

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

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): December 23, 2015

HARRIS & HARRIS GROUP, INC.

(Exact Name of Registrant as Specified in its Charter)

New York

(State or other jurisdiction
of incorporation)

0-11576

(Commission File Number)

13-3119827

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

1450 Broadway
New York, New York 10018

(Address, including zip code, of Principal Executive Offices)

(212) 582-0900

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On December 23, 2015, the Board of Directors (the “Board”) of Harris & Harris Group, Inc., (the “Company”) approved a change in control and severance agreements to be entered into with the Company's chief executive officer, president, chief financial officer, and chief strategy officer, a form of which is attached hereto as Exhibit 99.1 (“Executive Severance Agreement”). Each of the Executive Severance Agreements provides that, in the event an executive’s employment is terminated by the Company other than for “cause” (as defined therein) or an executive resigns for “good reason” (as defined therein), the executive will receive as severance:

- 12 months of base salary to be paid in cash periodically in accordance with the Company’s normal payroll policies;
- a portion of executive’s incentive compensation in cash for the fiscal year in which executive's employment terminates, pro-rated based on time employed during the fiscal year, only to be paid only to the extent that performance metrics in the plan are achieved and at the same time as payments to other executives in the applicable incentive compensation plan are paid; and
- 12 months of COBRA premiums.

Further, under the terms of each Executive Severance Agreement, in the event an executive’s employment is terminated other than for “cause” or an executive resigns for “good reason” within the period commencing three months prior to a “change in control” (as defined in the Company’s 2012 Equity Incentive Plan) (a "Change in Control") and ending 12 months after a Change in Control, the severance will consist of:

- 12 months of base salary to be paid in a single cash lump-sum;
- a portion of an executive’s incentive compensation in cash for the fiscal year in which executive's employment terminates, pro-rated based on time employed during the fiscal year;
- 100% of an executive’s then-outstanding and unvested time-based equity awards that do not already contain a provision for accelerated vesting upon a Change in Control will become vested in full. For equity awards with vesting based on the achievement of performance criteria, the 50% of such executive’s then-outstanding and unvested performance-based equity awards that do not already contain a provision for accelerated vesting upon a Change in Control will vest. The remaining 50% of the executive’s then-outstanding and unvested performance-based equity awards that do not already contain a provision for accelerated vesting upon a Change in Control will vest only if the terms that result in the Change in Control meet the performance criteria that would have triggered such vesting; and
- 12 months of COBRA premiums.

Additionally, On December 23, 2015, the Board of the Company approved a control and severance agreement to be entered into with its venture partner, Alexei A. Andreev (“Andreev”), a copy of which is attached hereto as Exhibit 99.2 (“Venture Partner Severance Agreement”). Under the terms of the Venture Partner Severance Agreement, in the event Andreev’s employment is terminated other than for “cause” or an executive resigns for “good reason” within the period commencing three months prior to a Change in Control and ending 12 months after a Change in Control, the severance will consist of:

- 12 months of base salary to be paid in a single cash lump-sum;

- a portion of Andreev's incentive compensation in cash for the fiscal year in which Andreev's employment terminates, pro-rated based on time employed during the fiscal year; and
- 100% of Andreev's then-outstanding and unvested time-based equity awards that do not already contain a provision for accelerated vesting upon a Change in Control will become vested in full. For equity awards with vesting based on the achievement of performance criteria, the 50% of Andreev's then-outstanding and unvested performance-based equity awards that do not already contain a provision for accelerated vesting upon a Change in Control will vest. The remaining 50% of Andreev's then-outstanding and unvested performance-based equity awards that do not already contain a provision for accelerated vesting upon a Change in Control will vest only if the terms that result in the Change in Control meet the performance criteria that would have triggered such vesting.

The executives and venture partner must timely deliver an effective release of claims to the Company to be eligible for the foregoing severance benefits. The foregoing descriptions of the material terms of the Executive Severance Agreements and Venture Partner Severance Agreement are qualified in their entirety by the form of Executive Severance Agreement, Venture Partner Severance Agreement, and 2012 Equity Incentive Plan which are attached or incorporated by reference hereto as exhibits, and incorporated by reference herein.

Item 5.03. Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

The By-laws, as amended, are filed as Exhibit 3.1 to this report and are incorporated by reference herein. The foregoing summary of the amendments to the By-laws is qualified in its entirety by reference to the copy of the By-laws, as amended, attached hereto as Exhibit 3.1 and incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

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

Exhibit No.	Description
3.1	Amended and Restated By-laws of the Company, as amended on December 23, 2015
99.1	Form of Executive Severance and Change in Control Agreement
99.2	Form of Venture Partner Severance and Change in Control Agreement
99.3	Amended and Restated Harris & Harris Group, Inc. 2012 Equity Incentive Plan (incorporated by reference as Exhibit 10.6 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2011 (File No 814-00176) filed on March 14, 2012)

SIGNATURES

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

HARRIS & HARRIS GROUP, INC.

Date: December 28, 2015

By: /s/ Daniel B. Wolfe
Daniel B. Wolfe
President

EXHIBIT INDEX

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BY-LAWS
OF
HARRIS & HARRIS GROUP, INC.
(as amended and restated as of December 23, 2015)

ARTICLE I
OFFICES

SECTION 1. PRINCIPAL OFFICE. The principal office of the corporation shall be located in the City, County and State of New York.

SECTION 2. OTHER OFFICES. The corporation may have other offices and places of business, within or without the State of New York, as shall be determined by the directors.

ARTICLE II
SHAREHOLDERS

SECTION 1. PLACE OF MEETINGS. Meetings of the shareholders may be held at such place or places, within or without the State of New York, as shall be fixed by the directors and stated in the notice of the meeting.

SECTION 2. ANNUAL MEETING. The annual meeting of shareholders for the election of directors and the transaction of such other business as may properly come before the meeting shall be held on the date selected by the Board of Directors in each calendar year.¹

SECTION 3. NOTICE OF ANNUAL MEETING. Notice of the annual meeting shall be given to each shareholder entitled to vote, at least ten days prior to the meeting.

SECTION 4. SPECIAL MEETINGS. Special meetings of the shareholders for any purpose or purposes may be called by only the Chairman, the Chief Executive Officer or a majority of the entire Board of Directors then in office.²

SECTION 5. NOTICE OF SPECIAL MEETING. Notice of a special meeting, stating the time, place and purpose or purposes thereof, shall be given to each shareholder entitled to vote, at least ten days prior to the meeting. The notice shall also set forth at whose direction it is being issued.

¹ As amended at the April 30, 1984, special directors' meeting.

² As amended at the August 2, 2012, board of directors' meeting.

SECTION 6. QUORUM. At any meeting of the shareholders, the holders of a majority of the shares of stock then entitled to vote shall constitute a quorum for all purposes, except as otherwise provided by law or the Certificate of Incorporation.

SECTION 7. VOTING. At each meeting of the shareholders, every holder of stock then entitled to vote may vote in person or by proxy, and, except as may be otherwise provided by the Certificate or Incorporation, shall have one vote for each share of stock registered in his name.

SECTION 8. ADJOURNED MEETINGS. Any meeting of shareholders may be adjourned to a designated time and place by a vote of a majority in interest of the shareholders present in person or by proxy and entitled to vote, even though less than a quorum is so present. No notice of such an adjourned meeting need be given, other than by announcement at the meeting, and any business may be transacted which might have been transacted at the meeting as originally called.

