As filed with the Securities and Exchange Commission on June 17, 2008

Securities Act Registration No. 333-138996
Investment Company Act File Number 814-176

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

FORM N-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933:

PRE-EFFECTIVE AMENDMENT NO. £

POST-EFFECTIVE AMENDMENT NO. 5 T

HARRIS & HARRIS GROUP, INC.

(Exact Name of Registrant as Specified in its Charter)

111 West 57th Street
Suite 1100
New York, New York 10019
(Address of Principal Executive Offices)

(212) 582-0900
(Registrant's Telephone Number, including Area Code)

Charles E. Harris, Chairman, CEO
111 West 57th Street
Suite 1100
New York, New York 10019
(Name and Address of Agent for Service)

Copies to:

Sandra M. Forman, Esq.
General Counsel
Harris & Harris Group, Inc.
111 West 57th Street, Suite 1100
New York, New York 10019
(212) 582-0900

Richard T. Prins, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036
(212) 735-3000

Approximate Date of Proposed Public Offering:
From time to time after the effective date of this Registration Statement

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. T

This Post-Effective Amendment No. 5 will become effective immediately upon filing pursuant to Rule 462(d) under the Securities Act of 1933.

EXPLANATORY NOTE AND INCORPORATION BY REFERENCE

This Post-Effective Amendment No. 5 to the Registration Statement on Form N-2 (File No. 333-138996) is being filed pursuant to Rule 462(d) under the Securities Act of 1933 (the "Securities Act"), solely for the purpose of adding additional exhibits to such Registration Statement. Accordingly, this Post-Effective Amendment No. 5 consists only of a facing page, this explanatory note, and Part C of the Registration Statement on Form N-2 setting forth the exhibits to the Registration Statement. This Post-Effective Amendment No. 5 does not change any other part of the Registration Statement. Pursuant to Rule 462(d) under the Securities Act, this Post-Effective Amendment No. 5 shall become effective immediately upon filing with the Securities and Exchange Commission. The contents of the Registration Statement are hereby incorporated by reference.

PART C — OTHER INFORMATION

Item 25. Financial Statements and Exhibits

(1) Financial Statements - The following financial statements and related documents are incorporated by reference into this Registration Statement:

(a) Annual Report on Form 10-K

Report of Independent Registered Public Accounting Firm

Consolidated Statements of Assets and Liabilities as of December 31, 2007, and 2006

Consolidated Statements of Operations for the years ended December 31, 2007, 2006, and 2005

Consolidated Statements of Cash Flows for the years ended December 31, 2007, 2006, and 2005

Consolidated Statements of Changes in Net Assets for the years ended December 31, 2007, 2006, and 2005

Consolidated Schedule of Investments as of December 31, 2007, and 2006

Notes to Consolidated Schedule of Investments

Notes to Consolidated Financial Statements

Financial Highlights for the years ended December 31, 2007, 2006, and 2005

(b) Quarterly Report on Form 10-Q

Consolidated Statements of Assets and Liabilities as of March 31, 2008 and December 31, 2007

Consolidated Statements of Operations for the quarters ended March 31, 2008 and 2007

Consolidated Statements of Cash Flows for the quarters ended March 31, 2008 and 2007

Consolidated Statements of Changes in Net Assets for the quarter ended March 31, 2008 and the year ended December 31, 2007

Consolidated Schedule of Investments as of March 31, 2008

Notes to Consolidated Schedule of Investments

Notes to Consolidated Financial Statements

Financial Highlights for the quarters ended March 31, 2008 and 2007

Statements, schedules and historical information other than those listed above have been omitted since they are either not applicable, or not required or the required information is shown in the financial statements or notes thereto.

(2) Exhibits:

(a) (1) Restated Certificate of Incorporation of Harris & Harris Group, Inc., dated September 23, 2005, incorporated by reference as Exhibit 99 to Form 8-K filed on September 27, 2005.

(2) Certificate of Amendment of the Certificate of Incorporation of Harris & Harris Group, Inc., dated May 19, 2006, incorporated by reference as Exhibit 3.1 to the Company's Form 10-Q filed on August 9, 2006.

(b) Restated By-laws of the Company, incorporated by reference as Exhibit 2(b) to Pre-Effective Amendment No. 1 to the Company's Registration Statement on Form N-2 (File No. 333-112862), filed on March 22, 2004.

(c) Not applicable.

(d) Form of Specimen Certificate of Common Stock.(2)

(e) Not applicable.

(f) Not applicable.

(g) Not applicable.

(h) (1) Placement Agency Agreement.(1)

(2) Form of Subscription Agreement.(1)

(3) Escrow Agreement.(1)

(i) (1) Harris & Harris Group, Inc. Amended and Restated Employee Profit-Sharing Plan, incorporated by reference as Exhibit 10.8 to the Company's Form 10-K for the year ended December 31, 2007 (File No. 814-00176), filed on March 13, 2008.

(2) Harris & Harris Group, Inc., 2006 Equity Incentive Plan, incorporated by reference as Appendix B to the Company's Proxy Statement for the 2006 Annual Meeting of Shareholders filed on April 3, 2006.

(3) Form of Incentive Stock Option Agreement incorporated by reference as Exhibit 10.1 to the Company's Form 8-K (File No. 814-00176) filed on June 26, 2006.

(4) Form of Non-Qualified Stock Option Agreement, incorporated by reference as Exhibit 10.2 to the Company's Form 8-K (File No. 814-00176) filed on June 26, 2006.

(5) Harris & Harris Group, Inc. Directors Stock Purchase Plan 2001.(2)

(6) Amended and Restated Employment Agreement between Harris & Harris Group, Inc. and Charles E. Harris, dated August 2, 2007, incorporated by reference as Exhibit 10.1 to the Company's Form 8-K (File No. 814-00176) filed on August 3, 2007.

(7) Amended and Restated Severance Compensation Agreement, dated August 2, 2007, incorporated by reference as Exhibit 10.2 to the Company's Form 8-K (File No. 814-00176) filed on August 3, 2007.

(8) Trust Under Harris & Harris Group, Inc. Deferred Compensation Agreement.(2)

(9) Amended and Restated Harris & Harris Group, Inc. Executive Mandatory Retirement Benefit Plan, dated August 2, 2007, incorporated by reference as Exhibit 10.4 to the Company's Form 8-K (File No. 814-00176) filed on August 3, 2007.

(10) Amended and Restated Supplemental Executive Retirement Plan, dated August 2, 2007, incorporated by reference as Exhibit 10.3 to the Company's Form 8-K (File No. 814-00176) filed on August 3, 2007.

(j) Harris & Harris Group, Inc. Custodian Agreement with JP Morgan, incorporated by reference as Exhibit 2(j) to Pre-Effective Amendment No. 1 to the Company's Registration Statement on Form N-2 (File No. 333-112862) filed on March 22, 2004.

(k) (1) Form of Indemnification Agreement which has been established with all directors and executive officers of the Company, incorporated by reference as Exhibit 2(i)(7) to Pre-Effective Amendment No. 1 to the Company's Registration Statement on Form N-2 (File No. 333-112862) filed on March 22, 2004.

(2) Agreement of Sub-Sublease, dated April 18, 2003, by and between Prominent USA, Inc. and Harris & Harris Group, Inc., incorporated by reference as exhibit 10.17 to the Company's Form 10-K for the year ended December 31, 2007 (File No. 814-00176), filed on March 13, 2008.

(3) Amendment to Agreement of Sub-Sublease, dated May 9, 2003, by and between Prominent USA, Inc., and Harris & Harris Group, Inc., incorporated by reference as exhibit 10.18 to the Company's Form 10-K for the year ended December 31, 2007 (File No. 814-00176), filed on March 13, 2008.

(4) Assignment and Assumption, Modification and Extension of Sublease Agreement, dated December 17, 2004, by and among the Economist Newspaper Group, Inc., National Academy of Television Arts & Sciences, and Harris & Harris Group, Inc., incorporated by reference as exhibit 10.19 to the Company's Form 10-K for the year ended December 31, 2007 (File No.814-00176) filed on March 13, 2008.

(l) Opinion letter and Consent of Skadden, Arps, Slate, Meagher & Flom, LLP.[3]

(m) Not applicable.

(n) Consent of Independent Registered Public Accounting Firm.[1]

(o) Not applicable.

(p) Not applicable.

(q) Not applicable.

(r) Code of Ethics Pursuant to Rule 17j-1, incorporated by reference as Exhibit 14 to the Company's Form 8-K (File No. 814-00176) filed on March 7, 2008.

(s) Powers of Attorney.[2][3]

[1] Filed herewith.

[2] Previously filed with the Company's Registration Statement on Form N-2 (File No. 333-138996) filed on November 29, 2006.

[3] Previously filed with Pre-Effective Amendment No. 2 to the Company's Registration Statement on Form N-2 (File No. 333-138996) filed on April 23, 2007.

Item 26. Marketing Arrangements

The information contained under the heading "Plan of Distribution" of the Prospectus is incorporated herein by reference, and any information concerning any underwriters will be contained in the accompanying Prospectus Supplement.

Item 27. Other Expenses of Issuance and Distribution

The following table sets forth the expenses to be incurred in connection with this offering described in this Registration Statement:

Registration fees	$	5,000
Nasdaq listing fee	$	6,500
Printing (other than stock certificates)	$	0
Accounting fees and expenses	$	40,000
Legal fees and expenses	$	115,000
Miscellaneous	$	158,500
Total	$	325,000

Item 28. Persons Controlled by or Under Common Control with Company

At December 31, 2007	Organized under laws of	Percentage of voting securities owned by the Registrant
Harris & Harris Enterprises, Inc.	Delaware	100%

Item 29. Number of Holders of Securities (as of June 13, 2008)

Title of class	Number of record holders
Common Stock, $.01 par value	136

Item 30. Indemnification

Article 8 ("Article 8") of our Certificate of Incorporation, as adopted by our board of directors in October 1992, and approved by our shareholders in December 1992 and restated in September 2005, provides for the indemnification of our directors and officers to the fullest extent permitted by applicable New York law, subject to the applicable provisions of the 1940 Act.

Scope of Indemnification Under New York Law. BCL §§ 721-726 provide that a director or officer of a New York corporation who was or is a party or a threatened party to any threatened, pending or completed action, suit or proceeding (i) shall be entitled to indemnification by the corporation for all expenses of litigation when he is successful on the merits, (ii) may be indemnified by the corporation for judgments, fines, and amounts paid in settlement of, and reasonable expenses incurred in, litigation (other than a derivative suit), even if he is not successful on the merits, if he acted in good faith and for a purpose he reasonably believed to be in or not opposed to the best interest of the corporation (and, in criminal proceedings, had no reasonable cause to believe that his conduct was unlawful), and (iii) may be indemnified by the corporation for amounts paid in settlement and reasonable expenses incurred in a derivative suit (i.e., a suit by a shareholder alleging a breach of a duty owed to the corporation by a director or officer) even if he is not successful on the merits, if he acted in good faith, for a purpose which he believed to be in, or not opposed to, the best interest of the corporation. However, no indemnification may be made in accordance with clause (iii) if he is adjudged liable to the corporation, unless a court determines that, despite the adjudication of liability and in view of all of the circumstances, he is entitled to indemnification. The indemnification described in clauses (ii) and (iii) above and the advancement of litigation expenses, may be made only upon a determination by (i) a majority of a quorum of disinterested directors, (ii) independent legal counsel, or (iii) the shareholders that indemnification is proper because the applicable standard of conduct has been met. In addition, litigation expenses to a director or officer may only be made upon receipt of an undertaking by the director or officer to repay the expenses if it is ultimately determined that he is not entitled to be indemnified. The indemnification and advancement of expenses provided for by BCL §§ 721-726 are not deemed exclusive of any rights the indemnitee may have under any by-law, agreement, vote of shareholders or disinterested directors, or otherwise. When any action with respect to indemnification of directors is taken by amendment to the by-laws, resolution of directors, or agreement, the corporation must mail a notice of the action taken to its shareholders of record by the earlier of (i) the date of the next annual meeting, or (ii) fifteen months after the date of the action taken.

The foregoing provisions are subject to Section 17(h) of the 1940 Act, which provides that neither the certificate of incorporation or by-laws nor any agreement may protect any director or officer against any liability to the Company or any of its stockholders to which he would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of his duties.

The Indemnification Agreements. Pursuant to the Indemnification Agreement, the Company would indemnify the indemnified director or officer (the "Indemnitee") to the fullest extent permitted by New York law as in effect at the time of execution of the Indemnification Agreement and to such fuller extent as New York law may permit in the future, subject in each case to the applicable provisions of the 1940 Act. An Indemnitee would be entitled to receive indemnification against all judgments rendered, fines levied, and other assessments (including amounts paid in settlement of any claims, if approved by the Company), plus all reasonable costs and expenses (including attorneys' fees) incurred in connection with the defense of any threatened, pending, or completed action or proceeding, whether civil, criminal, administrative, or investigative (an "Action"), related to or arising from (i) any actual or alleged act or omission of the Indemnitee at any time as a director, officer, employee, or agent of the Company or any of its affiliates or subsidiaries, or (ii) the Indemnitee's past, present, or future status as a director, officer, employee or agent of the Company or any of its affiliates or subsidiaries. An Indemnitee would also be entitled to advancement of all reasonable costs and expenses incurred in the defense of any Action upon a finding by a court or an opinion of independent counsel that the Indemnitee is more likely than not to prevail. If the Company makes any payment to the Indemnitee under the Indemnification Agreement and it is ultimately determined that the Indemnitee was not entitled to be indemnified, the Indemnitee would be required to repay the Company for all amounts paid to the Indemnitee under the Indemnification agreement. An Indemnitee would not be entitled to Indemnification or advancement of expenses under the Indemnification Agreement with respect to any proceeding or claim brought by him against the Company.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

We maintain directors' and officers' liability insurance.

Item 31. Business and Other Connections of Investment Adviser

Not applicable because the Company has no investment adviser.

Item 32. Location of Accounts and Records

Certain accounts, books and other documents required to be maintained by Section 31(a) of the 1940 Act and the Rules promulgated there under are maintained at the offices of the Company at 111 West 57th Street, Suite 1100, New York, New York 10019. Certain accounts, books and other documents pertaining to the Company's subsidiaries are maintained at 111 West 57th Street, Suite 1100, New York, New York 10019.

Item 33. Management Services

Global Shares provides stock plan administration services for our Equity Incentive Plan. The total cost of these services for 2008 is estimated to be $17,500.

Item 34. Undertakings

1. We undertake to suspend the offering of shares until we amend our prospectus if:

   (1) subsequent to the effective date of this Registration Statement, the net asset value per share declines more than 10 percent from our net asset value per share as of the effective date of the Registration Statement; or

   (2) the net asset value increases to an amount greater than our net proceeds as stated in the Prospectus.

2. Not applicable.

3. Not applicable.

4. We hereby undertake:

   (a) to file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

      (1) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

      (2) to reflect in the prospectus any facts or events after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement; and

      (3) to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement.

