuant to the provisions of this SERP or the Trust Agreement shall create or be construed to create a fiduciary relationship between the Company and the Executive, his designated beneficiary or any other person. Any funds that may be invested under the provisions of the Trust Agreement shall continue for all purposes to be a part of the general funds of the Company and no person other than the Company shall by virtue of the provisions of this SERP have any interest in such funds. To the extent that any person acquires a right to receive payments from the Company under this SERP, such right shall be no greater than the right of any unsecured general creditor of the Company. This SERP constitutes a mere promise by the Company to make a benefit payment in the future.

**Section 5. Nonalienation of Benefits.**

The right of the Executive or any other person to the payment of deferred compensation or other benefits under this SERP shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment by creditors of the Executive or the Executive's beneficiary or estate.

**Section 6. No Right to Employment.**

Nothing contained herein shall be construed as conferring upon the Executive the right to continue in the employ of the Company as an executive or in any other capacity.

**Section 7. Effect on Other Benefits**

Any deferred compensation payable under this SERP shall not be deemed salary or other compensation to the Executive for the purpose of computing benefits to which he may be entitled under any pension plan or other arrangement of the Company for the Benefit of its employees.

**Section 8. Binding Agreement.**

This SERP shall be binding upon and inure to the benefit of the Company, its successors and assigns and the Executive and his heirs, executors, administrators and legal representatives.

**Section 9. Governing Law**

This SERP shall be construed in accordance with and governed by the laws of the State of New York without regard to its conflict of laws principles, to the extent not preempted by federal law.

**Section 10. Validity.**

The invalidity or unenforceability of any provision or provisions of this SERP shall not affect the validity or enforceability of any other provision of this SERP, which shall remain in full force and effect.

**Section 11. Counterparts.**

This SERP may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

**Section 12. Arbitration.**

Any dispute or controversy arising under or in connection with this SERP shall be settled exclusively by arbitration in the City of New York in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The expense of such arbitration shall be shared equally by the Company and by the Executive; provided that the arbitrator shall be entitled to include as part of the award to the prevailing party the reasonable legal fees and expenses incurred by such party in an amount not to exceed \$25,000 in connection with enforcing its rights hereunder.

**Section 13. Amendment.**

This SERP may be amended in whole or in part by a written instrument executed by both parties hereto.

IN WITNESS WHEREOF, the Company has caused this Amended and Restated SERP to be executed by its duly authorized officers and the Executive has executed this Amended and Restated SERP as of the date first above written, but actually on the date(s)                stated below.

HARRIS & HARRIS GROUP, INC.

/s/ Douglas W. Jamison

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Douglas W. Jamison, President

Date: August 2, 2007

THE EXECUTIVE

/s/ Charles E. Harris

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Charles E. Harris

Date: August 2, 2007

**AMENDED AND RESTATED  
HARRIS & HARRIS GROUP, INC  
EXECUTIVE MANDATORY RETIREMENT BENEFIT PLAN**

SECTION I

PURPOSE

1.1 Purpose. The purpose of this Amended and Restated Harris & Harris Group, Inc. Executive Mandatory Retirement Benefit Plan (the “Plan”) is to provide those employees of Harris & Harris Group, Inc. who are required to retire pursuant to the Harris & Harris Group, Inc. Executive Mandatory Retirement Program with a nonforfeitable retirement benefit which will satisfy the requirements for exempting those employees from any prohibitions against mandatory retirement which might otherwise apply under any age discrimination laws applicable to such terminations of employment. This Plan was originally effective March 20, 2003 and is hereby amended and restated effective January 1, 2005 for compliance with Code Section 409A.

SECTION II

DEFINITIONS

2.1 Definitions. The following definitions shall apply for purposes of the Plan, unless a different meaning is plainly indicated by the context:

(a) Age Discrimination Acts shall mean, collectively, the federal Age Discrimination in Employment Act, 29 U.S.C. § 621 et seq., the New York State Human Rights Law, N.Y. Exec. Law § 290 et seq., the New York City Human Rights Law, § 8-107 and any other applicable law pertaining to age discrimination, as well as any regulations promulgated under any such law.

(b) Board shall mean the Board of Directors of the Company, as constituted from time to time.

(c) Code shall mean the Internal Revenue Code of 1986, as amended from time to time.

(d) Committee shall mean a committee to administer the Program which shall be comprised of all members of the Company’s Board of Directors serving from time to time who would be treated as “non-interested directors” for purposes of determining eligibility for service on the Board’s Audit Committee.

(e) Company shall mean Harris & Harris Group, Inc., and any successor to all or a major portion of its assets or business, which successor assumes the obligations of the Company under this Plan by operation of law or otherwise.