SECTION 9. ACTION BY WRITTEN CONSENT OF SHAREHOLDERS. Whenever by any provision of statute or of the Certificate of Incorporation or of these By-Laws, the vote of shareholders at a meeting thereof is required or permitted to be taken in connection with any corporate action, the meeting and vote of shareholders may be dispensed with, if all the shareholders who would have been entitled to vote upon the action if such meeting were held, shall consent in writing to such corporate action being taken.

SECTION 10. NOTICE OF SHAREHOLDER NOMINEES.³ Subject to the rights of holders of any class or series of shares having a preference over the common shares as to dividends or upon liquidation, only persons who are nominated in accordance with the following procedures set forth in these By-Laws shall be eligible for election as directors of the corporation. Nominations of persons for election to the Board of Directors may be made (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any shareholder of the corporation (i) who is a shareholder of record on the date of the giving of notice provided for in this Section 10 and on the record date for the determination of shareholders entitled to vote at such meeting and (ii) who complies with the notice procedures set forth in this Section 10.

In addition to any other applicable requirements, for a nomination to be made by a shareholder, such shareholder must have given timely notice thereof in proper written form to the Secretary of the corporation.

³ As amended at the August 2, 2012 board of directors' meeting.

To be timely, a shareholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the corporation (i) with respect to an annual meeting of shareholders, not less than ninety (90) days nor more than one hundred and twenty (120) days prior to the anniversary date of the immediately preceding annual meeting of shareholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the shareholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs; and (ii) with respect to a special meeting of shareholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which the corporation's notice of the date of the meeting was mailed or such public disclosure of the date of the special meeting was made, whichever first occurs. In no event shall the public announcement of a postponement or adjournment of a meeting commence a new time period for the giving of a shareholder's notice as described above.

To be in proper written form, a shareholder's notice to the Secretary must set forth (i) the name and record address (as they appear on the books of the corporation) of the shareholder who intends to make such nomination, and the name and address of any beneficial owner on whose behalf the proposal is made; (ii) the name, age, business and residence addresses and principal occupation of each person to be nominated and the class or series and number of shares of capital stock of the corporation which are owned beneficially or of record by each person to be nominated; (iii) as to the shareholder giving the notice, (A) the class, series and number of all shares of the corporation that are owned of record or beneficially by such shareholder or any such beneficial owner; (B) the name of each nominee holder of shares owned beneficially but not of record by such shareholder and the class, series and number of shares of the corporation held by each such nominee holder, (C) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest has been entered into by or on behalf of such shareholder or any such beneficial owner or any of their respective affiliates or associates with respect to the shares of the corporation, (D) whether any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares) has been made by or on behalf of such shareholder or any such beneficial owner or any of their respective affiliates or associates, the effect or intent of which is to mitigate loss to, or to manage risk or benefit of share price changes for, such shareholder or any of its affiliates or associates or to increase or decrease the voting power or pecuniary or economic interest of such shareholder or any such beneficial owner or any of their respective affiliates or associates with respect to the shares of the corporation, (E) any proxy, contract, arrangement, understanding or relationship pursuant to which such shareholder or any such beneficial owner has a right to vote any shares of the corporation, and (F) a representation that such shareholder will notify the corporation in writing of the information required in clauses (A) through (E), in each case as in effect as of the record date for the meeting, promptly following the later of the record date or the date notice of the record date is first publicly disclosed; (iv) a description of all arrangements and understandings between such shareholder or any such beneficial owner and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such shareholder (together with information for any such other persons covering the matters set forth in clause (iii)); (v) such other information relating to all persons described in this paragraph that is required to be disclosed in solicitations for proxies for election of directors pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Securities and Exchange Commission or other applicable law; (vi) whether such shareholder believes any proposed nominee is, or is not, an "interested person" of the corporation, as defined in the Investment Company Act of 1940, as amended, and the rules promulgated thereunder; (vii) the written consent of each proposed nominee to be named as a nominee and to serve as a director of the corporation if elected, together with an undertaking, signed by each proposed nominee, to furnish to the corporation a completed, signed questionnaire and any other information the corporation may request upon the advice of counsel for the purpose of determining such proposed nominee's eligibility and suitability to serve as a director or required disclosure with respect to his serving as a director; (viii) a description of any business, monetary or other material relationship between the shareholder or any such beneficial owner, or any of their affiliates or associates, and the proposed nominee, or any of his affiliates or associates, during the past three years and of any voting commitments with respect to the corporation to which the nominee is or will be subject; and (ix) a representation that such shareholder intends to appear in person or by proxy at the annual meeting to nominate the persons named in its notice.

No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth in this Section 10. If the Chairman of the annual meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.⁴

SECTION 11. NOTICE OF SHAREHOLDER BUSINESS. No business (other than nominations for the election of directors, if made in compliance with the preceding Section 10) may be transacted at an annual meeting of shareholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (c) a proper matter for shareholder action and otherwise properly brought before the annual meeting by any shareholder of the corporation (i) who is a shareholder of record on the date of the giving of the notice provided for in this Section 11 and on the record date for the determination of shareholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 11. This Section 11 is expressly intended to apply to any business proposed to be brought before an annual meeting of shareholders other than any proposal made pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended.

In addition to any other applicable requirement, for business to be properly brought before an annual meeting by a shareholder, such shareholder must have given timely notice thereof in proper written form to the Secretary of the corporation.

To be timely, a shareholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the corporation not less than ninety (90) days nor more than one hundred and twenty (120) days prior to the anniversary date of the immediately preceding annual meeting of shareholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the shareholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting was made, whichever first occurs. In no event shall the public announcement of a postponement or adjournment of a meeting commence a new time period for the giving of a shareholder's notice as described above.

⁴ As amended at the August 2, 2012, directors' meeting.

To be in proper written form, a shareholder's notice to the Secretary must set forth as to each matter such shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, and, if such business includes a proposal to amend either the certificate of incorporation or these by-laws, the text of the proposed amendment, (ii) the name and record address (as they appear on the books of the corporation) of the shareholder proposing such business and the name and address of any beneficial owner on whose behalf the proposal is made; (iii) (A) the class, series and number of all shares of the corporation that are owned of record or beneficially by such shareholder or any such beneficial owner, (B) the name of each nominee holder of shares owned beneficially but not of record by such shareholder and the class, series and number of shares of the corporation held by each such nominee holder, (C) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest has been entered into by or on behalf of such shareholder or any such beneficial owner or any of their respective affiliates or associates with respect to the shares of the corporation, (D) whether any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares) has been made by or on behalf of such shareholder or any such beneficial owner or any of their respective affiliates or associates, the effect or intent of which is to mitigate loss to, or to manage risk or benefit of share price changes for, such shareholder or any such beneficial owner or any of their respective affiliates or associates or to increase or decrease the voting power or pecuniary or economic interest of such shareholder or any of their respective affiliates or associates with respect to the shares of the corporation, (E) any proxy, contract, arrangement, understanding, or relationship pursuant to which such shareholder or any such beneficial owner has a right to vote any shares of the corporation, and (F) a representation that such shareholder will notify the corporation in writing of the information required in clauses (A) through (E), in each case as in effect as of the record date for the meeting, promptly following the later of the record date or the date notice of the record date is first publicly disclosed, (iv) a description of all arrangements or understandings between such shareholder or any such beneficial owner and any other person or persons (including their names) in connection with the proposal of such business by such shareholder and of any material interest of such shareholder or any such beneficial owner or any other persons in such business (together with information for any such other persons covering the matters set forth in clause (iii)); (v) such other information relating to the proposal that is required to be disclosed in solicitations pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Securities and Exchange Commission or other applicable law; and (vi) a representation that such shareholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.⁵

⁵ As amended at the August 2, 2012, directors' meeting.