   (b) that for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment 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;

   (c) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering; and

   (d) that for the purpose of determining liability under the Securities Act of 1933 to any purchaser, if the Registrant is subject to Rule 430C: Each prospectus filed pursuant to Rule 497(b), (c),(d) or (e) under the Securities Act of 1933 as part of a registration statement relating to an offering, other than prospectuses filed in reliance on Rule 430A under the Securities Act of 1933, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(e) that for the purpose of determining our liability under the Securities Act of 1933 to any purchaser in the initial distribution of securities:

We undertake that in a primary offering of our securities pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, we will be a seller to the purchaser and will be considered to offer or sell such securities to the purchaser:

(1) any preliminary prospectus or prospectus of the undersigned relating to the offering required to be filed pursuant to Rule 497 under the Securities Act of 1933;

(2) the portion of any advertisement pursuant to Rule 482 under the Securities Act of 1933 relating to the offering containing material information about us or our securities provided by or on our behalf; and

(3) any other communication that is an offer in the offering made by 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.

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

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

EXECUTION COPY

2,545,000 Shares

HARRIS & HARRIS GROUP, INC.

Common Stock

PLACEMENT AGENCY AGREEMENT

June 16, 2008

ThinkPanmure, LLC
600 Montgomery Street, 8th Floor
San Francisco, California 94111

Ladies and Gentlemen:

Harris & Harris Group, Inc., a New York corporation (the "*Company*"), proposes, subject to the terms and conditions stated herein, to issue and sell to certain investors (each an "*Investor*" and, collectively, the "*Investors*"), up to 2,545,000 shares (the "*Shares*") of the Company's common stock, $0.01 par value per share (the "*Common Stock*"). The Company desires to engage ThinkPanmure, LLC as its exclusive placement agent (the "*Placement Agent*") in connection with such issuance and sale. The Shares are more fully described in the Registration Statement (as hereinafter defined).

1. *Agreement to Act as Placement Agent; Delivery and Payment*. On the basis of the representations, warranties and agreements of the Company herein contained, and subject to the terms and conditions set forth in this Agreement:

(a) The Company hereby engages the Placement Agent to act as its exclusive placement agent in connection with the issuance and sale, by the Company, of Shares to the Investors and the Placement Agent hereby agrees, as an agent of the Company, to use its best efforts to solicit offers to purchase the Shares from the Company upon the terms and conditions set forth in the Prospectus (as defined below). The Company expressly acknowledges and agrees that this Agreement shall not give rise to a commitment by the Placement Agent or any of its affiliates to underwrite or purchase any of the Shares or otherwise provide any financing, and the Placement Agent shall have no authority to bind (and agrees not to purport to bind) the Company in respect of the sale of any Shares.

(b) Concurrently with the execution and delivery of this Agreement, the Company, the Placement Agent and JPMorgan Chase, as escrow agent (the "*Escrow Agent*"), shall enter into an escrow agreement, dated as of the date hereof (the "*Escrow Agreement*"), pursuant to which an escrow account will be established, at the Company's expense, for the benefit of the Company and the Investors (the "*Escrow Account*"). Prior to the Closing Date, (i) each Investor will deposit in the Escrow Account an amount equal to $6.15 per Share multiplied by the number of Shares to be purchased by such Investor (the "*Purchase Amount*"), and (ii) the Escrow Agent will notify the Company and the Placement Agent in writing of the amount of funds deposited in the Escrow Account.

(c) Upon the occurrence of the Closing (as hereinafter defined), the Company shall cause to be paid to the Placement Agent, by wire transfer of immediately available funds payable to the order of the Placement Agent from the Escrow Account, to an account designated by the Placement Agent, an aggregate of six percent (6.0%) of the gross proceeds received by the Company from its sale of the Shares at such Closing to all Investors (the "*Agency Fee*").

(d) Payment of the purchase price for, and delivery of, the Shares shall be made at a closing (the "*Closing*") at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, counsel for the Company, located at Four Times Square, New York, New York at 10:00 a.m., local time, on June 20, 2008 or at such other time and date as the Investor and the Company determine pursuant to Rule 15c6-1(a) under the Exchange Act (such date of payment and delivery being herein referred to as the "*Closing Date*"), and upon satisfaction of the conditions set forth in this Agreement and the Subscription Agreements (as defined below), the Company shall deliver the Shares, which shall be registered in the name or names and shall be in such denominations as the Placement Agent may request at least one business day before the Closing Date, to the Investors, which delivery, with respect to the Shares, may be made through the facilities of the Depository Trust Company's DWAC system, and the Escrow Agent will disburse the aggregate funds in the Escrow Account to the Company reduced by an amount equal to the sum of the aggregate Agency Fee payable to the Placement Agent and the Placement Agent's bona fide written estimate of the amount, if any, of expenses for which the Placement Agent is entitled to reimbursement pursuant hereto, with such amounts being delivered to the Placement Agent, by wire in federal (same day) funds, as provided in the Escrow Agreement. All such actions taken at the Closing shall be deemed to have occurred simultaneously. Each of the Company and the Placement Agent hereby agree to deliver to the Escrow Agent a Closing Notice in the form attached as Exhibit C to the Escrow Agreement at least one day prior to the Closing Date. At least one day prior to the Closing Date, the Placement Agent shall submit to the Company its bona fide written estimate of the amount, if any, of expenses for which such Placement Agent is entitled to reimbursement pursuant hereto.

(e) The sale of the Shares shall be made pursuant to subscription agreements in the form included as Exhibit A hereto (the "*Subscription Agreements*"). The Company shall have the sole right to accept offers to purchase the Shares and may reject any such offer in whole or in part, and, except as set forth in Section 4 hereof, in no event shall fees be payable on any proposed purchase which is rejected for any reason or which otherwise does not close for any reason.

(f) Prior to the earlier of (i) the date on which this Agreement is terminated and (ii) the Closing Date, the Company shall not, without the prior written consent of the Placement Agent, solicit or accept offers to purchase Shares of the Company (other than pursuant to the exercise of options or warrants to purchase shares of Common Stock that are outstanding at the date hereof) otherwise than through the Placement Agent in accordance herewith.

2. *Representations and Warranties of the Company*. The Company represents and warrants to the Placement Agent as of the date hereof, and as of the Closing Date, as follows:

(a) *Registration Statement.* The Company meets the requirements for the use of Form N-2 under the Securities Act of 1933 (the "*Securities Act*"), and a registration statement (Registration No. 333-138996) on Form N-2 relating to the Shares being offered by the Company, and such amendments thereof as may have been required to the date of this Agreement, have been prepared by the Company in accordance with the provisions of the Securities Act and the rules and regulations (collectively referred to as the "*Rules and Regulations*") of the Securities and Exchange Commission (the "*Commission*") thereunder, and such registration statement has been filed with and has been declared effective by the Commission. A final prospectus supplement containing information permitted to be omitted at the time of effectiveness by Rule 430C of the Rules and Regulations will be filed promptly by the Company with the Commission in accordance with Rule 497 of the Rules and Regulations.

(i) The term "*Registration Statement*" as used in this Agreement means the registration statement, as amended at the time it became effective, including all documents filed as a part thereof, and including any information contained in a prospectus subsequently filed with the Commission pursuant to Rule 497 under the Securities Act and deemed to be a part of the registration statement at the time of effectiveness pursuant to Rule 430C under the Securities Act, and as supplemented or amended, prior to the execution of this Agreement, including all financial schedules and exhibits thereto. If the Company has filed one or more abbreviated registration statements to register additional shares of Common Stock pursuant to Rule 462(b) under the Rules and Regulations (each a "*Rule 462(b) Registration Statement*"), then any reference herein to the term "*Registration Statement*" shall also be deemed to include any such Rule 462(b) Registration Statement.

(ii) The term "*Base Prospectus*" as used in this Agreement means the base prospectus, dated as of May 29, 2008, included in the Registration Statement at the time it was declared effective by the Commission. The term "*Preliminary Prospectus*" as used in this Agreement means any preliminary prospectus supplement specifically relating to the Shares in the form that is first filed with the Commission pursuant to Rule 497 under the Securities Act. The term "*Prospectus Supplement*" as used in this Agreement means the final prospectus supplement specifically relating to the Shares in the form that is first filed with the Commission pursuant to Rule 497 under the Securities Act after the date and time this Agreement is executed and delivered by the parties hereto. The term "*Prospectus*" as used in this Agreement means the Base Prospectus together with the Prospectus Supplement.

(iii) The term "*Time of Sale*" as used in this Agreement means the time of execution of this Agreement.

(iv) The term "*Pricing Information*" as used in this Agreement, means the information included on Schedule I hereto (which information the Placement Agent has informed the Company is being conveyed orally by the Placement Agent to prospective purchasers at or prior to confirming sales of the shares in the offering).

(v) The term "*Disclosure Package*" as used in this Agreement, means the Preliminary Prospectus and the Pricing Information, all considered together.

(b) *Registration Statement; Disclosure Package and Prospectus*. No order preventing or suspending the use of the Base Prospectus has been issued by the Commission, and no stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto has been issued, and no proceedings for that purpose have been instituted or, to the Company's knowledge, are threatened by the Commission. The Registration Statement complied when it became effective, in all material respects, with the requirements of Form N-2 under the Securities Act. The conditions to the use of Form N-2 in connection with the offering and sale of the Shares as contemplated hereby have been satisfied. The Registration Statement did not, as of the Time of Sale, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; the Disclosure Package, as of the Time of Sale, did not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and the Prospectus, as of the date that it is filed with the Commission and as of the Closing Date, will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, in each case, that the Company makes no representations or warranty with respect to any Placement Agent Information (as defined in Section 7).

(c) *Organization*. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of New York, with the corporate power and authority necessary to own, lease and operate its properties and to conduct its business as described in the Registration Statement, the Disclosure Package and the Prospectus.

(d) *Capitalization*. The authorized capital stock of the Company consists of (i) 45,000,000 shares of Common Stock and (ii) 2,000,000 shares of preferred stock, par value $0.10 per share (the "*Preferred Stock*"). As of the date hereof, 23,314,573 shares of Common Stock are issued and outstanding and no shares of Preferred Stock are issued and outstanding.

(e) *The Shares*. The Shares have been duly and validly authorized by the Company and, when issued, delivered and paid for in accordance with the terms of this Agreement and the Subscription Agreements, will have been duly and validly issued and will be fully paid and nonassessable.

(f) *Description of Capital Stock.* The terms of the capital stock of the Company, including the Shares, conforms in all material respects to the description thereof contained in the Registration Statement, the Disclosure Package and the Prospectus.

(g) *Authorization and Execution*. This Agreement and each Subscription Agreement has been duly authorized, executed and delivered by the Company.

(h) *Subsidiaries*. None of the Company's subsidiaries are significant subsidiaries (as such term is defined in Rule 1-02(w) of Regulation S-X promulgated by the Commission). The Company owns all of the issued and outstanding capital stock of each of the subsidiaries listed on Schedule II attached hereto (collectively, the "*Subsidiaries*"). Each of the Subsidiaries has been duly organized and is validly existing and in good standing under the laws of its jurisdiction of organization; each of the Subsidiaries has the power and authority to own, lease and operate its properties and conduct its business as described in the Disclosure Package and the Prospectus. All of the outstanding shares of capital stock of each of the Subsidiaries held directly or indirectly by the Company have been duly authorized and validly issued, are fully paid and non-assessable, have been issued in compliance with all applicable securities laws, were not issued in violation of any preemptive right, resale right, right of first refusal or similar right to subscribe for or purchase securities of the Subsidiaries and are owned by the Company or another Subsidiary subject to no security interest, other encumbrance or adverse claims.

(i) *No Violation or Default*. The Company is not in breach or violation of or in default under (i) the provisions of its charter or by-laws, (ii) any material agreement filed as an exhibit to the Registration Statement, or (iii) any federal or state statute or law, any rule or regulation issued pursuant to any federal or state statute or law, or any order issued pursuant to any federal or state statute or law by any court or governmental agency or body having jurisdiction over the Company, except, with respect to clauses (ii) and (iii) above, as described in the Disclosure Package and the Prospectus or, to the extent any such contravention would not, individually or in the aggregate, have a material adverse effect on the business, properties, prospects, financial condition or results of operations of the Company (a "*Material Adverse Effect*").

(j) *No Conflicts*. The execution, delivery and performance by the Company of this Agreement, each Subscription Agreement and the Escrow Agreement, including the issuance and sale by the Company of the Shares, will not conflict with or result in a breach or violation of, or constitute a default under (i) the provisions of its charter or by-laws, (ii) any material agreement filed as an exhibit to the Registration Statement, or (iii) any federal or state statute or law, any rule or regulation issued pursuant to any federal or state statute or law, or any order issued pursuant to any federal or state statute or law by any court or governmental agency or body having jurisdiction over the Company, except, with respect to clauses (ii) and (iii) above, as described in the Disclosure Package and the Prospectus or, to the extent any such contravention would not, individually or in the aggregate, have a Material Adverse Effect.

(k) *No Consents Required*. No filing with, or authorization, approval, consent or order of, any court or governmental agency or body is required for the issuance and sale of the Shares, except as referred to in this Agreement, the Registration Statement, the Disclosure Package or the Prospectus and (i) such as have been already obtained or as may be required under the Securities Act, the Investment Company Act of 1940, as amended (the "*Investment Company Act*") or the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"), (ii) such as may be required under the rules and regulations of the Financial Industry Regulatory Authority ("*FINRA*"), or (iii) such as may be required under the "blue sky" laws of any jurisdiction in connection with the purchase and distribution of the Shares in the manner contemplated in this Agreement, the Registration Statement, the Disclosure Package and the Prospectus.

(l) *Disclosure*. The statements set forth in the Prospectus under the captions "Taxation" and "Certain Governmental Regulations," insofar as they purport to describe the provisions of the laws referred to therein, are accurate and complete in all material respects.

(m) *Absence of Material Changes.* Subsequent to the respective dates as of which information is given in the Disclosure Package and the Prospectus, and other than as contemplated therein, there has not been (i) any material adverse change in the business, properties, prospects, financial condition or results of operations of the Company, (ii) any transaction which is material to the Company, (iii) any material change in the capital stock, or any material change in the outstanding indebtedness, of the Company, or (v) any dividend or distribution declared, paid or made on the capital stock of the Company.

(n) *Legal Proceedings*. Except as described in the Disclosure Package and the Prospectus, there are no legal proceedings pending or, to the Company's knowledge, threatened to which the Company or any of its properties is or would be subject at law or in equity, before or by any federal or state court or governmental agency or body, except any such legal proceedings, which if resolved adversely to the Company, would not result in a judgment, decree or order having, individually or in the aggregate, a Material Adverse Effect.

(o) *Good Title to Property*. The Company has good and valid title to all property (whether real or personal) described in the Disclosure Package, the Prospectus Supplement and, except to the extent modified by the Prospectus Supplement, the Base Prospectus as being owned by it, except such property as shall have been disposed of in the ordinary course after the date thereof, in each case free and clear of all liens, claims, security interests, other encumbrances or defects except such as are described in the Disclosure Package and the Prospectus and those that would not, individually or in the aggregate materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company. All of the property described in the Disclosure Package, the Prospectus Supplement and, except to the extent modified by the Prospectus Supplement, the Base Prospectus as being held under lease by the Company, except such property as shall have been disposed of in the ordinary course after the date thereof, is held thereby under valid, subsisting and enforceable leases (except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general equitable principles), without any liens, restrictions, encumbrances or claims, except those that, individually or in the aggregate, are not material or do not materially interfere with the use made and proposed to be made of such property by the Company.