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(f) Effective Mandatory Retirement Date shall be the date on which an employee's employment is actually terminated in a mandatory retirement pursuant to the Program (whether such date is the Initial Mandatory Retirement Date or a later date).

(g) ERISA shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

(h) Initial Mandatory Retirement Date, for an employee of the Company who has been designated as subject to the Program, shall be December 31 of the year in which the employee attains the age of 65 years (or December 31 of such later year as the two-year "bona fide executive or high policymaking position" employment requirement of the Program is first met by the employee); provided, however, that the employee's mandatory retirement can be postponed in accordance with the Program.

(i) Mandatory Retirement Benefit Amount shall mean the lump sum equivalent of a nonforfeitable retirement benefit (within the meaning of, and calculated in accordance with, the Age Discrimination Acts) which will satisfy the requirements for exempting the Participant from any prohibitions against compulsory retirement under the Age Discrimination Acts immediately prior to the Participant's Effective Mandatory Retirement Date. As of the original effective date of this Plan, the Mandatory Retirement Benefit Amount is the lump sum equivalent of an immediate nonforfeitable straight life annuity (with no ancillary benefits) of \$44,000.

(j) Offsetting Benefit Amount shall mean the aggregate lump sum equivalent of those benefits to which a Participant is entitled outside of the Plan which are treated as immediate nonforfeitable retirement benefits pursuant to the Age Discrimination Acts. The Offsetting Benefit Amount shall be calculated by adjusting the relevant benefits to lump sum equivalents in accordance with the Age Discrimination Acts.

(k) Participant shall mean any employee of the Company who is being required to retire pursuant to the Harris & Harris Group, Inc. Executive Mandatory Retirement Program and participation shall begin immediately prior to the employee's Effective Mandatory Retirement Date.

(l) Plan shall mean this Harris & Harris Group, Inc. Executive Mandatory Retirement Benefit Plan, as set forth in this plan instrument, as it may be amended from time to time.

(m) Plan Benefit shall mean the benefit payable to a Participant hereunder and calculated pursuant to Section 3.1 hereof.

(n) Program shall mean the Harris & Harris Group, Inc. Executive Retirement Program, as it may be amended from time to time, attached hereto as Exhibit A.

### SECTION III

#### BENEFITS

3.1 Plan Benefit. Each Participant shall be entitled under this Plan to receive a Plan Benefit actuarially equivalent to the result obtained by reducing the Mandatory Retirement Benefit Amount by the Participant's Offsetting Benefit Amount (if any), but only if such result is a positive amount.

3.2 Payment of Plan Benefit.

(a) The Plan Benefit shall be payable to the Participant in the form of a lump sum six months and one day after the Participant's separation from service, provided that if the Participant is not a key employee as defined in Code Section 416 and as applicable under Code Section 409A, such benefit shall be paid 60 days after the participant's separation from service. Calculation of the lump sum benefit shall be made in accordance with the Age Discrimination Acts. A Participant's separation from service for this purpose occurs on the last day on which the Employee performs services for the Company (or any other entity considered a single employer with the Company under Section 414(b) or (c) of the Code) substantially on his regular, full-time schedule, if on that date both the Company and the Employee reasonably anticipate that (i) no further services will be performed thereafter, or (ii) the level of bona fide services performed after that date (as an employee or independent contractor, but not including service as a member of the Board of Directors of the Company) will permanently decrease to no more than 20% of the average level of bona fide services performed over the previous 36 months, or on such later date on which the parties first reasonably anticipate service has reduced in such manner.

(b) Section 3.2(a) shall not apply to payment of Plan Benefits to a Participant whose Effective Mandatory Retirement Date was on or before December 31, 2004. The terms of the Plan prior to this Amendment shall control the timing of payment, except that neither the Company nor the Participant may adjust or change the timing of payment.

3.2 Vesting. Each Participant shall become completely vested in his or her Plan Benefit immediately prior to his or her Effective Mandatory Retirement Date and the Plan Benefit shall be nonforfeitable.

### SECTION IV

#### ADMINISTRATION

4.1 Administration. The Plan shall be administered by the Committee.

4.2 Duties. The Committee shall perform the duties required, and shall have the powers necessary, to administer the Plan and carry out the provisions thereof.

4.3 Powers. The powers of the Committee shall be as follows:

(a) To determine any question arising in connection with the Plan, including factual matters, and its decision or action in respect thereof shall be final, conclusive and binding upon the Company and the Participants and any other individual interested herein;

(b) To engage the services of counsel or attorney (who may be counsel or attorney for the Company) and an actuary, if it deems necessary, and such other agents or assistants as it deems advisable for the proper administration of the Plan; and

(c) To receive from the Company and from Participants such information as shall be necessary for the proper administration of the Plan.