No business shall be conducted at the annual meeting of shareholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 11, provided, however, that, once business has been properly brought before the annual meeting in accordance with such procedures, nothing in this Section 11 shall be deemed to preclude discussion by any shareholder of any such business. If the Chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

ARTICLE III

DIRECTORS

SECTION 1. NUMBER. The number of directors of the corporation shall be determined from time to time by resolutions of the directors, who shall hold office for the term of one year and until their successors are duly elected and qualify. The number of directors may be less than three when all of the shares are owned by less than three shareholders, but in such event the number of directors may not be less than the number of shareholders. Directors need not be shareholders.

SECTION 2. POWERS. The Board of Directors may adopt such rules and regulations for the conduct of its meetings, the exercise of its powers and the management of the affairs of the corporation as it may deem proper, not inconsistent with the laws of the State of New York, the Certificate of Incorporation or these By-Laws.

In addition to the powers and authorities by these By-Laws expressly conferred upon them, the Board of Directors may exercise all such powers of the corporation and do such lawful acts and things except as are by statute, the Certificate of Incorporation or these By-Laws directed or required to be exercised or done by the shareholders.

SECTION 3. MEETING, QUORUM, ACTION WITHOUT MEETING. Meetings of the Board of Directors may be held at any place, either within or outside the State of New York, provided a quorum be in attendance. Except as may be otherwise provided by the Certificate of Incorporation or by the Business Corporation Law, a majority of the directors in office shall constitute a quorum at any meeting of the Board of Directors and the vote of a majority of a quorum of directors shall constitute the act of the Board of Directors.

The Board of Directors may hold an annual meeting, without notice, immediately after the annual meeting of shareholders. Regular meetings of the Board of Directors may be established by a resolution adopted by the Board of Directors. The Chairman of the Board of Directors may call, and at the request of any two directors must call, a special meeting of the Board of Directors, three days notice of which shall be given by overnight United States Mail or by Federal Express or any other private overnight courier service, or two days notice of which shall be given personally or by telephone, telecopier or telefax (or similar communications equipment), telegram, cable or electronic mail, to each director.⁶

Any one or more members of the Board of Directors or any Committee thereof may participate in a meeting of such Board of Directors or Committee by means of a conference telephone call or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time; provided however, this Section 3 does not apply to any action of the Board of Directors pursuant to the Investment Company Act that requires the vote of the Board of Directors to be cast in person at a meeting. Participation by means of a conference telephone call or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time shall constitute presence in person at the meeting.⁷

Any action required or permitted to be taken by the Board of Directors or any Committee thereof may be taken without a meeting if all members of the Board of Directors or the Committee consent in writing to the adoption of a resolution authorizing the action. The resolution and the written consents thereto by the members of the Board of Directors or Committee shall be filed with the minutes of the meetings of the Board of Directors or Committee.

SECTION 4. ELECTION. Subject to any rights of the holders of any class or series of stock to elect directors separately, each director shall be elected by the affirmative vote of the shareholders holding a majority of the outstanding stock of the corporation entitled to vote, represented in person or by proxy, at any meeting of the shareholders called for the purpose of the election of directors, or by written consent of all of the shareholders entitled to vote.⁸

SECTION 5. VACANCIES, REMOVAL. Except where the Certificate of Incorporation contains provisions authorizing cumulative voting or the election of one or more directors by class or their election by holders of bonds, or requires all action by shareholders to be by a greater vote, any one or more of the directors may be removed, (a) for cause, at any time, by vote of the shareholders holding a majority of the outstanding stock of the corporation entitled to vote, represented in person or by proxy, at any special meeting of the shareholders or by written consent of all of the shareholders entitled to vote, or (b) for cause, by action of the Board of Directors at any regular or special meeting of the Board of Directors. Shareholders may not remove directors without cause. A vacancy or vacancies occurring from such removal may be filled at a special meeting of shareholders called for such purpose or at a regular or special meeting of the Board of Directors.

⁶ As amended at the November 17, 1988, and at the August 2, 2012, directors' meeting.

⁷ As amended at the April 25, 1989, and at the August 2, 2012, directors' meeting.

⁸ As amended by unanimous written consent on December 23, 2015.

SECTION 6. COMMITTEES. The Board of Directors, by resolution adopted by a majority of the entire Board of Directors, may designate from its members an Executive Committee or other committee or committees, each consisting of three or more members, with such powers and authority (to the extent permitted by law) as may be provided in said resolution.

ARTICLE IV

OFFICERS

SECTION 1. EXECUTIVE OFFICERS. The executive officers of the corporation shall be a Chairman of the Board, a President, a Treasurer and a Secretary, all of whom shall be elected annually by the Board of Directors, who shall hold office at the pleasure of the Board of Directors. All terms for officers shall commence for the year on the day of the annual meeting of shareholders for that year. No one person may serve simultaneously as both President and Secretary of the corporation, but any two or more other offices may be held simultaneously by the same person. All vacancies occurring among any of the officers shall be filled by the Board of Directors.⁹

SECTION 2. OTHER OFFICERS. The Board of Directors may appoint such other officers and agents with such powers and duties as it shall deem necessary.

SECTION 3. THE CHAIRMAN OF THE BOARD. The Chairman of the Board of Directors may be, but need not be, a person other than the chief executive officer of the corporation. The Chairman of the Board of Directors may be, but need not be, an officer or employee of the corporation. While the Board of Directors is not in session, the Chairman shall have general management and control of the business and affairs of the corporation. He shall also preside at all meetings of the Board of Directors, and shall have and perform such other duties as from time to time may be assigned to him by the Board of Directors.¹⁰

SECTION 4. THE PRESIDENT. The President, who may but need not be a director, shall, in the absence of a Chairman of the Board, preside at all meetings of the shareholders and directors. He shall have and perform such other duties as from time to time may be assigned to him by the Board of Directors or the Chairman of the Board. If the Board elects a Chief Executive Officer, such person shall, in the absence of a Chairman of the Board, preside at all meetings of the shareholders and directors.¹¹

⁹ As amended at the November 17, 1988, directors' meeting and at the August 2, 2012, directors' meeting.

¹⁰ As amended at the November 17, 1988, directors' meeting and at the August 2, 2012, directors' meeting.

¹¹ As amended at the November 17, 1988, directors' meeting and at the August 2, 2012, directors' meeting.