(p) *Intellectual Property Rights*. Except as set forth on Schedule 2(p) attached hereto, the Company does not own any patent applications, patents, trademarks (both registered and unregistered), tradenames, copyrights, trade secrets or other proprietary information which are necessary for the conduct of its business, except where the failure to own such rights would not, individually or in the aggregate, result in a Material Adverse Effect.

(q) *Financial Statements*. The consolidated financial statements of the Company, together with the related schedules and notes thereto, set forth or incorporated by reference in the Registration Statement, the Disclosure Package and the Prospectus present fairly in all material respects the consolidated financial condition of the Company as of the dates indicated and the consolidated results of operations, cash flows and changes in net assets of the Company for the periods specified and have been prepared in conformity with United States generally accepted accounting principles, consistently applied throughout the periods involved.

(r) *Independent Accountants*. To the Company's knowledge, PricewaterhouseCoopers LLP, who have certified the consolidated financial statements of the Company, is (i) an independent public accounting firm within the meaning of the Securities Act and the Rules and Regulations, (ii) a registered public accounting firm (as defined in Section 2(a)(12) of the Sarbanes-Oxley Act of 2002 (the "*Sarbanes-Oxley Act*")), and (iii) not in violation of the auditor independence requirements of the Sarbanes-Oxley Act as such requirements apply to their relationship with the Company.

(s) *Taxes*. The Company has timely filed all material federal and state income and franchise tax returns (or timely filed applicable extensions therefore) that have been required to be filed and is not in default in the payment of any taxes which were payable pursuant to said returns or any assessments with respect thereto, except to the extent that the failure to timely file or pay would not, individually or in the aggregate, have a Material Adverse Effect.

(t) *Nasdaq; Exchange Act Registration*. The Common Stock is registered pursuant to Section 12(b) or 12(g) of the Exchange Act and is accepted for quotation on the Nasdaq Global Market, and the Company has taken no action designed to terminate the registration of the Common Stock under the Exchange Act or delisting the Common Stock from the Nasdaq Global Market, nor, except as disclosed in the Registration Statement, the Disclosure Package and the Prospectus, has the Company received any notification that the Commission or FINRA is contemplating terminating such registration or listing. Except as disclosed in the Registration Statement, the Disclosure Package and the Prospectus, the Company has complied in all material respects with the applicable requirements of the Nasdaq Global Market for maintenance of inclusion of the Common Stock thereon.

(u) *Accounting Controls*. The Company maintains a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(v) *Disclosure Controls*. The Company has established, maintains and evaluates "disclosure controls and procedures" (as such term is defined in Rule 13a-15e and 15d-15e under the Exchange Act), which (i) are designed to ensure that material information required to be disclosed by the Company in the reports that it files under the Exchange Act is made known to the Company's principal executive officer and its principal financial officer, particularly during the periods in which the periodic reports required under the Exchange Act are being prepared, and such disclosure controls and procedures are effective to perform the functions for which they were established; the Company's auditors and the Audit Committee of the Board of Directors of the Company have been advised of: (i) any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting (as such term is defined in Rule 13a-15f and 15d-15f under the Exchange Act) which could adversely affect the Company's ability to record, process, summarize, and report financial data; and (ii) any fraud, whether or not material, that involves management or other employees who have a role in the Company's internal control over financial reporting; any material weaknesses in internal control over financial reporting have been identified for the Company's auditors; and since the date of the most recent evaluation of such internal control over financial reporting, there have been no changes in internal control over financial reporting or in other factors that could significantly affect internal control over financial reporting, including any corrective actions with regard to significant deficiencies and material weaknesses.

(w) *Sarbanes-Oxley Act*. The Company, and to its knowledge, all of the Company's directors or officers, in their capacities as such, is in compliance in all material respects with all applicable provisions of the Sarbanes-Oxley Act.

(x) *Investment Company Act; Compliance*. The Company has elected to be regulated as a "business development company" under the Investment Company Act and has not withdrawn such election, and the Commission has not ordered that such election be withdrawn nor to the Company's knowledge have proceedings to effectuate such withdrawal been initiated or threatened by the Commission. Except as set forth in the Registration Statement, the Disclosure Package and the Prospectus, the Company's current business operations and investments and contemplated business operations and investments are in compliance in all material respects with the provisions of the Investment Company Act and the rules and regulations of the Commission thereunder (as set forth in the Code of Federal Regulations ("*CFR*")) applicable to business development companies and, after giving effect to the issuance and sale of the Shares, will be in compliance in all material respects with such provisions and rules and regulations (as set forth in the CFR). The provisions of the corporate charter and bylaws of the Company and the investment policies described in the Registration Statement, the Disclosure Package and the Prospectus are not inconsistent with the requirements of the Investment Company Act and the rules and regulations of the Commission thereunder (as set forth in the CFR) applicable to a business development company.

(y) *Insurance*. The Company maintains insurance in such amounts and covering such risks as it reasonably considers to be adequate for the conduct of its business and the value of its properties and as is customary for companies engaged in similar businesses in similar industries. All such insurance is fully in force on the date hereof and will be fully in force as of the Closing Date. The Company has no reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect.

(z) *Brokers Fees*. The Company is not a party to any contract, agreement or understanding with any person (other than this Agreement) that would give rise to a valid claim against the Company or the Placement Agent for a brokerage commission, finder's fee or other like payment in connection with the offering and sale of the Shares.

(aa) *No Stabilization*. Neither the Company, nor, to the Company's knowledge, any of its officers, directors, affiliates or controlling persons, has taken or will take, directly or indirectly, any action designed or intended to stabilize or manipulate the price of any security of the Company to facilitate the sale or resale of the Shares.

(bb) *FINRA Affiliations*. To the Company's knowledge, there are no affiliations or associations between (i) any member of FINRA and (ii) the Company or any of the Company's officers, directors or 5% or greater securityholders, except as set forth in the Registration Statement, the Disclosure Package and the Prospectus.

(cc) *No Labor Disputes*. The Company is not involved in any labor dispute nor, to the knowledge of the Company, is any such dispute threatened, which dispute would have a Material Adverse Effect.

(dd) *ERISA*. The Company is in compliance in all material respects with all presently applicable provisions of the Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder ("*ERISA*"); no "reportable event" (as defined in ERISA) has occurred with respect to any "pension plan" (as defined in ERISA) maintained by the Company or for which the Company would reasonably be expected to have any liability; the Company has not incurred and does not expect to incur liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "pension plan" or (ii) Sections 412 or 4971 of the Internal Revenue Code of 1986, as amended, including the regulations and published interpretations thereunder (the "*Code*"); and each "pension plan" maintained by the Company that is intended to be qualified under Section 401(a) of the Code has received a determination letter from the Internal Revenue Service to the effect that it is so qualified and nothing has occurred, whether by action or by failure to act, which would reasonably be expected to cause the loss of such qualification.

(ee) *Statistical or Market-Related Data*. Any statistical, industry-related and market-related data included in the Registration Statement, the Disclosure Package and the Prospectus, are based on or derived from sources that the Company reasonably and in good faith believes to be reliable and accurate, and such data agree with the sources from which they are derived.

3. *Covenants***.** The Company covenants and agrees with the Placement Agent as follows:

(a) *Prospectus Supplement*. The Company shall file the Prospectus Supplement with the Commission within the time periods specified by Rule 497 and Rule 430C under the Securities Act.

(b) *Notice to Placement Agent*. During any period when a prospectus relating to the Shares is required to be delivered under the Securities Act in connection with the offering contemplated by this Agreement (the "*Prospectus Delivery Period*"), the Company will notify the Placement Agent promptly, and will, if requested, confirm such notification in writing: (i) of the receipt of any comments of, or requests for additional or supplemental information from, the Commission; (ii) of the time and date of any filing of any post-effective amendment to the Registration Statement or any amendment or supplement to any Preliminary Prospectus or the Prospectus, (iii) the time and date when any post-effective amendment to the Registration Statement becomes effective; (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement, or any post-effective amendment thereto or any order preventing or suspending the use of any Preliminary Prospectus or the Prospectus, or the initiation of any proceedings for that purpose or the threat thereof; and (v) of receipt by the Company of any notification with respect to any suspension of the approval of the Shares from any securities exchange upon which they are listed for trading or included or designated for quotation, or the initiation or threatening of any proceeding for such purpose. The Company will use its reasonable best efforts to prevent the issuance or invocation of any such stop order or suspension by the Commission and, if any such stop order or suspension is so issued or invoked, to obtain as soon as possible the withdrawal or removal thereof.

(c) *Filing of Amendments or Supplements*. If, during the Prospectus Delivery Period, any event shall occur or condition exist as a result of which, in the judgment of the Company or in the reasonable opinion of the Placement Agent, it becomes necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to an Investor, not misleading, or if it is necessary to amend or supplement the Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Placement Agent, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus is delivered to an Investor, be misleading or so that the Prospectus, as amended or supplemented, will comply with law.

(d) *Delivery of Copies*. The Company will deliver promptly to the Placement Agent and its counsel such number of the following documents as the Placement Agent shall reasonably request: (i) conformed copies of the Registration Statement as originally filed with the Commission and each amendment thereto (in each case excluding exhibits), (ii) copies of each Preliminary Prospectus, if any; (iii) during the Prospectus Delivery Period, copies of the Prospectus (or any amendments or supplements thereto); and (iv) all correspondence to and from, and all documents issued to and by, the Commission in connection with the registration of the Shares under the Securities Act.

(e) *Blue Sky Laws*. The Company will promptly take or cause to be taken, from time to time, such actions as the Placement Agent may reasonably request to qualify the Shares for offering and sale under the state securities, or blue sky, laws of such states as the Placement Agent may reasonably request and to maintain such qualifications in effect so long as the Placement Agent may reasonably request for the distribution of the Shares, *provided*, that in no event shall the Company be obligated to qualify as a foreign corporation in any jurisdiction in which it is not so qualified or to file a general consent to service of process in any jurisdiction or subject itself to taxation as doing business in any jurisdiction. The Company will advise the Placement Agent promptly of the suspension of the qualification or registration of (or any exemption relating to) the Shares for offering, sale or trading in any jurisdiction or any initiation or threat of any proceeding for any such purpose, and in the event of the issuance of any order suspending such qualification, registration or exemption, the Company shall use its best efforts to obtain the withdrawal thereof at the earliest possible moment.

(f) *Use of Proceeds*. The Company will apply the net proceeds from the sale of the Shares in the manner set forth in the Prospectus under the heading "Use of Proceeds".

(g) *Lock-Up Period*. Beginning on the date hereof and continuing for a period of 90 days after the date of the Prospectus (the "*Lock-Up Period*"), the Company will not (1) offer to sell, hypothecate, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Exchange Act, with respect to, any shares of Common Stock, any securities convertible into or exercisable or exchangeable for Common Stock; (2) file or cause to become effective a registration statement under the Securities Act relating to the offer and sale of any shares of Common Stock or securities convertible into or exercisable or exchangeable for Common Stock except for a registration statement on Form S-8 relating to employee benefit plans or (3) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (1), (2) or (3) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise, without the prior written consent of the Placement Agent (which consent may be withheld in its sole discretion), other than: (i) the Shares to be sold hereunder, (ii) the issuance of employee stock options or restricted stock awards pursuant to equity incentive plans described in the Registration Statement (excluding the exhibits thereto), the Disclosure Package and the Prospectus, (iii) issuances of Common Stock upon the exercise of options or warrants (either upon current terms thereof or upon subsequently amended terms but excluding a general repricing) disclosed as outstanding in the Registration Statement (excluding the exhibits thereto), the Disclosure Package and the Prospectus or upon the conversion or exchange of convertible or exchangeable securities outstanding as of the date of this Agreement; (iv) the issuance by the Company of any shares of Common Stock as consideration for mergers, acquisitions, other business combinations, or strategic alliances, occurring after the date of this Agreement; *provided* that each recipient of shares pursuant to this clause (iv) agrees that all such shares remain subject to restrictions substantially similar to those contained in this Section 3(g); or (v) the purchase or sale of the Company's securities pursuant to a plan, contract or instruction that satisfies all of the requirements of Rule 10b5-1(c)(1)(i)(B) that was in effect prior to the date hereof. Notwithstanding the foregoing, the Company shall be permitted to establish a 10b5-1 trading plan that complies with Rule 10b5-1 under the Exchange Act, or to amend an existing 10b5-1 trading plan in accordance with Rule 10b5-1 under the Exchange Act, provided, in each case, that no sales or other dispositions of shares of the Common Stock under such 10b5-1 trading plans that were not in effect prior to the date hereof by any person that has signed or is otherwise bound by a Lock-Up Agreement (as defined below) will be permitted during the Lock-Up Period, as the same may be extended hereby. For the purpose of allowing the Placement Agent to comply with FINRA Rule 2711(f)(4), if (1) during the last 17 days of the Lock-Up Period, the Company releases earnings results or publicly announces other material news or a material event relating to the Company occurs or (2) prior to the expiration of the Lock-Up Period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the Lock-Up Period, then in each case the Lock-Up Period will be extended until the expiration of the 18-day period beginning on the date of release of the earnings results or the public announcement regarding the material news or the occurrence of the material event, as applicable, unless the Placement Agent waives, in writing, such extension. Without the prior written consent of the Placement Agent, the Company agrees not to accelerate the vesting of any option or warrant or the lapse of any repurchase right prior to the expiration of the Lock-Up Period.

(h) *Lock-Up Agreements*. The Company will cause each of its executive officers and directors whose names are set forth on Exhibit C hereto to furnish to the Placement Agent, on the date hereof, a letter, substantially in the form of Exhibit B hereto (the "*Lock-Up Agreement*").

(i) *Public Communications*. Prior to the earlier of the termination of this Agreement or the Closing Date, the Company will not issue any press release or other communication directly or indirectly or hold any press conference with respect to the business, properties, financial condition, results of operations or prospects of the Company, or the offering of the Shares, without the prior consent of the Placement Agent, unless in the reasonable judgment of the Company and its counsel, and after notification to the Placement Agent, such press release or communication is required by law or by Nasdaq rules, in which case the Company shall use its reasonable best efforts to allow the Placement Agent reasonable time to comment on such release or other communication in advance of such issuance.

(j) *Stabilization*. The Company will not take, directly or indirectly, any action designed, or that might reasonably be expected to cause or result in, or that will constitute, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Shares.

(k) *Listing*. The Company shall use its commercially reasonable efforts to cause the Shares to be listed for quotation on the Nasdaq Global Market at the Closing Date and to maintain a listing on a national securities exchange after the Closing Date.

(l) *Broker's Fee*. The Company will not incur any liability for any finder's or broker's fee or agent's commission in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, except as set forth in this Agreement.

(m) *Abbreviated Registration Statements*. If the Company elects to rely upon Rule 462(b) under the Securities Act, the Company shall file one or more registration statements under Rule 462(b) with the Commission in compliance with Rule 462(b), and the Company shall at the time of filing either pay to the Commission the filing fee for such Rule 462(b) registration statements or give irrevocable instructions for the payment of such fee pursuant to the Rules and Regulations.