4.4 Claims Procedure. Subject to the provisions of this Plan, the Committee shall make all determinations as to the right of any individual to a benefit. Any denial by the Committee of the claim for benefits under the Plan by a Participant or any other individual interested herein shall be stated in writing by the Committee and delivered or mailed to the Participant or such individual. Such notice shall set forth the specific reasons for the denial, written to the best of the Committee's ability in a manner that may be understood without legal or actuarial counsel. In addition, the Committee shall afford to any Participant whose claim for benefits has been denied a reasonable opportunity for a review of the decision denying the claim.

## SECTION V

### NONALIENATION OF BENEFITS

Neither the Participant nor any other individual shall have any right to assign or otherwise to alienate the right to receive payments under the Plan, in whole or in part.

## SECTION VI

### AMENDMENT AND TERMINATION

The Company reserves the right at any time by action of the Board to terminate the Plan or to amend its provisions in any way. Notwithstanding the foregoing, no termination or amendment of the Plan may reduce the benefits payable under the Plan to the Participant if the Participant's termination of employment with the Company has occurred prior to such termination of the Plan or amendment of its provisions.

## SECTION VII

### MISCELLANEOUS

7.1 No Right to Employment. This Plan shall not be construed as providing any Participant with the right to be retained in the Company's employ or to receive any benefit not specifically provided hereunder.



7.2 No Effect on Other Compensation and Benefits. Nothing contained herein shall exclude or in any manner modify or otherwise affect any existing or future rights of any Participant to participate in and receive the benefits of any compensation, bonus, pension, life insurance, medical and hospitalization insurance or other employee benefit plan or program to which he or she otherwise might be or become entitled as an officer or employee of the Company.

7.3 Governing Law. This Plan shall be construed in accordance with and governed by the laws of the State of New York, without regard to its conflicts of law principles.

7.4 Status. This Plan is not intended to satisfy the requirements for qualification under Section 401(a) of the Code. It is intended to be a nonqualified plan that is not subject to ERISA. The Plan shall be construed and administered so as to effectuate this intent.

7.5 Plan Expenses; Plan Unfunded. All expenses of establishing and administering the Plan shall be paid by the Company. No individual interested herein shall have any interest in any specific assets of the Company by reason of the individual's interest under the Plan, and such individuals shall have only the status of unsecured creditors of the Company with respect to any benefits that become payable under this Plan. The Company is not required to purchase any annuity from any third party to provide a Plan Benefit.

7.6 Successors. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume the Company's obligations hereunder in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

7.7 Withholding Requirements. Payment of benefits under this Plan shall be subject to applicable withholding requirements.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer as of January 1, 2005, but actually on the date set forth below

HARRIS & HARRIS GROUP, INC.

/s/ Douglas W. Jamison

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Douglas W. Jamison, President

Date: August 2, 2007

**HARRIS & HARRIS GROUP, INC.**  
**EXECUTIVE MANDATORY RETIREMENT PROGRAM**

1. Employees Covered. Individuals who are employed by Harris & Harris Group, Inc. (the “Company”) in a bona fide executive or high policymaking position (as determined in accordance with the “Age Discrimination Acts”) and who are designated in the sole discretion of the “Committee” as subject to this Program are subject to automatic “mandatory retirement” upon and after December 31 of the year in which a designated individual attains the age of 65 years (or December 31 of such later year as the two-year employment position requirement set forth in the next sentence is first met). The designated individual must have been employed in such a bona fide executive or high policymaking position for at least the two-year period immediately preceding the effective mandatory retirement date. Notwithstanding the foregoing, the Committee may determine, in its sole discretion and on an annual basis beginning in the year in which the designated individual attains the age of 65 years and prior to December 31 of that year (or prior to December 31 of such later year as the two-year employment position requirement is first met), to postpone the then-governing mandatory retirement date for that individual for one additional year for the benefit of the Company.

2. Definitions. The following definitions shall apply for purposes of the Program, unless a different meaning is plainly indicated by the context:

A. “Age Discrimination Acts” shall mean, collectively, the federal Age Discrimination in Employment Act, 29 U.S.C. § 621 et seq., the New York State Human Rights Law, N.Y. Exec. Law § 290 et seq., the New York City Human Rights Law, § 8-107 and any other applicable law pertaining to age discrimination, as well as any regulations promulgated under any such law.

B. “Committee” shall mean a committee to administer the Program which shall be comprised of all members of the Company’s Board of Directors serving from time to time who would be treated as “non-interested directors” for purposes of determining eligibility for service on the Board’s Audit Committee.

C. “Company” shall mean Harris & Harris Group, Inc., a New York corporation, and any successor thereto.

D. “Mandatory retirement” shall have the meaning given “compulsory retirement” by and under the Age Discrimination Acts.

E. “Program” shall mean this Executive Mandatory Retirement Program, as it may be amended from time to time.