SECTION 5. THE VICE-PRESIDENT. The Vice-President, the Senior Vice President or Executive Vice President, if one or more be elected, shall exercise such powers and perform such duties as from time to time may be assigned to him by the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President.¹²

SECTION 6. THE TREASURER. The Treasurer shall have custody of all funds, securities and evidences of indebtedness of the corporation; he shall receive and give receipts and acquittances for moneys paid in on account of the corporation, and shall pay out of the funds on hand all bills, payrolls, and other just debts of the corporation, of whatever nature, upon maturity; he shall enter regularly in books to be kept by him for that purpose, full and accurate accounts of all moneys received and paid out by him on account of the corporation, and he shall perform all other duties incident to the office of Treasurer and as may be prescribed by the Board of Directors.

SECTION 7. THE SECRETARY. The Secretary shall keep the minutes of all meetings of the Board of Directors and of the shareholders; he shall attend to the giving and serving of all notices to shareholders and directors or other notice required by law or by these By-Laws; he shall affix the seal of the corporation to deeds, contracts and other instruments in writing requiring a seal, when duly signed or when so ordered by the Board of Directors; he shall have charge of the certificate books and stock books and such other books and papers as the Board of Directors may direct, and he shall perform all other duties incident to the office of Secretary.

SECTION 8. SALARIES. The salaries and other compensation of all executive officers shall be fixed by the Board of Directors, or by any committee designated from among the directors (in accordance with Article III, Section 5, of these By-Laws) to handle such compensation matters, and the fact that any officer is a director shall not preclude him from receiving a salary and other compensation as an officer, or from voting upon the resolution providing the same.¹³

ARTICLE V

CAPITAL STOCK

SECTION 1. FORM AND EXECUTION OF CERTIFICATES. Certificates of stock shall be in such form as required by the Business Corporation Law of New York and as shall be adopted by the Board of Directors or shall be uncertificated shares. Certificates shall be numbered and registered in the order issued; shall be signed by the Chairman or a Vice-Chairman of the Board of Directors (if any) or by the President or Vice-President and by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer and may be sealed with the corporate seal or a facsimile thereof. When such a certificate is countersigned by a transfer agent or registered by a registrar, the signatures of any such officers may be facsimile.¹⁴

¹² As amended at the November 17, 1988, directors' meeting and at the August 2, 2012, directors' meeting.

¹³ As amended by the Unanimous Written Action by Board of Directors dated June 9, 1992.

¹⁴ As amended at the August 2, 2012, directors' meeting.

SECTION 2. TRANSFER. Transfer of shares shall be made only upon the books of the corporation by the registered holder in person or by attorney, duly authorized, and in the case of certificated shares upon surrender of the certificate or certificates for such shares properly assigned for transfer.¹⁵

SECTION 3. LOST OR DESTROYED CERTIFICATES. The holder of any certificate representing shares of stock of the corporation may notify the corporation of any loss, theft or destruction thereof, and the Board of Directors may thereupon, in its discretion, cause a new certificate for the same number of shares, to be issued to such holder upon satisfactory proof of such loss, theft or destruction, and the deposit of indemnity by way of bond or otherwise, in such form and amount and with such surety or sureties as the Board of Directors may require, to indemnify the corporation against any loss or liability by reason of the issuance of such new certificates.

SECTION 4. RECORD DATE. In lieu of closing the books of the corporation, for the purpose of determining the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or to express consent to or dissent from any proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of any dividend or the allotment of any rights, or for the purpose of any other action, the Board of Directors may fix, in advance, a date, not exceeding sixty days, nor less than ten days, as the record date for any such determination of shareholders.

ARTICLE VI

MISCELLANEOUS

SECTION 1. DIVIDENDS. The Board of Directors may declare dividends from time to time upon the capital stock of the corporation from the surplus or net profits available therefor.

SECTION 2. SEAL. The Board of Directors shall provide a suitable corporate seal and shall be used as authorized by the By-Laws.

SECTION 3. FISCAL YEAR. The fiscal year of the corporation shall be determined by the Board of Directors.

SECTION 4. CHECKS, NOTES, ETC. Checks, notes, drafts, bills of exchange and orders for the payment of money shall be signed or endorsed in such manner as shall be determined by the Board of Directors.

¹⁵ As amended at the August 2, 2012, directors' meeting.

The funds of the corporation shall be deposited in such bank or trust company, and checks drawn against such funds shall be signed in such manner as may be determined from time to time by the Board of Directors.

SECTION 5. NOTICE AND WAIVER OF NOTICE. Any notice required to be given under these By-Laws may be waived by the person entitled thereto, in writing, by telecopier or telefax (or similar communications equipment), telegram, cable or radiogram, and the presence of any person at a meeting shall constitute waiver of notice thereof as to such person.¹⁶

SECTION 6. INDEMNIFICATION. The corporation shall, to the fullest extent permitted by applicable law, including the Investment Company Act, as the same exists or may hereafter be in effect, indemnify any person, made or threatened to be made, a party to, or who is otherwise involved in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, legislative or investigative, by reason of the fact that such person is or was or has agreed to become a director or officer of the corporation, or serves or served or has agreed to serve any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise in any capacity at the request of the corporation, against judgments, fines, penalties, amounts paid in settlement and reasonable expenses, including attorneys' fees actually and necessarily incurred in connection with such action or proceeding, or any appeal therein; provided, however, that no indemnification shall be provided to any such person if a judgment or other final adjudication adverse to the director or officer from which there is no further appeal establishes that (i) his acts were committed in bad faith or were the result of active and deliberate dishonesty and, in either case, were material to the cause of action so adjudicated, or (ii) he personally gained in fact a financial profit or other advantage to which he was not legally entitled. Any action or proceeding by or in the right of the corporation to procure a judgment in its favor or by or in the right of any other corporation of any type or kind, domestic or foreign, or any partnership, joint venture, trust, employee benefit plan or other enterprise, which any director or officer serves or served or agreed to serve at the request of the corporation shall be included in the actions for which directors and officers will be indemnified under the terms of this Section 6. Such indemnification shall include the right to be paid advances of any expenses incurred by such person in connection with such action, suit or proceeding, upon receipt of an undertaking by or on behalf of such person to repay such amount consistent with the provisions of applicable law. Notwithstanding the foregoing, except with respect to a suit to enforce rights to indemnification or advancement of expenses under this Section 6, the corporation shall be required to indemnify a director or officer under this Section 6 in connection with any suit (or part thereof) initiated by such person only if such suit (or part thereof) was authorized by the Board of Directors.

¹⁶ As amended at the November 17, 1988, directors' meeting.

The corporation may indemnify any person to whom the corporation is permitted by applicable law or these By-Laws to provide indemnification or the advancement of expenses, whether pursuant to rights granted pursuant to, or provided by, the New York Business Corporation Law or any other law or these By-Laws or other rights created by (i) a resolution of shareholders, (ii) a resolution of directors, or (iii) an agreement providing for such indemnification, it being expressly intended that these By-Laws authorize the creation of other rights in any such manner. The right to be indemnified and to the reimbursement or advancement of expenses incurred in defending a proceeding in advance of its final disposition authorized by this Section 6 shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the certificate of incorporation, by-laws, agreement, resolution of shareholders or directors or otherwise.