4. *Costs and Expenses*. The Company will pay or reimburse if paid by the Placement Agent all reasonable costs and expenses incident to the performance of the obligations of the Company under this Agreement and in connection with the transactions contemplated hereby, including but not limited to costs and expenses of or relating to (i) the preparation, printing and filing of the Registration Statement, each Preliminary Prospectus and the Prospectus, and any amendment or supplement to any of the foregoing and the printing and furnishing of copies of each thereof to the Placement Agent and dealers (including costs of mailing and shipment), (ii) the registration, issue, sale and delivery of the Shares including any stock or transfer taxes and stamp or similar duties payable upon the sale, issuance or delivery of the Shares and the printing, delivery, and shipping of the certificates representing the Shares, (iii) the registration or qualification of the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions designated pursuant to Section 3(e), (including the reasonable legal fees and filing fees, and other disbursements of counsel to the Placement Agent in connection therewith), and, if reasonably requested by the Placement Agent, the preparation and printing and furnishing of copies of any blue sky surveys to the Placement Agent and to dealers, (iv) the fees and expenses of any transfer agent or registrar for the Shares, (v) any filings required to be made by the Placement Agent or the Company with FINRA, and the reasonable fees, disbursements and other charges of counsel for the Placement Agent in connection therewith (including all COBRADesk fees), (vi) fees, disbursements and other charges of counsel to the Company (except as otherwise set forth below), (vii) listing fees, if any, for the listing or quotation of the Shares on the Nasdaq Global Market, (viii) fees and disbursements of the Company's auditor incurred in delivering the letter(s) described in Section 5(i) of this Agreement, (ix) fees of the Escrow Agent, (x) the reasonable out-of-pocket expenses of the Placement Agent (including the reasonable fees, disbursements and other charges of one counsel to the Placement Agent (in addition to (iii) and (v) above) in connection with the performance of services hereunder, and (xi) the costs and expenses of the Company in connection with the marketing of the offering and the sale of the Shares to prospective investors including, but not limited to, those related to any presentations or meetings undertaken in connection therewith including, without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged with the written consent of the Company in connection with the road show presentations, travel, lodging and other expenses incurred by the officers of the Company and any such consultants, and the cost of any aircraft or other transportation chartered in connection with the road show. Notwithstanding the foregoing, in no event shall the Company be obligated to reimburse the Placement Agent pursuant to this Section 4 in an amount in excess of $75,000 in the aggregate (less the reasonable and documented fees, disbursements and other charges of counsel to the Company incurred in connection with such counsel's representation with respect to the matter described under the caption "Risk Factors —We may have a contingent liability arising out of a possible violation of Section 5 of the Securities Act of 1933 in connection with the distribution of a management presentation to prospective purchasers of our common stock" in the Preliminary Prospectus and the Prospectus) without the Company's prior written consent.

5. *Conditions of Placement Agent's Obligations*. The obligations of the Placement Agent hereunder are subject to the following conditions:

(a) *Filings with the Commission*. The Preliminary Prospectus (if any) and the Prospectus required to be filed under the Securities Act or the Rules and Regulations shall have been filed with the Commission pursuant to Rule 497 and Rule 430C in the manner and within the time period so required.

(b) *No Stop Orders*. Prior to the Closing: (i) no stop order suspending the effectiveness of the Registration Statement or any part thereof, preventing or suspending the use of the Base Prospectus, any Preliminary Prospectus or the Prospectus or any part thereof shall have been issued under the Securities Act and no proceedings for that purpose shall have been initiated or threatened by the Commission, (ii) no order suspending the qualification or registration of the Shares under the securities or blue sky laws of any jurisdiction shall be in effect and (iii) all requests for additional information on the part of the Commission (to be included in the Registration Statement, the Disclosure Package or the Prospectus) shall have been complied with to the reasonable satisfaction of the Placement Agent.

(c) *Action Preventing Issuance*. No action shall have been taken and no statute, rule, regulation or order shall have been enacted, adopted or issued by any governmental agency or body which would, as of the Closing Date, prevent the issuance or sale of the Shares; and no injunction, restraining order or order of any other nature by any federal or state court of competent jurisdiction shall have been issued as of the Closing Date which would prevent the issuance or sale of the Shares.

(d) *Objection of Placement Agent*. No Prospectus or amendment or supplement to the Registration Statement shall have been filed to which the Placement Agent shall have objected in writing, which objection shall not be unreasonable. The Placement Agent shall not have in good faith advised the Company on or prior to the Closing Date that the Registration Statement or any amendments thereof or supplements thereto contains an untrue statement of fact which, in its opinion, is material, or omits to state a fact which, in its opinion, is material and is required to be stated therein or necessary to make the statements therein not misleading, or that the Disclosure Package or the Prospectus or any amendment thereof or supplement thereto contains an untrue statement of fact which, in its opinion, is material, or omits to state a fact which, in its opinion, is material and is required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(e) *No Material Adverse Change*. Prior to the Closing, there shall not have occurred any change, or any development involving a prospective change, in the business, properties, financial condition, results of operations or prospects of the Company, taken as a whole, from that set forth in the Disclosure Package and the Prospectus that, in the Placement Agent's judgment, is material and adverse and that makes it, in the Placement Agent's judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Disclosure Package and the Prospectus.

(f) *Representations and Warranties*. Each of the representations and warranties of the Company contained herein shall be true and correct in all material respects (except for those representations and warranties which are qualified by materiality, in which case such representations and warranties shall be true and correct in all respects) when made and on and as of the Closing Date, as if made on such date (except that those representations and warranties that address matters only as of a particular date shall remain true and correct in all material respects (except for those representations and warranties which are qualified by materiality, in which case such representations and warranties shall be true and correct in all respects) as of such date), and all covenants and agreements herein contained to be performed on the part of the Company and all conditions herein contained to be fulfilled or complied with by the Company at or prior to the Closing Date shall have been duly performed, fulfilled or complied with in all material respects.

(g) *Opinion of Counsel to the Company*. The Placement Agent shall have received from Skadden, Arps, Slate, Meagher & Flom LLP, counsel to the Company, such counsel's written opinion, addressed to the Placement Agent and dated the Closing Date, to the effect set forth in Exhibit D hereto. Such counsel shall also have furnished to the Placement Agent a letter, addressed to the Placement Agent and dated the Closing Date, to the effect set forth in Exhibit E hereto.

(h) *Opinion of Counsel to the Placement Agent*. The Placement Agent shall have received from Goodwin Procter LLP, counsel to the Placement Agent, such opinion or opinions (including negative assurance), dated the Closing Date and addressed to the Placement Agent, covering such matters as are customarily covered in transactions of this type.

(i) *Accountant's Comfort Letter and Bring-Down Letter*. The Company shall have requested and caused PricewaterhouseCoopers LLP to have furnished to the Placement Agent, at the Time of Sale and at the Closing Date, letters, dated respectively as of the Time of Sale and as of the Closing Date, in form and substance satisfactory to the Placement Agent and PricewaterhouseCoopers LLP, confirming that it is an independent registered public accounting firm within the meaning of the Securities Act and the Investment Company Act and the Rules and Regulations thereunder and the Public Company Accounting Oversight Board ("*PCAOB*") and stating in effect that:

(i) In their opinion, the consolidated financial statements of the Company and its Subsidiaries audited by them and included in the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the related Rules and Regulations adopted by the Commission.

(ii) On the basis of procedures (but not an audit in accordance with the standards of the PCAOB) consisting of:

a. Reading the minutes of meetings of the board of directors of the Company and committees of such board of directors for the year ended December 31, 2007 and through a specified date, as set forth in the minute books through a specified date not more than (i) five business days (with respect to the letter to be delivered at the Time of Sale) and (ii) two business days (with respect to the letter to be delivered at the Closing Date) prior to the date of delivery of such letter;

b. Performing the procedures specified by the PCAOB for a review of interim financial information as described in SAS 100, Interim Financial Information, on the unaudited consolidated interim statements of assets and liabilities, including the unaudited consolidated schedule of investments, as of March 31, 2008 and unaudited consolidated statements of operations, of cash flows and unaudited financial highlights for the three month periods ended March 31, 2008 and 2007, and of changes in net assets for the three months ended March 31, 2008 included in the Registration Statement; and

c. Making inquiries of certain officials of the Company who have responsibility for financial and accounting matters regarding the specific items for which representations are requested below, nothing has come to their attention as a result of the foregoing procedures that caused them to believe that:

i. the unaudited consolidated financial statements referred to in subclause (b) above do not comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the related Rules and Regulations adopted by the Commission;

ii. Any material modifications should be made to the unaudited consolidated financial statements included in the Registration Statement for them to be in conformity with generally accepted accounting principles;

iii. At the date of the latest available interim financial data and at a specified date not more than (i) five business days (with respect to the letter to be delivered at the Time of Sale) and (ii) two business days (with respect to the letter to be delivered at the Closing Date) prior to the date of the delivery of such letter, there was any change in the capital stock, increase in long term debt, or decrease in consolidated net assets of the Company as compared with amounts shown in the March 31, 2008 unaudited statements of assets and liabilities included in the Registration Statement, except in all instances for changes, increases or decreases which the Registration Statement discloses have occurred or may occur.

(iii) The letter shall also state that they have:

a. Read certain items identified in the Registration Statement under the captions "Selected Condensed Consolidated Financial Data", "Selected Quarterly Data (Unaudited)" , "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Risk Factors", "Price Range of Common Stock", "Business", "General Description of Portfolio Companies", "Investment Policies", "Management of the Company" and "Recent Developments" which are expressed in dollars (or percentages derived from such dollar amounts) and have been obtained from accounting records which are subject to control over financial reporting or which have been derived directly from such accounting records by analysis or computation, and is in agreement with such records or computations made therefrom.

(j) *Officer's Certificate.* The Placement Agent shall have received on the Closing Date a certificate, addressed to the Placement Agent and dated the Closing Date, of the principal executive officer and the principal financial officer of the Company, acting in such capacities, to the effect that:

(i) each of the representations, warranties and agreements of the Company in this Agreement were true and correct in all material respects (except for those representations and warranties which are qualified by materiality, in which case such representations and warranties shall be true and correct in all respects) when originally made and are true and correct in all material respects (except for those representations and warranties which are qualified by materiality, in which case such representations and warranties shall be true and correct in all respects) as of the Closing Date; and the Company has complied in all material respects with all agreements and satisfied all the conditions on its part required under this Agreement to be performed or satisfied at or prior to the Closing Date;

(ii) subsequent to the date of the most recent financial statements included in, or incorporated by reference in, each of the Registration Statement, the Disclosure Package and the Prospectus, there has not been a material adverse change or any development involving a prospective material adverse change in the business, properties, financial condition, results of operations or prospects of the Company taken as a whole, and

(iii) no stop order suspending the effectiveness of the Registration Statement or any part thereof or any amendment thereof or the qualification of the Shares for offering or sale, nor suspending or preventing the use of the Prospectus shall have been issued, and no proceedings for that purpose shall be pending or, to their knowledge, threatened by the Commission or any state or regulatory body.

(k) *Secretary's Certificate.* On the Closing Date, the Company shall have furnished to the Placement Agent a Secretary's Certificate of the Company.

(l) *The Nasdaq Global Market*. The Nasdaq Global Market shall not have raised any objections to the listing or authorization for trading of the Shares as of the Closing Date.

(m) *No FINRA Objection.* FINRA shall not have raised any unresolved objection with respect to the fairness and reasonableness of the placement agency terms and arrangements relating to the issuance and sale of the Shares.

(n) *Lock-Up Agreements*. The Placement Agent shall have received copies of the executed Lock-Up Agreements executed by each person listed on Exhibit C hereto, and such Lock-Up Agreements shall be in full force and effect on the Closing Date.

(o) *Abbreviated Registration Statements.* If the Company has elected to rely upon Rule 462(b), any registration statement filed under Rule 462(b) shall have become effective in compliance with Rule 462(b).

(p) *Subscription Agreements*. The Company shall have entered into the Subscription Agreements with each of the Investors, and such agreements shall be in full force and effect on the Closing Date.

(q) *Escrow Agreement*. The Company shall have entered into the Escrow Agreement, and such agreement shall be in full force and effect on the Closing Date.

(r) *Additional Documents*. Prior to the Closing Date, the Company shall have furnished or caused to be furnished to the Placement Agent such further information, certificates or documents as the Placement Agent shall have reasonably requested.

6. *Indemnification and Contribution*.

(a) *Indemnification of the Placement Agent*. The Company agrees to indemnify, defend and hold harmless the Placement Agent, its directors and officers, and each person, if any, who controls the Placement Agent within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, and the successors and assigns of all of the foregoing persons, from and against any loss, damage, claim or liability, to which, jointly or severally, the Placement Agent or any such person may become subject under the Securities Act, the Exchange Act, or other federal or state statutory law or regulation, the common law or otherwise, (including in settlement of any litigation, if such settlement is effected with the written consent of the Company), insofar as such loss, damage, claim or liability (or actions in respect thereof as contemplated below) arises out of or is based upon: (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, or any amendments thereto or the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading; or (ii) any untrue statement or alleged untrue statement of a material fact contained in the Base Prospectus, any Preliminary Prospectus or the Prospectus, or in any materials or information provided to investors by, or with the approval of, the Company in connection with the marketing of the offering of the Common Stock (*"Marketing Materials"*), including any roadshow or investor presentations made to investors by the Company (whether in person or electronically) or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; and, in the case of (i) and (ii) above, to reimburse the Placement Agent and each such controlling person for any and all reasonable expenses (including reasonable fees and disbursements of counsel) as such expenses are incurred by the Placement Agent or such controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action; *provided, however*, that the foregoing indemnity shall not apply to any loss, claim, damage, liability or expense to the extent, but only to the extent, it arises out of or is based upon (x) any untrue statement or alleged untrue statement of a material fact contained in or omitted from the Registration Statement, the Base Prospectus, any Preliminary Prospectus, the Prospectus, or any such amendment or supplement, or in any Marketing Materials, in reliance upon and in conformity with information concerning the Placement Agent furnished in writing by or on behalf of the Placement Agent to the Company expressly for use therein, which information the parties hereto agree is limited to the Placement Agent Information (as defined in Section 7) or (y) the matter described under the caption "Risk Factors—We may have a contingent liability arising out of a possible violation of Section 5 of the Securities Act of 1933 in connection with the distribution of a management presentation to prospective purchasers of our common stock" in the Preliminary Prospectus and the Prospectus.

(b) *Indemnification of the Company*. The Placement Agent agrees to indemnify, defend and hold harmless the Company, its directors and officers, and any person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, and the successors and assigns of all of the foregoing persons, from and against any loss, claim, damage, liability or expense, as incurred to which, jointly or severally, the Company or any such person may become subject under the Securities Act, the Exchange Act, or other federal or state statutory law or regulation, the common law or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of the Placement Agent), insofar as such loss, claim, damage, liability or expense (or actions in respect thereof as contemplated below) arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, or any amendments thereto, or the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Disclosure Package, the Prospectus, or any amendment or supplement thereto, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, in the case of each of (i) and (ii) above, to the extent but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, any Preliminary Prospectus, the Disclosure Package, the Prospectus or any amendments or supplements thereto in reliance upon and in conformity with information concerning the Placement Agent furnished in writing by or on behalf of the Placement Agent to the Company expressly for use therein, which information the parties hereto agree is limited to the Placement Agent Information (as defined in Section 7) and shall reimburse the Company, or any such director, officer or controlling person for any legal and other expenses reasonably incurred by the Company, or any such director, officer or controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action. Notwithstanding the provisions of this Section 6(b), in no event shall any indemnity by the Placement Agent under this Section 6(b) exceed the total compensation received by such Placement Agent in accordance with Section 1(c).