The right to indemnification conferred by the first paragraph of this Section 6, and any indemnification extended under the second paragraph of this Section 6, (i) is a contract right pursuant to which the person entitled thereto may bring suit as if the provisions thereof were set forth in a separate written contract between the corporation and such person, (ii) is intended to be retroactive to events occurring prior to the adoption of this Section 6, to the fullest extent permitted by applicable law, and (iii) shall continue to exist after the rescission or restrictive modification thereof with respect to events occurring prior thereto. The benefits of this Section 6 shall extend to the heirs, executors, administrators and legal representatives of any person entitled to indemnification under this Section 6.¹⁷

SECTION 7. INVESTMENT COMPANY ACT CONTROLS. If and to the extent that any provision of the New York Business Corporation Law or any provision of the Certificate of Incorporation of the corporation or these By-Laws conflicts with any provision of the Investment Company Act of 1940, as amended, the applicable provision of the Investment Company Act shall prevail.¹⁸

ARTICLE VII

AMENDMENTS

SECTION 1. BY SHAREHOLDERS. These By-Laws may be amended at any shareholders' meeting by vote of the shareholders holding a majority (unless the Certificate of Incorporation requires a larger vote) of the outstanding stock having voting power, represented either in person or by proxy, provided notice of the amendment is included in the notice or waiver of notice of such meeting.¹⁹

SECTION 2. BY DIRECTORS. The Board of Directors may also amend these By-Laws at any regular or special meeting of the Board by a majority (unless the Certificate of Incorporation requires a larger vote) vote of the entire Board, but any By-Laws so made by the Board of Directors may be altered or repealed by the shareholders.

¹⁷ As amended by the Unanimous Written Action by Board of Directors dated June 9, 1992, and at the August 2, 2012, directors' meeting.

¹⁸ As amended at the August 2, 2012, directors' meeting.

¹⁹ As amended at the August 2, 2012, directors' meeting.

BY-LAWS
OF
HARRIS & HARRIS GROUP, INC.

I certify that the following By-Laws, consisting of twelve pages, each of which I have initialed for identification, are the By-Laws:

- (1) Adopted, as contemplated by Section 601(a) of the New York Business Corporation Law, as amended, for and on behalf of the shareholders of Harris & Harris Group, Inc. (the "corporation"), by a written action signed by the corporation's sole incorporator and dated as of December 1, 1981;
- (2) Approved and adopted by the corporation's Board of Directors by a unanimous written consent in lieu of an organizational meeting dated as of December 1, 1981; and
- (3) As amended by the corporation's Board of Directors (a) at its March 23, 1984, special meeting; (b) by a unanimous written consent of directors dated as of April 13, 1984; (c) at its April 30, 1984, special meeting; (d) at its July 9, 1984, meeting; (e) at its October 19, 1984, meeting; (f) at its July 11, 1985, meeting; (g) at its November 17, 1988, meeting; (h) at its April 25, 1989, meeting; (i) by a unanimous written consent of directors dated June 9, 1992; (j) by a unanimous written consent of directors dated October 19, 1992; (k) at its August 2, 2012 meeting; and (l) by a unanimous written consent of directors dated December 23, 2015.

Jacqueline M. Matthews
Corporate Secretary

Dated: December 23, 2015

HARRIS & HARRIS GROUP, INC.

CHANGE IN CONTROL AND SEVERANCE AGREEMENT

This Change in Control and Severance Agreement (the “*Agreement*”) is made and entered into by and between [_____] (“*Executive*”) and Harris & Harris Group, Inc., a New York corporation (the “*Company*”), effective as of [_____] 2015 (the “*Effective Date*”).

RECITALS

1. The Company’s Board of Directors (the “*Board*”) believes that it is in the best interests of the Company and its stockholders (i) to assure that the Company will have the continued dedication and objectivity of Executive, notwithstanding the possibility, threat, or occurrence of a Change in Control and (ii) to provide Executive with an incentive to continue Executive’s employment prior to a Change in Control and to motivate Executive to maximize the value of the Company upon a Change in Control for the benefit of its stockholders.

2. The Board believes that it is imperative to provide Executive with certain severance benefits upon Executive’s termination of employment under certain circumstances. These benefits will provide Executive with enhanced financial security and incentive and encouragement to remain with the Company notwithstanding the possibility of a Change in Control.

3. Certain capitalized terms used in the Agreement are defined in Section 6 below.

AGREEMENT

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

1. Term of Agreement. This Agreement will have an initial term of two (2) years commencing on the Effective Date (the “*Initial Term*”). If a Change in Control occurs when there are fewer than 12 months remaining during the Initial Term, the term of this Agreement will extend automatically through the date that is 12 months following the effective date of the Change in Control. If Executive becomes entitled to benefits under Section 3 during the term of this Agreement, the Agreement will not terminate until all of the obligations of the parties hereto with respect to this Agreement have been satisfied.

2. At-Will Employment. The Company and Executive acknowledge that Executive’s employment is and will continue to be at-will, as defined under applicable law. As an at-will employee, either the Company or the Executive may terminate the employment relationship at any time, with or without Cause.

3. Severance Benefits.

(a) Termination without Cause or Resignation for Good Reason Unrelated to a Change in Control. If the Company terminates Executive’s employment with the Company without Cause (excluding death or Disability) or if Executive resigns from such employment for Good Reason, and, in each case, such termination occurs outside of the Change in Control Period, then subject to Section 4, Executive will receive the following:

(i) Accrued Compensation. The Company will pay Executive all expense reimbursements, wages, and other benefits due to Executive under any Company-provided plans, policies, and arrangements.

(ii) Severance Payments. Executive will be paid severance pay at a rate equal to Executive’s base salary in effect immediately before the date of termination, for twelve (12) months from the date of such termination of employment (the “*Continuance Period*”), to be paid periodically in accordance with the Company’s normal payroll policies. Severance payments are conditioned on Executive signing a Release as described in Section 4(a). Any installment payments of severance pay that are delayed pending the signed Release and expiration of any revocation period will be paid no later than the first Company payroll following the Release Deadline. In the event of Executive's death before all payments have been made, the remaining payments will be made to Executive's surviving spouse, or if none, to Executive's estate.

(iii) Pro-Rated Bonus Payment. Executive will be paid a portion of Executive's incentive compensation for the fiscal year in which Executive's employment terminates, pro-rated based on time employed during the fiscal year (the "**Pro-Rated Bonus**"). Payment of the Pro-Rated Bonus will be subject to the terms and conditions of the underlying incentive compensation plan and, accordingly, will only be paid only to the extent that performance metrics in the plan are achieved. Unless the bonus program provides for payment at a different time, the Pro-Rated Bonus will be paid at the same time as payments to other executives in the applicable incentive compensation plan, provided that if the incentive plan is designed to be exempt from Code Section 409A, payment will be made, no later than March 15th of the calendar year following Executive's termination date. Notwithstanding Section 10(b) of this Agreement, the benefit under this clause (iii) may be unilaterally amended and replaced by the Company with a substantially similar benefit in order to comply Section 162(m) of the Code.

(iv) Continuation Coverage. If Executive elects continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**") within the time period prescribed pursuant to COBRA for Executive and Executive's eligible dependents, then the Company will pay Executive's COBRA premiums for that coverage (at the coverage levels in effect immediately prior to Executive's termination) until the earlier of: (A) a period of twelve (12) from the date of termination; (B) the date Executive becomes covered under similar plans; or (C) the date Executive becomes eligible for coverage under Medicare.