(c) *Notice and Procedures*. If any action, suit or proceeding (each, a "*Proceeding*") is brought against a person (an "*indemnified party*") in respect of which indemnity may be sought against the Company or the Placement Agent (as applicable, the "*indemnifying party*") pursuant to subsection (a) or (b), respectively, of this Section 6, such indemnified party shall promptly notify such indemnifying party in writing of the institution of such Proceeding and such indemnifying party shall assume the defense of such Proceeding, including the employment of counsel reasonably satisfactory to such indemnified party and payment of all reasonable fees and expenses; *provided, however*, that the omission to so notify such indemnifying party shall not relieve such indemnifying party from any liability which such indemnifying party may have to any indemnified party or otherwise, except to the extent the indemnifying party does not otherwise learn of the Proceeding and such failure results in the forfeiture by the indemnifying party of substantial rights or defenses. The indemnified party or parties shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such indemnified party or parties unless (i) the employment of such counsel shall have been authorized in writing by the indemnifying party in connection with the defense of such Proceeding, (ii) the indemnifying party shall not have, within a reasonable period of time in light of the circumstances, employed counsel to defend such Proceeding or (iii) such indemnified party or parties shall have reasonably concluded that there may be one or more legal defenses available to it or them which are different from, additional to or in conflict with those available to such indemnifying party (in which case such indemnifying party shall not have the right to direct the defense of such Proceeding on behalf of the indemnified party or parties), in any of which events such reasonable fees and expenses shall be borne by such indemnifying party and paid as incurred (it being understood, however, that such indemnifying party shall not be liable for the expenses of more than one separate counsel (in addition to any local counsel) in any one Proceeding or series of related Proceedings in the same jurisdiction representing the indemnified parties who are parties to such Proceeding). An indemnifying party shall not be liable for any settlement of any Proceeding effected without its written consent but, if settled with its written consent or if there be a final judgment for the plaintiff, such indemnifying party agrees to indemnify and hold harmless the indemnified party or parties from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second sentence of this Section 6(c), then the indemnifying party agrees that it shall be liable for any settlement of any Proceeding effected without its written consent if (i) such settlement is entered into more than 60 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall not have fully reimbursed the indemnified party in accordance with such request prior to the date of such settlement and (iii) such indemnified party shall have given the indemnifying party at least 30 days' prior notice of its intention to settle. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement, compromise or consent to the entry of judgment in any pending or threatened Proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such Proceeding and does not include an admission of fault or culpability or a failure to act by or on behalf of such indemnified party. Notwithstanding anything to the contrary contained in this Section 6, any losses, claims, damages, liabilities or expenses for which an indemnified party is entitled to indemnification, reimbursement or interim payment or contribution under this Section 6 shall be subject to the requirements of Release No. 11330 and Section 17(i) of the Investment Company Act and, subject thereto, shall be paid by the indemnifying party to the indemnified party as such losses, claims, damages, liabilities or expenses are incurred.

(d) *Contribution*. If the indemnification provided for in this Section 6 is unavailable to an indemnified party under subsections (a) or (b) of this Section 6 or insufficient to hold an indemnified party harmless in respect of any losses, claims, damages, liabilities or expenses referred to therein, then each applicable indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages, liabilities or expenses referred to in subsection (a) or (b) above, (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party or parties on the other from the offering of the Shares or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the indemnifying party or parties on the one hand and the indemnified party or parties on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Placement Agent on the other hand shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Shares (before deducting expenses) received by the Company and the total placement agent commissions received by the Placement Agent, in each case as set forth on the cover of the Prospectus, bear to the aggregate public offering price of the Shares. The relative fault of the Company on the one hand and the Placement Agent on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, on the one hand, or by the Placement Agent, on the other hand, and the parties' relevant intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The Company and the Placement Agent agree that it would not be just and equitable if contribution pursuant to this subsection (d) were to be determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the first sentence of this Section 6(d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this Section 6(d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending against any action or claim which is the subject of this Section 6(d). Notwithstanding the provisions of this Section 6(d), the Placement Agent shall not be required to contribute any amount in excess of the total commissions received by such Placement Agent in accordance with Section 1(c). No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(e) *Representations and Agreements to Survive Delivery*. The obligations of the Company under this Section 6 shall be in addition to any liability which the Company may otherwise have. The indemnity and contribution agreements contained in this Section 6 and the covenants, agreements, warranties and representations of the Company contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of the Placement Agent, any person who controls the Placement Agent within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act or any affiliate of the Placement Agent, or by or on behalf of the Company, its directors or officers or any person who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, and (iii) the issuance and delivery of the Shares. The Company and the Placement Agent agree promptly to notify each other of the commencement of any Proceeding against it and, in the case of the Company, against any of the Company's officers or directors in connection with the issuance and sale of the Shares, or in connection with the Registration Statement, the Disclosure Package or the Prospectus.

7. *Information Furnished by Placement Agent*. The Company acknowledges that the statements set forth in (i) the first sentence of the first paragraph under the caption "Risk Factors—We may have a contingent liability arising out of a possible violation of Section 5 of the Securities Act of 1933 in connection with the distribution of a management presentation to prospective purchasers of our common stock," and (ii) the eleventh and fifteenth paragraphs under the caption "Plan of Distribution" in the Preliminary Prospectus and the Prospectus (the "*Placement Agent Information*") constitute the Placement Agent Information referred to in Sections 2 and 6 hereof.

8. *Termination*. The Placement Agent shall have the right to terminate this Agreement by giving notice as hereinafter specified at any time at or prior to the Closing Date, without liability on the part of the Placement Agent to the Company, if (i) prior to delivery and payment for the Shares (A) trading in securities generally shall have been suspended on or by the New York Stock Exchange, the American Stock Exchange, the Nasdaq Global Market or in the over-the-counter market, (each, a "*Trading Market*"), (B) trading in the Common Stock of the Company shall have been suspended on any such exchange, in the over-the-counter market or by the Commission, (C) a general moratorium on commercial banking activities shall have been declared by federal or New York state authorities or a material disruption shall have occurred in commercial banking or securities settlement or clearance services in the United States, (D) there shall have occurred any outbreak or material escalation of hostilities or acts of terrorism involving the United States or there shall have been a declaration by the United States of a national emergency or war, (E) there shall have occurred any other calamity or crisis or any material change in general economic, political or financial conditions in the United States or elsewhere, if the effect of any such event specified in clause (D) or (E), in the judgment of the Placement Agent, is material and adverse and makes it impractical or inadvisable to proceed with the completion of the sale of and payment for the Shares on the Closing Date on the terms and in the manner contemplated by this Agreement, the Disclosure Package and the Prospectus, (ii) since the time of execution of this Agreement or the earlier respective dates as of which information is given in the Disclosure Package, there has been any Material Adverse Effect or the Company shall have sustained a loss or interference with its business by strike, fire, flood, earthquake, accident or other calamity, whether or not covered by insurance, of such character that in the judgment of the Placement Agent would, individually or in the aggregate, result in a Material Adverse Effect and which would, in the judgment of the Placement Agent, make it impracticable or inadvisable to proceed with the offering or the delivery of the Shares on the terms and in the manner contemplated in the Disclosure Package, (iii) the Company shall have failed, refused or been unable to comply with the terms or perform any agreement or obligation of this Agreement or any Subscription Agreement, other than by reason of a default by the Placement Agent, or (iv) any condition of the Placement Agent's obligations hereunder is not fulfilled or waived. Any such termination shall be without liability of any party to any other party except that the provisions of Section 4, Section 6, and Section 11 hereof shall at all times be effective notwithstanding such termination.

9. *Notices*. All statements, requests, notices and agreements hereunder shall be in writing or by facsimile, and:

(a) if to the Placement Agent, shall be delivered or sent by mail or facsimile transmission to :

ThinkPanmure, LLC
600 Montgomery Street, 8th Floor
San Francisco, California 94111
Attention: Ted Mitchell
Facsimile No.: 415-249-0975

with a copy (which shall not constitute notice) to:

Goodwin Procter LLP
The New York Times Building
620 Eighth Avenue
New York, New York 10018
Attention: Michael D. Maline, Esq.
Facsimile No.: 212-355-3333

(b) if to the Company shall be delivered or sent by mail or facsimile transmission to:

Harris & Harris Group, Inc.
111 West 57th Street
New York, New York 10019
Attention: General Counsel
Facsimile No.: 212-582-9563

with a copy (which shall not constitute notice) to:

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036
Attention: Richard T. Prins, Esq.
Facsimile No.: 212-735-2000

Any such statements, requests, notices or agreements shall be effective only upon receipt. Any party to this Agreement may change such address for such statements, requests, notices or agreements by sending to the parties to this Agreement written notice of a new address for such purpose.

10. *Persons Entitled to Benefit of Agreement.* This Agreement has been and is made for the benefit of the Placement Agent, the Company and their respective successors and assigns and, to the extent expressed herein, for the benefit of persons controlling the Placement Agent or the Company, and the directors and officers of the Company and the Placement Agent, and their respective successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. The term "successors and assigns" shall not include any Investor merely because of such purchase.

11. *Governing Law*. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to the conflicts of laws provisions thereof.

12. *No Fiduciary Relationship*. The Company hereby acknowledges and agrees that the Placement Agent is acting solely as a placement agent in connection with the offering of the Shares. The Company further acknowledges that the Placement Agent is acting pursuant to a contractual relationship created solely by this Agreement entered into on an arm's-length basis and in no event do the parties intend that the Placement Agent act or be responsible as a fiduciary to the Company, its management, stockholders, creditors or any other person in connection with any activity that the Placement Agent may undertake or has undertaken in furtherance of the offering of the Shares, either before or after the date hereof. The Placement Agent hereby expressly disclaims any fiduciary or similar obligations to the Company, either in connection with the transactions contemplated by this Agreement or any matters leading up to such transactions, and the Company hereby confirms its understanding and agreement to that effect. The price of the Shares set forth in this Agreement was established by the Company following discussions and arm's-length negotiations with the Investors and the Placement Agent, and the Company is capable of evaluating and understanding, and understands and accepts, the terms, risks and conditions of the transactions contemplated by this Agreement. The Company has been advised that the Placement Agent and its affiliates are engaged in a broad range of transactions which may involve interests that differ from those of the Company and that the Placement Agent has no obligation to disclose such interests and transactions to the Company by virtue of any fiduciary, advisory or agency relationship. The Company and the Placement Agent agree that they are each responsible for making their own independent judgments with respect to any such transactions. The Company hereby waives and releases, to the fullest extent permitted by law, any claims that the Company may have against the Placement Agent with respect to any breach or alleged breach of any fiduciary or similar duty to the Company in connection with the transactions contemplated by this Agreement or any matters leading up to such transactions and agrees that the Placement Agent shall have no liability (whether direct or indirect) to the Company in respect of such a fiduciary duty claim to any person asserting a fiduciary duty claim on behalf of the Company.

13. *Headings*. The Section headings in this Agreement have been inserted as a matter of convenience of reference and are not a part of this Agreement.

14. *Amendments and Waivers*. No supplement, modification or waiver of this Agreement shall be binding unless executed in writing by the party to be bound thereby. The failure of a party to exercise any right or remedy shall not be deemed or constitute a waiver of such right or remedy in the future. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (regardless of whether similar), nor shall any such waiver constitute a continuing waiver unless otherwise expressly provided.

15. *Submission to Jurisdiction*. Except as set forth below, no Proceeding may be commenced, prosecuted or continued in any court other than the courts of the State of New York located in the City and County of New York or in the United States District Court for the Southern District of New York, which courts shall have jurisdiction over the adjudication of such matters, and the Company and the Placement Agent each hereby consents to the jurisdiction of such courts and personal service with respect thereto.

16. *Counterparts*. This Agreement may be executed in one or more counterparts and, if executed in more than one counterpart, the executed counterparts shall each be deemed to be an original and all such counterparts shall together constitute one and the same instrument. Delivery of an executed counterpart by facsimile shall be effective as delivery of a manually executed counterpart thereof.

17. *Research Analyst Independence.* The Company acknowledges that the Placement Agent's research analysts and research department are required to be independent from its investment banking division and are subject to certain regulations and internal policies, and that such Placement Agent's research analysts may hold views and make statements or investment recommendations and/or publish research reports with respect to the Company and/or the offering that differ from the views of the Placement Agent's investment banking division. The Company hereby waives and releases, to the fullest extent permitted by law, any claims that the Company may have against the Placement Agent with respect to any conflict of interest that may arise from the fact that the views expressed by its independent research analysts and research department may be different from or inconsistent with the views or advice communicated to the Company by such Placement Agent's investment banking division. The Company acknowledges that the Placement Agent is a full service securities firm and as such from time to time, subject to applicable securities laws, rules and regulations, may effect transactions for its own account or the account of its customers and hold long or short positions in debt or equity securities of the Company; *provided, however,* that nothing in this Section 17 shall relieve the Placement Agent of any responsibility or liability that it may otherwise bear in connection with activities in violation of applicable securities laws, rules and regulations.

18. *Entire Agreement*. This Agreement constitutes the entire agreement of the parties to this Agreement and supersedes all prior written or oral and all contemporaneous oral agreements, understandings and negotiations with respect to the subject matter hereof.

19. *Partial Unenforceability*. The invalidity or unenforceability of any section, paragraph, clause or provision of this Agreement shall not affect the validity or enforceability of any other section, paragraph, clause or provision hereof.

If the foregoing is in accordance with your understanding of the agreement between the Company and the Placement Agent, kindly indicate your acceptance in the space provided for that purpose below.

Very truly yours,

HARRIS & HARRIS GROUP, INC.

By: /s/Douglas W. Jamison
Name: Douglas W. Jamison
Title: President

Accepted as of
the date first above written:

THINKPANMURE, LLC

By: /s/Ted Mitchell
Name: Ted Mitchell
Title: Partner

Schedules and Exhibits

Schedule 2(p):	Intellectual Property
Schedule I:	Information to be Conveyed Orally
Schedule II:	Subsidiaries
Exhibit A:	Form of Subscription Agreement
Exhibit B:	Form of Lock-Up Agreement
Exhibit C:	List of Directors and Executive Officers Executing Lock-Up Agreements
Exhibit D:	Form of Opinion of Counsel to the Company
Exhibit E:	Form of Letter of Counsel to the Company

Schedule 2(p)

Intellectual Property

"Harris & Harris Group, Inc." is a registered service mark owned by the Company.

Schedule I

Information to be Conveyed Orally

Number of Shares to be Issued: 2,545,000

Offering Price Per Share: $6.15

Gross Proceeds: $15,651,750

Aggregate Placement Agency Fees: $939,105

Schedule II

Subsidiaries

Name	Jurisdiction	Percentage Ownership
Harris & Harris Enterprises, Inc.*	**Delaware**	**100%***

*** Harris & Harris Enterprises, Inc. is the sole general partner of Harris Partners I, L.P., the sole limited partner of which is Harris & Harris Group, Inc.**

Exhibit A

Form of Subscription Agreement

Exhibit B

Form of Lock-Up Agreement

_____, 2008

ThinkPanmure, LLC
600 Montgomery Street, 8th Floor
San Francisco, California 94111

Ladies and Gentlemen:

The undersigned understands that you, as Placement Agent, propose to enter into the Placement Agency Agreement (the "Placement Agreement") with Harris & Harris Group, Inc., a New York corporation (the "Company"), providing for the offering (the "Offering") of shares (the "Shares") of common stock, $0.01 par value per share (the "Common Stock"), of the Company. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Placement Agreement.

In consideration of the foregoing, and in order to induce you to participate in the Offering, and for other good and valuable consideration receipt of which is hereby acknowledged, the undersigned hereby agrees that, without your prior written consent (which consent may be withheld in your sole discretion), the undersigned will not, during the period (the "Lock-Up Period") beginning on the date hereof and ending on the date 90 days after the date of the final prospectus (including the final prospectus supplement) to be used in confirming the sale of the Shares, (1) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, or file (or participate in the filing of) a registration statement with the Securities and Exchange Commission in respect of, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock (including without limitation, Common Stock which may be deemed to be beneficially owned by the undersigned in accordance with the rules and regulations of the Securities and Exchange Commission and securities which may be issued upon exercise of a stock option or warrant) except for a registration statement on Form S-8 relating to employee benefit plans, (2) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise, (3) make any demand for or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock, or (4) publicly announce an intention to effect any transaction specific in clause (1), (2) or (3) above.

Notwithstanding the foregoing, the restrictions set forth in clause (1) and (2) above shall not apply to (a) transfers (i) as a bona fide gift or gifts, provided that the donee or donees thereof agree to be bound in writing by the restrictions set forth herein, (ii) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned, provided that the trustee of the trust agrees to be bound in writing by the restrictions set forth herein, and provided further that any such transfer shall not involve a disposition for value, (iii) with your prior written consent or (iv) effected pursuant to any exchange of "underwater" options with the Company, (b) the acquisition or exercise of any stock option issued pursuant to the Company's existing equity incentive plans, including any exercise effected by the delivery of shares of Common Stock of the Company held by the undersigned, (c) the surrender of shares of Common Stock to the Company to pay required tax withholdings due upon the vesting of any restricted stock awards, or (d) the purchase or sale of the Company's securities pursuant to a plan, contract or instruction that satisfies all of the requirements of Rule 10b5-1(c)(1)(i)(B) that was in effect prior to the date hereof. For purposes of this Lock-Up Agreement, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin. None of the restrictions set forth in this Lock-Up Agreement shall apply to Common Stock acquired in open market transactions.

Notwithstanding anything herein to the contrary, nothing herein shall prevent the undersigned from establishing a 10b5-1 trading plan that complies with Rule 10b5-1 under the Exchange Act, or from amending an existing 10b5-1 trading plan in accordance with Rule 10b5-1 under the Exchange Act, provided, in each case, that no sales or other dispositions of shares of the Common Stock under such 10b5-1 trading plans that were not in effect prior to the date hereof by any person that has signed or is otherwise bound by a lock-up agreement (including the undersigned) will be permitted during the Lock-Up Period, as the same may be extended hereby.

For the purpose of allowing you to comply with FINRA Rule 2711(f)(4), if (1) during the last 17 days of the Lock-Up Period, the Company releases earnings results or publicly announces other material news or a material event relating to the Company occurs or (2) prior to the expiration of the Lock-Up Period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the Lock-Up Period, then in each case the Lock-Up Period will be extended until the expiration of the 18-day period beginning on the date of release of the earnings results or the public announcement regarding the material news or the occurrence of the material event, as applicable, unless you waive, in writing, such extension. The undersigned hereby acknowledges that the Company has agreed not to accelerate the vesting of any option or warrant or the lapse of any repurchase right prior to the expiration of the Lock-Up Period. In furtherance of the foregoing, the Company, and any duly appointed transfer agent for the registration or transfer of the securities described herein, are hereby authorized to decline to make any transfer of securities if such transfer would constitute a violation or breach of this Lock-Up Agreement.

The foregoing restrictions are expressly agreed to preclude the undersigned from engaging in any hedging or other transaction which is designed to or reasonably expected to lead to or result in a sale or disposition of the Common Stock even if such Common Stock would be disposed of by someone other than the undersigned. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put option or put equivalent position or call option or call equivalent position) with respect to any of the Common Stock or with respect to any security that includes, relates to, or derives any significant part of its value from such Common Stock.

The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into this Lock-Up Agreement. All authority herein conferred or agreed to be conferred and any obligations of the undersigned shall be binding upon the successors, assigns, heirs or personal representatives of the undersigned.

The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the undersigned's shares of Common Stock except in compliance with the foregoing restrictions.

The undersigned understands that, if the Placement Agreement does not become effective by June 30, 2008, or if the Placement Agreement (other than the provisions thereof which survive termination) shall terminate or be terminated prior to payment for and delivery of the Shares to be sold thereunder, the undersigned shall be released from all obligations under this Lock-Up Agreement.

This Lock-Up Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflict of laws principles thereof.

Very truly yours,

Print Name: _____

Print Title: _____

Signature: _____

Exhibit C

List of Directors and Executive Officers
Executing Lock-Up Agreements

Charles E. Harris
Douglas W. Jamison
Daniel B. Wolfe
Alexei A. Andreev
Michael A. Janse
Sandra Matrick Forman
Misti Ushio
Patricia N. Egan
Mary P. Brady
Jennifer M. McGovern
Susan T. Harris
Lori D. Pressman
W. Dillaway Ayres, Jr.
C. Wayne Bardin
Dr. Phillip A. Bauman
G. Morgan Browne
Dugald A. Fletcher
Charles E. Ramsey
James E. Roberts
Richard P. Shanley

Exhibit D

Form of Opinion of Counsel to the Company

Exhibit E

Form of Letter of Counsel to the Company

Form of
Subscription Agreement

Harris & Harris Group, Inc.
111 West 57th Street
New York, New York 10019

Ladies and Gentlemen:

The undersigned (the "*Investor*") hereby confirms and agrees with you as follows:

1. The subscription terms set forth herein (the "*Subscription*") are made as of the date set forth below between Harris & Harris Group, Inc., a New York corporation (the "*Company*"), and the Investor.

2. The Company has authorized the sale and issuance of up to 2,700,000 shares (the "*Shares*") of the Company's common stock, $0.01 par value per share (the "*Common Stock*"), for a purchase price of $6.15 per Share. The Investor acknowledges that the Company intends to enter into subscriptions in substantially the same form as this Subscription with certain other third-party investors and intends to offer and sell (the "*Offering*") the Shares pursuant to the Registration Statement, the Disclosure Package and the Prospectus (as such terms are defined below). The Company may accept or reject this Subscription or any one or more other subscriptions with other investors in its sole discretion.

3. As of the Closing (as defined below) and subject to the terms and conditions hereof, the Company and the Investor agree that the Investor will purchase from the Company and the Company will issue and sell to the Investor, such number of Shares as is set forth on the signature page hereto (the "*Signature Page*") at the purchase price of $6.15 per Share. The Investor acknowledges that the offering is not a firm commitment underwriting and that there is no minimum offering amount.

4. The completion of the purchase and sale of the Shares shall occur at a closing (the "*Closing*") that, in accordance with Rule 15c6-1 promulgated under the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"), is expected to occur on or about June 20, 2008. At the Closing, (a) the Company shall cause its transfer agent to release to the Investor the number of Shares being purchased by the Investor (using customary book-entry procedures), and (b) the aggregate purchase price for the Shares being purchased by the Investor will be delivered by JPMorgan Chase Bank, N.A., as escrow agent, on behalf of the Investor, by wire transfer of immediately available funds to the Company. Physical certificates representing the Shares purchased by the Investor will not be issued to the Investor; instead, such Shares will be credited to the Investor using customary procedures for DWAC transfers through the facilities of The Depository Trust Company ("*DTC*"). The provisions set forth in Exhibit A hereto shall be incorporated herein by reference as if set forth fully herein.

5. The Company has filed or will file with the Securities and Exchange Commission (the "*Commission*") (i) a Registration Statement on Form N-2 (File No. 333-138996), including all amendments thereto, the exhibits and any schedules thereto, the documents otherwise deemed to be a part thereof or included therein (the "*Registration Statement*") by the rules and regulations of the Commission (the "*Rules and Regulations*") in conformity with the Securities Act of 1933, as amended (the "*Securities Act*"), including Rule 497 thereunder, (ii) a prospectus (the "*Base Prospectus"*), (iii) if necessary, a preliminary prospectus supplement related to the Offering (together with the Base Prospectus, the "*Preliminary Prospectus*"), and (iv) a final prospectus supplement related to the Offering (together with the Base Prospectus, the "*Prospectus*"). If the Company has filed one or more abbreviated registration statements to register additional shares of Common Stock pursuant to Rule 462(b) under the Rules and Regulations (each a "*Rule 462(b) Registration Statement*"), then any reference herein to the term "*Registration Statement*" shall also be deemed to include any such Rule 462(b) Registration Statement. The Base Prospectus, any Preliminary Prospectus, and the pricing information contained in this Subscription are collectively the "*Disclosure Package*". The Investor hereby confirms that it has had full access to the Disclosure Package, including the Company's financial information incorporated by reference therein, and was able to read, review, download and print such materials.

6. The Company has entered into a Placement Agency Agreement (the "*Placement Agreement*"), dated June 16, 2008 with ThinkPanmure, LLC (the "*Placement Agent*"), which will act as the Company's exclusive placement agent with respect to the Offering and receive a fee in connection with the sale of the Shares. The Placement Agreement contains certain representations and warranties of the Company. The Company acknowledges and agrees that the Investor may rely on the representations and warranties made by it to the Placement Agent in Section 2 of the Placement Agreement to the same extent as if such representations and warranties had been incorporated in full herein and made directly to the Investor. Capitalized terms used, but not otherwise defined, herein shall have the meanings ascribed to such terms in the Placement Agreement.

7. The obligations of the Company and the Investor to complete the transactions contemplated by this Subscription shall be subject to the following:

a. The Company's obligation to issue and sell the Shares to the Investor shall be subject to the following conditions, any one or more of which may be waived by the Company: (i) the acceptance by the Company of this Subscription (as may be indicated by the Company's execution of the Signature Page hereto), (ii) the receipt by the Company of a wire transfer of the full purchase price for the Shares being purchased hereunder as set forth on the Signature Page and (iii) the accuracy of the representations and warranties made by the Investor and the fulfillment of those undertakings of the Investor to be fulfilled prior to the Closing Date.

b. The Investor's obligation to purchase the Shares will be subject to the condition that the Placement Agent shall not have: (i) terminated the Placement Agreement pursuant to the terms thereof or (ii) determined that the conditions to closing in the Placement Agreement have not been satisfied. The Investor's obligations are expressly not conditioned on the purchase by any or all of the other investors of the Shares that they have agreed to purchase from the Company.

8. The Company hereby makes the following representations, warranties and covenants to the Investor:

a. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Subscription and otherwise to carry out its obligations hereunder. The execution and delivery of this Subscription by the Company and the consummation by it of the transactions contemplated hereunder have been duly authorized by all necessary corporate action on the part of the Company. This Subscription has been duly executed by the Company and, when delivered in accordance with the terms hereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws affecting the enforcement of creditors' and contracting parties' rights generally or by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

b. The Company will (i) before the opening of trading on the Nasdaq Global Market on the next trading day after the date hereof, issue a press release, disclosing all material aspects of the transactions contemplated hereby and (ii) make such filings and provide such notices as required by the Commission with respect to the transactions contemplated hereby. The Company will not identify the Investor by name in any press release or public filing, or otherwise publicly disclose the Investor's name, without the Investor's prior written consent, unless required by law or the rules and regulations of any self-regulatory organization or governmental authority to which the Company or its securities are subject.

9. The Investor hereby makes the following representations, warranties and covenants to the Company:

a. The Investor represents that (i) it has had full access to the Disclosure Package, including the Company's financial information incorporated by reference therein, prior to or in connection with its receipt of this Subscription, (ii) it is knowledgeable, sophisticated and experienced in making, and is qualified to make, decisions with respect to investments in securities representing an investment decision like that involved in the purchase of the Shares, (iii) it is acquiring the Shares for its own account, or an account over which it has investment discretion, and does not have any agreement or understanding, directly or indirectly, with any person or entity to distribute any of the Shares, and (iv) it is not an affiliate of the Company as that term is defined under Rule 501(b) of the Securities Act.

b. The Investor has the requisite power, authority and capacity to enter into this Subscription and to consummate the transactions contemplated hereby. The execution and delivery of this Subscription by the Investor and the consummation by it of the transactions contemplated hereunder have been duly authorized by all necessary action on the part of the Investor. This Subscription has been executed by the Investor and, when delivered in accordance with the terms hereof, will constitute a valid and binding obligation of the Investor enforceable against the Investor in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws affecting the enforcement of creditors' and contracting parties' rights generally or by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

c. The Investor understands that nothing in this Subscription or any other materials presented to the Investor in connection with the purchase and sale of the Shares constitutes legal, tax or investment advice. The Investor has consulted such legal, tax and investment advisors as it, in its sole discretion, has deemed necessary or appropriate in connection with its purchase of Shares.

d. Neither the Investor nor any Person acting on behalf of, or pursuant to any understanding with or based upon any information received from, the Investor has, directly or indirectly, as of the date of this Subscription, engaged in any transactions in the securities of the Company (including, without limitation, any Short Sales involving the Company's securities) since the time that the Investor was first contacted by the Placement Agent or the Company with respect to the transactions contemplated hereby. "Short Sales" include, without limitation, all "short sales" as defined in Rule 200 promulgated under Regulation SHO under the Exchange Act, whether or not against the box, and all types of direct and indirect stock pledges, forward sale contracts, options, puts, calls, short sales, swaps, "put equivalent positions" (as defined in Rule 16a-1(h) under the Exchange Act) and similar arrangements (including on a total return basis), and sales and other transactions through non-U.S. broker dealers or foreign regulated brokers. The Investor covenants that neither it, nor any Person acting on behalf of, or pursuant to any understanding with or based upon any information received from, the Investor will engage in any transactions in the securities of the Company (including, without limitation, Short Sales) prior to the time that the transactions contemplated by this Subscription are publicly disclosed. The Investor agrees that it will not use any of the Shares acquired pursuant to this Subscription to cover any short position in the Common Stock if doing so would be in violation of applicable securities laws.

e. The Investor represents that, except as set forth below, (i) it has had no position, office or other material relationship within the past three years with the Company or persons known to it to be affiliates of the Company, (ii) it is not a, and it has no direct or indirect affiliation or association with any, FINRA member or an Associated Person (as such term is defined under FINRA Membership and Registration Rules Section 1011) as of the date hereof, and (iii) after giving effect to the Offering, neither it nor any group of investors (as identified in a public filing made with the Commission) of which it is a member, will acquire, or obtain the right to acquire, 20% or more of the Common Stock (or securities convertible or exercisable for Common Stock) or the voting power of the Company.