(v) Required Delay of Certain Payments. If Executive is a "specified employee" at the time Executive becomes eligible to receive a payment under this Section 3(a), and the payment is not exempt from Section 409A of the Code, the portion of the payment that constitutes "deferred compensation" (within the meaning of Code Section 409A) shall be made no earlier than 6 months following Executive's termination date. Determination of whether Executive is a specified employee will be made under Treas. Reg. § 1.409A-1(i) (or any successor thereto). Any payments delayed under this provision shall be paid immediately following the end of the six month period. Upon Executive's death during the 6 month period, any delayed payments will be paid in a lump sum as soon as practicable following Executive's death.

(b) Termination without Cause or Resignation for Good Reason in Connection with a Change in Control. If the Company terminates Executive's employment with the Company without Cause (excluding death or Disability) or if Executive resigns from such employment for Good Reason, and, in each case, such termination occurs during the Change in Control Period, then subject to Section 4, Executive will receive the following:

(i) Accrued Compensation. The Company will pay Executive all expense reimbursements, wages, and other benefits due to Executive under any Company-provided plans, policies, and arrangements.

(ii) Severance Payment. Executive will receive a lump-sum payment (less applicable withholding taxes) equal to twelve (12) months of Executive's annual base salary as in effect immediately prior to Executive's termination date, provided that (x) if Executive incurred a termination prior to a Change in Control that qualifies Executive for severance payments under Section 3(a)(ii); and (y) a Change in Control occurs within the Change in Control Period that qualifies Executive for the superior benefits under this Section 3(b)(ii), then the lump sum payment to Executive under this Section 3(b)(ii) shall be reduced by any monthly severance payments already paid under Section 3(a)(ii) and will be reduced by any Deferred Payments that are subject to Code Section 409A, and such Deferred Payments will continue to be paid under Section 3(a)(ii). The identification of the portion of payments that are Deferred Payments will be made under Section 4(c)(v). The lump sum amount payable under this Section 3(b)(ii) shall be conditioned on Executive signing a Release as described in Section 4(a) by the Release Deadline, and the lump sum payment will be made no later than 74 days following Executive's termination of employment. In the event of Executive's death before all payments have been made, the remaining payments will be made to Executive's surviving spouse, or if none, Executive's estate.

(iii) Bonus Payment. Executive will be paid a portion of Executive's incentive compensation for the fiscal year in which Executive's employment terminates, pro-rated based on time employed during the fiscal year. If the bonus program is exempt from Code Section 409A, payment of the bonus will be made in a lump sum no later than the first Company payroll following the Release Deadline. If the bonus program is considered non-exempt deferred compensation under Code Section 409A, the bonus will be paid at the time originally scheduled under the bonus program unless action is taken to terminate the bonus program and accelerate payment in a manner permitted under Code Section 409A.

(iv) Continuation Coverage. If Executive elects continuation coverage pursuant to COBRA within the time period prescribed pursuant to COBRA for Executive and Executive's eligible dependents, then the Company will pay Executive's COBRA premiums for that coverage (at the coverage levels in effect immediately prior to Executive's termination) until the earlier of: (A) a period of twelve (12) months from the date of termination; (B) the date Executive becomes covered under similar plans; or (C) the date Executive becomes eligible for coverage under Medicare.

(v) Accelerated Vesting of Equity Awards. 100% of Executive's then-outstanding and unvested time-based Equity Awards that do not already contain a provision for accelerated vesting upon a Change in Control will become vested in full. For Equity Awards with vesting based on the achievement of performance criteria, the 50% of Executive's then-outstanding and unvested performance-based Equity Awards that do not already contain a provision for accelerated vesting upon a Change in Control will vest. The remaining 50% of the Executive's then-outstanding and unvested performance-based Equity Awards that do not already contain a provision for accelerated vesting upon a Change in Control will vest only if the terms that result in the Change in Control meet the performance criteria that would have triggered such vesting. If the Equity Award is exempt from Code Section 409A and involves a payment (rather than vesting of already-issued equity or of an option), payment of the Equity Award will be made in a lump sum no later than the first Company payroll following the Release Deadline. If the Equity Award is considered non-exempt deferred compensation under Code Section 409A, the Equity Award will be paid at the time originally scheduled under the award unless action is taken to terminate the award and accelerate payment in a manner permitted under Code Section 409A. At the request of the Executive, The Company will purchase or withhold up to 35% of the vested restricted stock in exchange for an amount of cash determined by the fair market value of such restricted stock on the date of the Change in Control that will be paid directly to state and local governments for tax purposes.

(vi) Required Delay of Certain Payments. If Executive is a "specified employee" at the time Executive becomes eligible to receive a payment under this Section 3(b), and the payment is not exempt from Section 409A of the Code, the portion of the payment that constitutes "deferred compensation" (within the meaning of Code Section 409A) shall be made no earlier than 6 months following Executive's termination date. Determination of whether Executive is a specified employee will be made under Treas. Reg. § 1.409A-1(i) (or any successor thereto). Any payments delayed under this provision shall be paid immediately following the end of the six month period. Upon Executive's death during the 6 month period, any delayed payments will be paid in a lump sum as soon as practicable following Executive's death.

(c) Voluntary Resignation; Termination for Cause. If Executive's employment with the Company terminates (i) voluntarily by Executive (other than for Good Reason) or (ii) for Cause by the Company, then Executive will not be entitled to receive severance or other benefits except for those (if any) as may then be established under the Company's then existing severance and benefits plans and practices or pursuant to other written agreements with the Company.

(d) Disability; Death. If the Company terminates Executive's employment as a result of Executive's Disability, or Executive's employment terminates due to Executive's death, then Executive will not be entitled to receive any other severance or other benefits, except for those (if any) as may then be established under the Company's then existing written severance and benefits plans and practices or pursuant to other written agreements with the Company.

(e) Exclusive Remedy. In the event of a termination of Executive's employment as set forth in Section 3(a) or (b) of this Agreement, the provisions of Section 3 are intended to be and are exclusive and in lieu of any other rights or remedies to which Executive or the Company otherwise may be entitled, whether at law, tort or contract, in equity, or under this Agreement (other than the payment of accrued but unpaid wages, as required by law, and any unreimbursed reimbursable expenses). Executive will be entitled to no benefits, compensation or other payments or rights upon a termination of employment other than those benefits expressly set forth in Section 3 of this Agreement.

4. Conditions to Receipt of Severance

(a) Release of Claims Agreement. The receipt of any severance payments or benefits (other than the accrued benefits set forth in either Sections 3(a)(i) or 3(b)(i)) pursuant to this Agreement is subject to Executive signing and not revoking a release of all claims against the Company and its officers, directors and affiliates in a form determined by the Company (the "**Release**"). Executive must sign and deliver the signed Release to the Company by the due date set by the Company, which will be no later than 60 days following Executive's termination date. The Company will provide the Release to Executive at least 21 days before the due date for return of the Release. The "**Release Deadline**" is seven days after the due date set by the Company for return of the Release, or such later date when any right of Executive to revoke the release under applicable law expires. In no event will the Release Deadline be later than 74 days following the date of Executive's termination date. If Executive does not sign and return the Release by the due date set by the Company, Executive will forfeit any right to severance payments or benefits under this Agreement. In no event will severance payments or benefits be paid or provided until the Release actually becomes effective and irrevocable.