Exceptions:

_____

(If no exceptions, write "none." If left blank, response will be deemed to be "none.")

f. The Investor, if outside the United States, will comply with all applicable laws and regulations in each foreign jurisdiction in which it purchases, offers, sells or delivers Shares or has in its possession or distributes any offering material, in all cases at its own expense.

g. Neither the Investor nor, to the knowledge of the Investor, any Person controlling or controlled by the Investor, is a country, territory, individual or entity named on an Office of Foreign Assets Control ("*OFAC*") list, or a person or entity prohibited under the programs administered by OFAC.

10. No offer by the Investor to buy Shares will be accepted and no part of the aggregate purchase price will be delivered to the Company until the Investor has received the Disclosure Package and the Company has accepted such offer by countersigning a copy of this Subscription, and any such offer may be withdrawn or revoked, without obligation or commitment of any kind, at any time prior to the Company (or the Placement Agent on behalf of the Company) sending (orally, in writing or by electronic mail) notice of its acceptance of such offer. This Subscription will constitute only an indication of interest, involving no obligation or commitment of any kind, until the Disclosure Package has been delivered or made available to the Investor and this Subscription is accepted and countersigned by or on behalf of the Company.

11. The Company and the Investor hereby appoint JPMorgan Chase Bank, N.A. as the "Escrow Agent" under this Subscription to serve from the date hereof until the Closing. The Investor and the Company hereby irrevocably authorize the Escrow Agent to take all actions, to make all decisions and to exercise all powers and remedies on its behalf under the provisions of this Subscription, including without limitation all such actions, decisions and powers as are reasonably incidental thereto.

12. Notwithstanding any investigation made by any party to this Subscription, all covenants, agreements, representations and warranties made by the Company and the Investor herein will survive the execution of this Subscription, the delivery to the Investor of the Shares being purchased and the payment therefor.

13. All notices, requests, consents and other communications hereunder shall be in writing, shall be mailed (A) if within domestic United States by first-class registered or certified airmail, or nationally recognized overnight express courier, postage prepaid or by facsimile, or (B) if delivered from outside the United States, by International Federal Express or facsimile, and shall be deemed given (i) if delivered by first-class registered or certified mail domestic, three business days after so mailed, (ii) if delivered by a nationally recognized overnight courier, one business day after so mailed, (iii) if delivered by International Federal Express, two business days after so mailed, and (iv) if delivered by facsimile, upon electronic confirmation of receipt and shall be delivered as addressed as follows:

If to the Company, to:

Harris & Harris Group, Inc.
111 West 57th Street
New York, New York 10019
Attention: General Counsel
Facsimile No.: 212-582-9563

with a copy (which shall not constitute notice) to:

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036
Attention: Richard T. Prins, Esq.
Facsimile No.: 212-735-2000

If to the Investor, at its address set forth on the Signature Page, or to such other address or addresses as hereafter shall be designated in writing by the applicable party to the other party hereto.

14. This Subscription may not be modified or amended except pursuant to an instrument in writing signed by the Company and the Investor.

15. In case any provision contained in this Subscription should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein will not in any way be affected or impaired thereby.

16. This Subscription will be governed by, and construed in accordance with, the laws of the State of New York.

17. This Subscription may be executed in one or more counterparts, each of which will constitute an original, but all of which, when taken together, will constitute but one instrument, and will become effective when one or more counterparts have been signed by each party hereto and delivered to the other parties.

18. The Investor acknowledges and agrees that the Investor's receipt of the Company's counterpart to this Subscription shall constitute written confirmation of the Company's sale of Shares to such Investor.

19. In the event that the Placement Agreement is terminated by the Placement Agent pursuant to the terms thereof, this Subscription shall terminate without any further action on the part of the parties hereto.

INVESTOR SIGNATURE PAGE

Number of Shares:_____

Purchase Price Per Share: $_____

Aggregate Purchase Price: $_____

Please confirm that the foregoing correctly sets forth the agreement between us by signing in the space provided below for that purpose.

Dated as of: June 16, 2008

_____
INVESTOR

By:_____
Print Name:_____
Title:_____
Name in which Shares are to be registered: _____
Mailing Address: _____
_____
_____
Taxpayer Identification Number: _____
Manner of Settlement: DWAC

Name of DTC Participant (broker-dealer at which the account or accounts to be credited with the Shares are maintained) _____

DTC Participant Number _____

Name of Account at DTC Participant being credited with the Shares _____

Account Number at DTC Participant being credited with the Shares _____

Agreed and Accepted this 16th day of June 2008:

HARRIS & HARRIS GROUP, INC.

By:_____
Title:_____

EXHIBIT A

INSTRUCTION SHEET FOR INVESTOR - PRICING
(to be read in conjunction with the entire Subscription)

INSTRUCTION SHEET FOR INVESTOR - CLOSING
(to be read in conjunction with the entire Subscription)

EXECUTION COPY

ESCROW AGREEMENT

THIS ESCROW AGREEMENT ("Agreement") is made and entered into as of the 16th day of June, 2008, by and among JPMorgan Chase Bank, N.A., a national banking association (the "Escrow Agent"), Harris & Harris Group, Inc., a New York corporation (the "Company"), and ThinkPanmure, LLC (the "Placement Agent").

Background

WHEREAS, the Company proposes to issue and sell an aggregate of up to 2,545,000 shares of its common stock, $0.01 par value per share (the "Shares") for an aggregate of up to $15,651,750, all as described in the Company's registration statement on Form N-2 (Registration No. 333-138996) filed with the Securities and Exchange Commission (which together with all amendments and supplements thereto, is referred to herein as the "Registration Statement");

WHEREAS, the Shares are being offered by the Company to purchasers identified by the Placement Agent, pursuant to the terms of the Placement Agency Agreement (the "Placement Agency Agreement") dated June 16, 2008, by and between the Company and the Placement Agent, and the subscription agreements (collectively, the "Subscription Agreements") dated the date hereof between the Company and each purchaser named therein (each a "Purchaser," and collectively, the "Purchasers");

WHEREAS, unless the transactions contemplated by the Subscription Agreements and the Placement Agency Agreement have been abandoned pursuant to the terms thereof, or unless otherwise agreed to by the Company and the Placement Agent, the closing of the purchase and sale of the Shares shall take place on June 20, 2008 (the "Closing Date");

WHEREAS, with respect to all subscription payments received from the Purchasers, the Company and the Placement Agent propose to establish an escrow account with the Escrow Agent in the name of the Company at 4 New York Plaza, 21st Floor, New York, New York 10004; and

WHEREAS, upon execution of the Subscription Agreements by the Company, the Escrow Agent is willing to receive and disburse the proceeds from the offering of the Shares in accordance herewith. The Escrow Agent's duties are limited to this Agreement and shall only act in accordance with the terms and conditions contained herein.

Terms

NOW, THEREFORE, in consideration of the mutual agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Establishment of Escrow. The Escrow Agent hereby agrees to establish a non-interest bearing trust account pursuant to Rule 15c-2-4 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Escrow Account"), for the deposit with the Escrow Agent of the Escrowed Funds (defined below) and to receive and disburse the Escrowed Funds in accordance with the terms and conditions of this Agreement.

2. Deposit of Escrowed Funds. The Company and the Placement Agent hereby appoint the Escrow Agent as their escrow agent for the purposes set forth herein, and the Escrow Agent hereby accepts such appointment under the terms and conditions set forth herein. The Placement Agent is hereby directed by the Company to instruct each Purchaser for the Shares identified on Exhibit A attached hereto to wire to the Escrow Agent immediately available funds of such Purchaser delivered in payment for the Shares such Purchaser agrees to purchase (the "Escrowed Funds"). Upon receipt of Escrowed Funds from each Purchaser, the Escrow Agent shall credit such Escrowed Funds to an Escrow Account held by the Escrow Agent. The wire instructions to which each Purchaser shall wire or deposit such funds are set forth in the notice provision for the Escrow Agent in Section 10 to this Agreement and in Exhibit A to the Subscription Agreements.

3. Acceptance. Upon receipt of the Escrowed Funds, the Escrow Agent shall acknowledge such receipt in writing (which may be via electronic mail) to the Company and the Placement Agent and shall hold and disburse the same pursuant to the terms and conditions of this Agreement. The Escrow Agent shall have no duty to verify whether the amounts and property delivered comport with the requirements of any other agreement.

4. List of Purchasers. Exhibit A hereto contains the name of, the address of record, the number of Shares subscribed for by, and the subscription amount to be delivered to the Escrow Agent on behalf of each Purchaser whose funds are being deposited. The Escrow Agent shall notify the Placement Agent and the Company of any discrepancy between the subscription amounts set forth on any list delivered pursuant to this Section 4 and the subscription amounts received by the Escrow Agent. The Escrow Agent is authorized to revise such list to reflect the actual subscription amounts received and the release of any subscription amounts pursuant to Section 5.

5. Withdrawal of Subscription Amounts.

(a) If the Escrow Agent shall receive a notice, substantially in the form of Exhibit B hereto (an "Offering Termination Notice") from the Company, the Escrow Agent shall promptly after receipt of such Offering Termination Notice, and in no event more than five (5) business days thereafter, send to each Purchaser listed on the list held by the Escrow Agent pursuant to Section 4 whose total subscription amount shall not have been released pursuant to paragraph (b) or (c) of this Section 5, in the manner set forth in paragraph (d) of this Section 5, a check to the order of such Purchaser in the amount of the remaining subscription amount held by the Escrow Agent on behalf of such Purchaser as set forth on such list held by the Escrow Agent. The Escrow Agent shall notify the Company and the Placement Agent of the distribution of such funds to the Purchasers.

(b) In the event that (i) the Shares have been subscribed for and funds in respect thereof shall have been deposited with the Escrow Agent in accordance with this Agreement on or before the Closing Date and (ii) no Offering Termination Notice shall have been delivered to the Escrow Agent, the Company and the Placement Agent shall deliver to the Escrow Agent a joint notice, not more than three (3) business days prior to the Closing Date, substantially in the form of Exhibit C hereto (a "Closing Notice"), designating the proceeds which are to be distributed on such Closing Date, and identifying the Purchasers and the number of Shares to be sold to each thereof on such Closing Date. The Escrow Agent, after receipt of such Closing Notice, on such Closing Date, shall pay to the Company, the Placement Agent and its counsel (if applicable), by wire transfer of immediately available funds and otherwise in the manner specified in such Closing Notice, an amount equal to the aggregate of the subscription amounts paid by the Purchasers identified in such Closing Notice for the Shares to be sold on such Closing Date as set forth on the list held by the Escrow Agent pursuant to Section 4.

(c) If at any time and from time to time prior to the release of any Purchaser's total subscription amount pursuant to paragraph (a) or (b) of this Section 5 from the Escrow Account, the Company shall deliver to the Escrow Agent a notice, substantially in the form of Exhibit D hereto (a "Subscription Termination Notice"), to the effect that any or all of the subscriptions of such Purchaser have been rejected by the Company (a "Rejected Subscription"), the Escrow Agent, promptly after receipt of such Subscription Termination Notice, shall promptly send to such Purchaser, in the manner set forth in paragraph (d) of this Section 5, a check to the order of such Purchaser in the amount of such Rejected Subscription amount.

(d) For the purposes of this Section 5, any check that the Escrow Agent shall be required to send to any Purchaser shall be sent to such Purchaser by first class mail, postage prepaid, at such Purchaser's address furnished to the Escrow Agent pursuant to Section 4.

6. Escrow Agent; Duties and Liabilities.

(a) It is expressly understood and agreed by the parties that (i) the duties of the Escrow Agent, as herein specifically provided, are purely ministerial in nature; (ii) the Escrow Agent shall not have any duty to deposit the Escrowed Funds except as provided herein, (iii) the Escrow Agent shall not be responsible or liable in any manner whatsoever for, or have any duty to inquire into, the sufficiency, correctness, genuineness or validity of the notices it receives hereunder, or the identity, authority or rights of any of the parties; (iv) the Escrow Agent shall have no duties or responsibilities in connection with the Escrowed Funds, other than those specifically set forth in this Agreement; (v) the Escrow Agent shall not incur any liability in acting in good faith upon any signature, written notice, request, waiver, consent, receipt, or any other paper or document believed by the Escrow Agent to be genuine and to have been signed or sent by the proper parties, without further inquiry or investigation; (vi) the Escrow Agent may assume that any person purporting to have authority to give notices on behalf of any of the parties in accordance with the provisions hereof has been duly authorized to do so; (vii) the Escrow Agent shall incur no liability whatsoever except for such resulting from its fraud, willful misconduct or gross negligence, so long as the Escrow Agent has acted in good faith in the performance of its duties hereunder; (viii) the Escrow Agent agrees that all property held by the Escrow Agent under this Agreement shall be segregated from all other property held by the Escrow Agent and shall be identified as being held in connection with this Agreement; and (ix) upon the Escrow Agent's performance of its obligations under Section 5 hereof, the Escrow Agent shall be relieved of all liability, responsibility and obligation with respect to the Escrowed Funds or arising out of or under this Agreement.

(b) The Escrow Agent shall not be under any obligation to take any legal action in connection with this Agreement or towards its enforcement or performance, or to appear in, prosecute or defend any action or legal proceeding, or to file any return, or pay or withhold any income or other tax payable with respect to any Escrowed Funds or the disbursement thereof, or any payment of or in respect of which shall constitute a Loss under Section 7 below.

(c) In the event of any disagreement relating to the Escrowed Funds or the disbursement thereof resulting in adverse claims or demands being made in connection with the Escrowed Funds or in the event that the Escrow Agent is in doubt as to what action it should take hereunder, the Escrow Agent shall be entitled to retain the Escrowed Funds, but only to the extent of the Escrowed Funds in controversy, until the Escrow Agent shall have received (i) a final non-appealable order of a court of competent jurisdiction regarding the proper disposition; or (ii) a joint letter of instruction from the Company and the Placement Agent directing delivery of the Escrowed Funds, in which event the Escrow Agent shall disburse the Escrowed Funds in accordance with such order or letter. Any court order shall be accompanied by a legal opinion by counsel for the presenting party satisfactory to the Escrow Agent to the effect that the order is final and non-appealable. The Escrow Agent shall act on such court order and legal opinion without further question. If a proceeding for such determination is not begun and diligently continued, the Escrow Agent may make an ex parte application, or bring any appropriate action, for leave to deposit the Escrowed Funds in the Supreme Court of the State of New York, County of New York seeking such determination or such declaratory relief as the Escrow Agent shall deem reasonably necessary under the circumstances, and the parties each hereby irrevocably consent to the entering of such an ex parte order pursuant to all applicable laws, rules and procedures of the State of New York and such court. The Escrow Agent shall be reimbursed by the Company, for all of the Escrow Agent's reasonable costs and expenses of such action or proceeding, including, without limitation, reasonable attorneys' fees and disbursements. This Section 6(c) shall survive any termination of this Agreement or the resignation or removal of the Escrow Agent in accordance with Section 6(h) below.

(d) The Escrow Agent does not have any interest in the Escrowed Funds deposited hereunder and is serving as escrow agent only and having only possession thereof.

(e) None of the provisions of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not assured to it.

(f) The Escrow Agent may consult with independent counsel and the advice or any opinion of counsel shall be full and complete authorization and protection in respect of any action reasonably taken or omitted by it hereunder in accordance with such advice or opinion of counsel.

(g) The Escrow Agent may at any time resign by giving thirty (30) days' prior written notice of resignation to the Company and the Placement Agent. Upon receiving such notice of resignation, the Company and the Placement Agent shall promptly appoint a successor and, upon the acceptance by the successor of such appointment and transfer of all Escrowed Funds to such successor, release the resigning Escrow Agent from its obligations hereunder (other than obligations and liabilities arising by reason of the prior fraud, willful misconduct or gross negligence of the Escrow Agent) by written instrument, a copy of which instrument shall be delivered to the resigning Escrow Agent and the successor. If no successor shall have been so appointed and have accepted appointment within forty-five (45) days after the giving of such notice of resignation, the resigning Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor.

The Company and the Placement Agent may at any time, by issuing a joint written instruction to the Escrow Agent, terminate the appointment of the Escrow Agent. Such joint written instruction shall specify the date upon which such termination shall take effect. Thereafter, the Escrow Agent shall have no further obligation hereunder (other than obligations and liabilities arising by reason of the prior fraud, willful misconduct or gross negligence of the Escrow Agent) except to hold the Escrowed Funds as depository. The Company and the Placement Agent agree that in the event of such termination, they will cooperate with each other to jointly appoint a banking corporation, trust company or attorney as successor Escrow Agent. The Escrow Agent shall refrain from taking any action until receiving written instructions jointly signed by the Company and the Placement Agent designating the successor Escrow Agent.

(h) Any partnership or other similar entity into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any partnership, corporation or other similar entity resulting from any merger, conversion or consolidation to which the Escrow Agent shall be a party, or any partnership, corporation or other similar entity succeeding to the business of the Escrow Agent shall be the successor of the Escrow Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

(i) No printed or other matter in any language which mentions the Escrow Agent's name or the rights, powers, or duties of the Escrow Agent shall be issued by the other parties hereto or on such parties' behalf unless the Escrow Agent shall first have given its specific written consent thereto. The Escrow Agent hereby consents to the use of its name and the reference to the escrow arrangement in the Subscription Agreements, the Placement Agency Agreement, the Registration Statement and any other documents related thereto.

7. Indemnification of Escrow Agent. The Company hereby agrees to indemnify and hold the Escrow Agent harmless from any and all liabilities, obligations, damages, losses, claims, encumbrances, costs or expenses (including reasonable attorneys' fees and expenses) (any or all of the foregoing herein referred to as a "Loss") arising hereunder or under or with respect to the Escrowed Funds, except for Losses resulting from (a) fraud, willful misconduct or gross negligence of the Escrow Agent, or (b) its following any instructions or other directions from the Company, to the extent that its following any such instruction or direction is expressly forbidden by the terms hereof. If any such action shall be brought against the Escrow Agent, it shall notify the Company. Anything in this Agreement to the contrary notwithstanding, in no event shall the Escrow Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

The parties hereto acknowledge that the foregoing indemnities shall survive the resignation or the removal of the Escrow Agent or the termination of this Agreement.

8. Fees. The Company agrees to pay the Escrow Agent the administration fee of $2,500, which shall be paid by the Company within two (2) business days following the execution of this Agreement or as otherwise agreed to by the Company and the Escrow Agent.

9. Security Procedures. In the event funds transfer instructions are given (other than in writing at the time of execution of this Agreement, as indicated in Schedule 1 attached hereto), whether in writing, by telecopier or otherwise, the Escrow Agent is authorized to seek confirmation of such instructions by telephone call-back to the person or persons designated on Schedule 2 hereto, and the Escrow Agent may rely upon the confirmation of anyone purporting to be the person or persons so designated. The individuals authorized to give and confirm funds transfer instructions may be changed only in a writing actually received and acknowledged by the Escrow Agent. The Escrow Agent and the beneficiary's bank in any funds transfer may rely solely upon any account numbers or similar identifying numbers provided by the Company or the Placement Agent to identify (a) the beneficiary, (b) the beneficiary's bank, or (c) an intermediary bank. The Escrow Agent may apply any of the Escrowed funds for any payment order it executes using any such identifying number, even when its use may result in a person other than the beneficiary being paid, or the transfer of funds to a bank other than the beneficiary's bank or an intermediary bank designated. The parties to this Agreement acknowledge that these security procedures are commercially reasonable. All funds transfer instructions must include the signature of the person(s) authorizing said funds transfer, which shall be an individual who is designated to give funds transfer instructions as designated in Schedule 2.

10. Notices. Any notice or demand desired or required to be given hereunder shall be in writing and deemed given when sent by facsimile transmission with receipt confirmed to the telephone number below and addressed as follows:

a. If to the Escrow Agent, to:

JPMorgan Chase Bank, N.A.
Escrow Services
4 New York Plaza, 21st Floor
New York, NY 10004
Facsimile: (212)623-6168
Attention: Chris Vetri/Debbie DeMarco

with wire transfers to:

JPMorgan Chase Bank
ABA # _____
Account No.: _____
Account Name: Harris & Harris Group Subscription
Attention: Chris Vetri

b. If to the Company, to:

Harris & Harris Group, Inc.
111 West 57th Street
New York, New York 10019
Attention: General Counsel
Facsimile No.: 212-582-9563

with copies to:

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036
Attention: Richard T. Prins, Esq.
Facsimile No.: 212-735-2000

c. If to the Placement Agent, to:

ThinkPanmure, LLC
600 Montgomery St., 8th Floor
San Francisco, CA 94111
Facsimile: (415) 249-0975
Attention: Ted Mitchell

with copies to:

Goodwin Procter LLP
The New York Times Building
620 Eighth Avenue
New York, New York 10018
Facsimile No.: 212-355-3333
Attention: Michael D. Maline, Esq.

or to such other address or account information as hereafter shall be designated in writing by the applicable party to the other parties hereto. In the event that the Escrow Agent, in its sole discretion, shall determine that an emergency exists, the Escrow Agent may use such other means of communication as the Escrow Agent deems appropriate. For the purposes of this Agreement, "business day" shall mean any day other than a Saturday, Sunday or any other day on which the Escrow Agent located at the notice address set forth in this section is authorized or required by law or executive order to remain closed.

11. Entire Agreement. This Agreement and any exhibits and schedules hereto constitute the entire agreement between the parties hereto pertaining to the subject matters hereof, and supersede all negotiations, preliminary agreements and all prior and contemporaneous discussions and understandings of the parties in connection with the subject matters hereof. Any exhibits and schedules hereto are hereby incorporated into and made a part of this Agreement.

12. Amendments. No amendment, waiver, change or modification of any of the terms, provisions or conditions of this Agreement shall be effective unless made in writing and signed by all parties or by their duly authorized agents. Waiver of any provision of this Agreement shall not be deemed a waiver of future compliance therewith and such provision shall remain in full force and effect.

13. Severability. In the event any provision of this Agreement is held invalid, illegal or unenforceable, in whole or in part, the remaining provisions of this Agreement shall not be affected thereby and shall continue to be valid and enforceable.

14. Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of New York without regard to any applicable principles of conflicts of law.

15. Submission to Jurisdiction. ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH PARTY HERETO HEREBY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS AND APPELLATE COURTS FROM ANY THEREOF. EACH PARTY HERETO HEREBY IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF TO SUCH PARTY BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, RETURN RECEIPT REQUESTED, TO SUCH PARTY, AT ITS ADDRESS SPECIFIED HEREIN. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS.

16. Headings and Captions. The titles or captions of paragraphs in this Agreement are provided for convenience of reference only, and shall not be considered a part hereof for purposes of interpreting or applying this Agreement, and such titles or captions do not define, limit, extend, explain or describe the scope or extent of this Agreement or any of its terms or conditions.

17. Gender and Number. Words and phrases herein shall be construed as in the singular or plural number and as masculine, feminine or neuter gender, according to the context.

18. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. Facsimiles may also be deemed originals for the purpose of this Agreement.

19. Binding Effect on Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective legal representatives, heirs, successors and assigns, and the subscribers of the Shares. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto (and their respective legal representatives, heirs, successors and assigns), any rights, remedies, obligations or liabilities.

19. Account Opening Information. To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. When an account is opened, the Escrow Agent will ask for information that will allow it to identify relevant parties. Upon execution of this Agreement, each party shall provide the Escrow Agent with a fully executed W-8 or W-9 Internal Revenue Service form, which shall include their Tax Identification Number (TIN) as assigned by the Internal Revenue Service.

20. Force Majeure. In the event that any party or the Escrow Agent is unable to perform its obligations under the terms of this Agreement because of acts of God, war, terrorism, fire, floods, electrical outages, strikes, equipment or transmission failure or damage reasonably beyond its control, or other cause reasonably beyond its control, the Escrow Agent shall not be liable for damages to the other parties for any damages resulting from such failure to perform otherwise from such causes. Performance under this Agreement shall resume when the Escrow Agent is able to perform substantially.

21. Termination. Upon delivery of the Escrowed Funds to the Company, or the Purchasers pursuant to Section 5 hereof, by the Escrow Agent, this Agreement shall terminate, subject to the provisions of Section 7 hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Escrow Agreement as of the date first above written.

ESCROW AGENT:

JPMORGAN CHASE BANK, N.A.

By: /s/Debra A. DeMarco
Name: Debra A. DeMarco
Title: Vice President

COMPANY:

HARRIS & HARRIS GROUP, INC.

By: /s/Douglas W. Jamison
Name: Douglas W. Jamison
Title: President

PLACEMENT AGENT:

THINKPANMURE, LLC

By: /s/Ted Mitchell
Name: Ted Mitchell
Title: Partner

EXHIBIT A

SUMMARY OF ESCROWED FUNDS TO BE RECEIVED

Name and Address of Purchaser	Number of Shares	Subscription Amount	Receipt Confirmed by Escrow Agent

EXHIBIT B

FORM OF OFFERING TERMINATION NOTICE

_____ __, 2008

JPMorgan Chase Bank, N.A.
Escrow Services
4 New York Plaza, 21st Floor
New York, NY 10004
Attention: _____

Dear Sir or Madam:

Pursuant to Section 5(a) of the Escrow Agreement dated as of _____, 2008 (the "Escrow Agreement") by and among ThinkPanmure, LLC, Harris & Harris Group, Inc. (the "Company") and you, the Company hereby notifies you of the termination of the offering of the Shares (as that term is defined in the Escrow Agreement) and directs you to make payments to the Purchasers as provided for in Section 4(a) of the Escrow Agreement.

Very truly yours,

HARRIS & HARRIS GROUP, INC.

By:_____
Name:
Title:

EXHIBIT C

FORM OF CLOSING NOTICE

_____, 2008

JPMorgan Chase Bank, N.A.
Escrow Services
4 New York Plaza, 21st Floor
New York, NY 10004
Attention: _____

Dear Sir or Madam:

Pursuant to Section 5(b) of the Escrow Agreement dated as of _____, 2008 (the "Escrow Agreement"), by and among ThinkPanmure, LLC (the "Placement Agent"), Harris & Harris Group, Inc. (the "Company") and you, the Company hereby certifies that it has received subscriptions for the Shares (as that term is defined in the Escrow Agreement) and the Company will, subject to and in accordance with the terms of the Placement Agency Agreement and the Subscription Agreements, as defined in the Escrow Agreement, sell and deliver Shares to the Purchasers thereof at a closing to be held on _____, 2008 (the "Closing Date"). The names of the Purchasers concerned, the number of Shares subscribed for by each of such Purchasers and the related subscription amounts are set forth on Schedule A annexed hereto.

Please accept these instructions as standing instructions for the closing to be held on the Closing Date. The parties hereto certify that their instructions may be transmitted to you via facsimile.

We hereby request that the aggregate subscription amount be paid as follows:

1. To the Company, $_____, pursuant to the following wire transfer instructions:

Bank: _____
ABA Number: _____
Account Number: _____
Account Name: _____
Attention: _____
Reference: _____

2. To the Placement Agent, $_____, pursuant to the following wire transfer instructions:

Bank: _____
ABA Number: _____
Account Number: _____
Account Name: _____
Attention: _____
Reference: _____

3. To JPMorgan Chase Bank, N.A. as Escrow Agent, $2,500, pursuant to the following wire transfer instructions:

Bank: JPMorgan Chase Bank, N.A.
ABA Number: _____
Account Number: _____
Account Name: _____
Attention: _____
Reference: Escrow Agent Fees

These instructions may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same instrument.

[Signatures on following page]

Very truly yours,

HARRIS & HARRIS GROUP, INC.

By:_____
Name:
Title:

THINKPANMURE, LLC

By:_____
Name:
Title:

SCHEDULE A

Name of Purchaser	Number of Shares	Subscription Amount

EXHIBIT D

FORM OF SUBSCRIPTION TERMINATION NOTICE

_____, 2008

JPMorgan Chase Bank, N.A.
Escrow Services
4 New York Plaza, 21st Floor
New York, NY 10004
Attention: _____

Dear Sir or Madam:

Pursuant to Section 5(c) of the Escrow Agreement dated as of _____, 2008 (the "Escrow Agreement"), by and among ThinkPanmure, LLC, Harris & Harris Group, Inc. (the "Company") and you, the Company hereby notifies you that the following subscription(s) have been rejected:

Name of PURCHASER	Number of Subscribed SHARES REJECTED	Dollar Amount of REJECTED SUBSCRIPTION

Very truly yours,

HARRIS & HARRIS GROUP, INC.

By:_____
Name:
Title:

SCHEDULE 1

Name of Company: Harris & Harris Group, Inc.
Wiring Instructions:

Bank Name: _____
ABA Number: _____
Account Number: _____
Account Name: _____
For Further Credit: _____

Name of Placement Agent: ThinkPanmure, LLC
Wiring Instructions:

Bank Name: _____
ABA Number: _____
Account Number: _____
Account Name: _____
For Further Credit: _____

SCHEDULE 2

Telephone Number(s) for Person(s)
Designated to Give and Confirm Funds Transfer Instructions

If to Company:

	Name	Telephone Number	Signature Specimen
1.	Daniel Wolfe	(212) 582-0900	/s/ Daniel Wolfe
2.	Sandra Forman	(212) 582-0900	/s/ Sandra Forman
3.	Patricia Egan	(212) 582-0900	/s/ Patricia Egan

If to Placement Agent:

	Name	Telephone Number	Signature Specimen
1.	Ted Mitchell	(415) 249-6388	/s/ Ted Mitchell
2.			
3.			

Telephone call backs shall be made to both Company and the Placement Agent if joint instructions are required pursuant to the agreement. All funds transfer instructions must include the signature of the person(s) authorizing said funds transfer.

Periodically, you may issue payment orders to us to transfer funds by federal funds wire. We review the orders to determine compliance with the governing documentation and to confirm signature by the appropriate party, in accordance with the above list. Bank policy requires that, where practicable, we undertake callbacks to a party other than the individual who signed the payment order to verify the authenticity of the payment order.

Inasmuch as you are the only employee in your office who can confirm wire transfers, we will call you to confirm any federal funds wire transfer payment order purportedly issued by you. Your continued issuance of payment orders to us and confirmation in accordance with this procedure will constitute your agreement (1) to the callback security procedure outlined herein and (2) that the security procedure outlined herein constitutes a commercially reasonable method of verifying the authenticity of payment orders. Moreover, you agree to accept any risk associated with a deviation from this bank policy.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in this Registration Statement on Form N-2 of our report dated March 12, 2008 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in Harris & Harris Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2007.

/s/ PricewaterhouseCoopers LLP
New York, New York
June 16, 2008