(b) Restrictive Covenants. Notwithstanding the terms of any other agreement between the Company and Executive, even if it provides for negation of covenants from Executive to the Company in the event of a Change in Control, in exchange for this Agreement, Executive agrees to adhere to the following covenants during Executive's employment and after termination of employment:

(i) Non-Solicitation. Executive's receipt of any payments or benefits under Section 4 (other than the accrued benefits set forth in either Sections 3(a)(i) or 3(b)(i)) will be subject to Executive continuing to comply with the terms of the Non-Solicitation Agreement between the Company and Executive as such agreement may be amended and/or superseded from time to time (the "**Non-Solicitation Agreement**") between the Company and Executive dated June 7, 2012.

(ii) Confidentiality. Executive's employment by Company creates a relationship of confidence and trust between Executive and the Company. Executive acknowledges that Company has invested, and continues to invest, substantial time, money and specialized knowledge into developing its resources. Therefore, unless Executive has obtained the Company's advance written consent, and except for authorized use in performance of Executive's duties on behalf of and for the benefit of Company, Executive shall not disclose to any others, or use, at any time, in any way, or anywhere, either during or subsequent to employment with the Company, any trade secret or other Confidential Information (of either technical or non-technical nature) of the Company. This shall not be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation or order and provided that Executive promptly provides written notice to the Company of any such order. For purposes of this Agreement, (i) "Confidential Information" means information, not generally known in the industry in which the Company is or may be engaged, disclosed to Executive, or known by Executive, as a consequence of or through his employment by the Company, about the Company's business, including but not limited to marketing, ideas, problems, developments, research records, technical data, processes, products, plans for products or service improvement and development, business and strategic plans, financial information, forecasts, and any other information which derives independent economic value, actual or potential, and all other information of a trade secret or confidential nature.

(iii) Non-Transferability of Company Securities. If Executive is entitled to any payments or benefits under Section 3(a) (other than the accrued benefits set forth in Section 3(a)(i)), then until such payments have all been made, Executive will not sell, enter into any transaction, or solicit any transaction involving equity in the Company owned by or to be issued to Executive. More specifically, Executive agrees that Executive will not offer, sell, agree to offer or sell, solicit offers to sell, grant any call option or purchase any put option with respect to, pledge, encumber, assign, borrow or otherwise dispose of or transfer (each a "Transfer") any securities of the Company held or to be issued to Executive.

(c) Section 409A.

(i) Notwithstanding anything to the contrary in this Agreement, no severance pay or benefits to be paid or provided to Executive, if any, pursuant to this Agreement that, when considered together with any other severance payments or separation benefits, are considered deferred compensation under Section 409A of the Code, and the final regulations and any guidance promulgated thereunder (“**Section 409A**”) (together, the “**Deferred Payments**”) will be paid or otherwise provided until Executive has a “separation from service” within the meaning of Section 409A. Similarly, no severance payable to Executive, if any, pursuant to this Agreement that otherwise would be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9) will be payable until Executive has a “separation from service” within the meaning of Section 409A.

(ii) It is intended that the severance payments under this Agreement will not constitute Deferred Payments, but rather will be exempt from Section 409A as a payment that would fall within the “short-term deferral period” as described in Section 4(c)(iv) below or resulting from an involuntary separation from service as described in Section 4(c)(v) below, to the maximum amount permitted under Section 409A.

(iii) Each payment and benefit payable under this Agreement is intended to constitute a separate payment under Section 1.409A-2(b)(2) of the Treasury Regulations.

(iv) Any amount paid under this Agreement that satisfies the requirements of the “short-term deferral” rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations will not constitute Deferred Payments for purposes of clause (i) above. Severance payments made in the first 74 days following separation from service will be short-term deferrals.

(v) Any amount paid under this Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the Section 409A Limit (as defined below) will not constitute Deferred Payments. Specifically, with respect to payments under Section 3(a)(ii), severance payments made after the first 74 days following separation from service and during the six month period following separation from service that are not in excess of the Section 409A Limit will not constitute Deferred Payments. To the extent total severance payments under Section 3(a)(ii) made after 74 days following separation from service will exceed the Section 409A Limit, the first payments scheduled to be made more than six months after separation from service will be considered to be Deferred Payments subject to Code Section 409A up to the amount of such non-exempt Deferred Payments.

(vi) The foregoing provisions are intended to comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. The Company and Executive agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition before actual payment to Executive under Section 409A, provided that the Company does not guarantee any tax result.

5. Limitation on Payments. In the event that the severance and other benefits provided for in this Agreement or otherwise payable to Executive (i) constitute “parachute payments” within the meaning of Section 280G of the Code, and (ii) but for this Section 5, would be subject to the excise tax imposed by Section 4999 of the Code, then Executive’s benefits under Section 3 will be either:

(a) delivered in full, or

(b) reduced to an amount that is \$1 less than the maximum amount which would result in no portion of such benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise

tax imposed by Section 4999 of the Code, results in the receipt by Executive on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code. If a reduction in severance and other benefits constituting “parachute payments” is necessary under (b) above, reduction will occur in the following order: (i) reduction of cash payments that are not Deferred Payments; (ii) cancellation of awards granted “contingent on a change in ownership or control” (within the meaning of Code Section 280G), (iii) cancellation of accelerated vesting of equity awards; (iv) reduction of cash payments that are Deferred Payments beginning with payments to be paid latest in time; (v) reduction of employee benefits. In the event that acceleration of vesting of equity award compensation is to be reduced, such acceleration of vesting will be cancelled in the reverse order of the date of grant of Executive’s equity awards.

Unless the Company and Executive otherwise agree in writing, any determination required under this Section 5 will be made in writing by the Company’s independent public accountants serving immediately prior to a Change in Control or such other person or entity to which the parties mutually agree (the “*Firm*”), whose determination will be conclusive and binding upon Executive and the Company. For purposes of making the calculations required by this Section 5, the Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and Executive will furnish to the Firm such information and documents as the Firm may reasonably request in order to make a determination under this Section. The Company will bear all costs the Firm may incur in connection with any calculations contemplated by this Section 5.

6. Definition of Terms. The following terms referred to in this Agreement will have the following meanings:

(a) “*Cause*” means:

- (i) an act of dishonesty made by Executive in connection with Executive’s responsibilities as an employee;
- (ii) Executive’s conviction of, or plea of nolo contendere to, a felony or any crime involving fraud or embezzlement;
- (iii) Executive’s gross misconduct;
- (iv) Executive’s unauthorized use or disclosure of any proprietary information or trade secrets of the Company or any other party to whom Executive owes an obligation of nondisclosure as a result of Executive’s relationship with the Company;
- (v) Executive’s willful breach of any obligations under any written agreement or covenant with the Company;
- (vi) Executive’s failure to cooperate in good faith with a governmental or internal investigation of the Company or its directors, officers or employees, if the Company has requested Executive’s cooperation; or
- (vii) Executive’s continued failure to perform Executive’s employment duties after Executive has received a written demand of performance from the Company which specifically sets forth the factual basis for the Company’s belief that Executive has not substantially performed his duties and has failed to cure such non-performance to the Company’s satisfaction within 10 business days after receiving such notice.

(b) “*Change in Control*” has the meaning ascribed to it in the Company’s 2012 Equity Incentive Plan, provided that the Change in Control meets the definition of a change in ownership, effective control or assets under Treas. Reg. Section 1.409A-3(i)(5).

(c) “*Change in Control Period*” means the period beginning three months prior to, and ending 12 months following, a Change in Control.

(d) “*Code*” means the Internal Revenue Code of 1986, as amended.

(e) “*Disability*” means that Executive has been unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

(f) “**Equity Awards**” means Executive’s outstanding restricted stock any other Company equity compensation awards that do not already contain an accelerated vesting provision in a Change in Control.

(g) “**Good Reason**” means Executive’s voluntary termination, within 30 days following the expiration of any Company cure period (discussed below) following the occurrence of one or more of the following, without Executive’s consent:

(i) a material reduction of Executive’s responsibilities;

(ii) a material reduction in Executive’s base salary; or

(iii) a material change in the geographic location of Executive’s primary work facility or location; provided, that a relocation of less than 50 miles from Executive’s then present location will not be considered a material change in geographic location.

Executive may not resign for Good Reason without first providing the Company with written notice within 90 days of the initial existence of the condition that Executive believes constitutes Good Reason specifically identifying the acts or omissions constituting the grounds for Good Reason and a reasonable cure period of not less than 30 days following the date of such notice.

For purposes of the “Good Reason” definition, the term “Company” will be interpreted to include any subsidiary, parent, affiliate or successor thereto, if applicable.

(h) “**Section 409A Limit**” means two times the lesser of: (i) Executive’s annualized compensation based upon the annual rate of pay paid to Executive during the Executive’s taxable year preceding the Executive’s taxable year of Executive’s termination of employment as determined under, and with such adjustments as are set forth in, Treasury Regulation 1.409A-1(b)(9)(iii)(A)(1) and any Internal Revenue Service guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which Executive’s employment is terminated.

7. **Successors and Assigns.** This Agreement is binding on and is for the benefit of the Company and its successors and assigns; including but not limited to any successor of the Company, direct or indirect, resulting from purchase, merger, consolidation, or otherwise. The Company must ensure that any asset sale or other transaction in which the Company's obligations under this Agreement are not assumed by the successor as a matter of law is entered into only under terms providing for the successor to assume the Company's obligations under this Agreement. This Agreement is also binding on Executive and shall inure to the benefit of Executive, his personal or legal representatives, successors, heirs and assigns. No interest of Executive, or any right to receive any payment or distribution hereunder, will be subject in any manner to sale, transfer, assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind, nor may such interest or right to receive a payment or distribution be taken, voluntarily or involuntarily, for the satisfaction of the obligation or debts, or other claims against, Executive, including claims for alimony, support, separate maintenance, and claims in bankruptcy proceedings. All of Executive’s rights under this Agreement will at all times be entirely unfunded, and no provision will at any time be made with respect to segregating any assets of the Company or any affiliate for payment of any amounts due hereunder. Executive will have only the rights of a general unsecured creditor of the Company.

8. **Notice.**

(a) **General.** Notices and all other communications contemplated by this Agreement will be in writing and will be deemed to have been duly given when sent electronically, personally delivered, mailed by U.S. registered or certified mail, return receipt requested and postage prepaid, or delivered by a private courier service such as UPS, DHL or Federal Express that has tracking capability. In the case of Executive, notices will be sent to the e-mail address or Executive's home address, in either case which Executive most recently communicated to the Company in writing. In the case of the Company, electronic notices will be sent to the e-mail addresses of the Chief Executive Officer and to the Chief Compliance Officer, and mailed notices will be addressed to its corporate headquarters, and all notices will be directed to the attention of its Chief Executive Officer and Chief Compliance Officer.

(b) Notice of Termination. Any termination by the Company for Cause or by Executive for Good Reason will be communicated by a notice of termination to the other party hereto given in accordance with Section 8(a) of this Agreement. Such notice will indicate the specific termination provision in this Agreement relied upon, will set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and will specify the termination date (which will be not more than 90 days after the giving of such notice).

9. Resignation. Upon the termination of Executive's employment for any reason, Executive will be deemed to have resigned from all officer and/or director positions held at the Company and its affiliates voluntarily, without any further required action by Executive, as of the end of Executive's employment and Executive, at the Board's request, will execute any documents reasonably necessary to reflect Executive's resignation.

10. Miscellaneous Provisions.

(a) No Duty to Mitigate. Executive will not be required to mitigate the amount of any payment contemplated by this Agreement, nor will any such payment be reduced by any earnings that Executive may receive from any other source.

(b) Waiver. No provision of this Agreement will be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party will be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Headings. All captions and section headings used in this Agreement are for convenient reference only and do not form a part of this Agreement.

(d) Entire Agreement. This Agreement, together with the Non-Solicitation Agreement, constitutes the entire agreement of the parties hereto and supersedes in their entirety all prior representations, understandings, undertakings or agreements (whether oral or written and whether expressed or implied) of the parties with respect to the subject matter hereof, including, but not limited to, any rights to any severance and/or change in control benefits set forth in Executive's original offer letter and any prior severance agreement. No waiver, alteration, or modification of any of the provisions of this Agreement will be binding unless it is in a writing that specifically mentions this Agreement and that is signed by Executive and by an authorized officer of the Company (other than Executive).

(e) Choice of Law; Venue. The validity, interpretation, construction and performance of this Agreement will be governed by the laws of the State of New York (with the exception of its conflict of laws provisions). Any claims or legal actions by one party against the other arising out of the relationship between the parties contemplated herein (whether or not arising under this Agreement) will be commenced or maintained in any state or federal court located in New York County.

(f) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement will not affect the validity or enforceability of any other provision hereof, which will remain in full force and effect.

(g) Withholding. All payments made pursuant to this Agreement will be subject to withholding of applicable income, employment and other taxes.

(h) Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

[Signature Page to Follow]

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year set forth below.

COMPANY

HARRIS & HARRIS GROUP, INC.

By: _____

Title: _____

Date: _____

EXECUTIVE

By: _____

Date: _____

[signature page of the Change in Control and Severance Agreement]

HARRIS & HARRIS GROUP, INC.

CHANGE IN CONTROL AND SEVERANCE AGREEMENT

This Change in Control and Severance Agreement (the "*Agreement*") is made and entered into by and between Alexei A. Andreev ("*Employee*") and Harris & Harris Group, Inc., a New York corporation (the "*Company*"), effective as of [_____], 2015 (the "*Effective Date*").

RECITALS

1. The Company's Board of Directors (the "*Board*") believes that it is in the best interests of the Company and its stockholders (i) to assure that the Company will have the continued dedication and objectivity of Employee, notwithstanding the possibility, threat, or occurrence of a Change in Control and (ii) to provide Employee with an incentive to continue Employee's employment prior to a Change in Control and to motivate Employee to maximize the value of the Company upon a Change in Control for the benefit of its stockholders.
2. The Board believes that it is imperative to provide Employee with certain severance benefits upon Employee's termination of employment under a Change in Control. These benefits will provide Employee with enhanced financial security and incentive and encouragement to remain with the Company notwithstanding the possibility of a Change in Control.
3. Certain capitalized terms used in the Agreement are defined in Section 6 below.

AGREEMENT

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

1. Term of Agreement. This Agreement will have an initial term of two (2) years commencing on the Effective Date (the "*Initial Term*"). If a Change in Control occurs when there are fewer than 12 months remaining during the Initial Term, the term of this Agreement will extend automatically through the date that is 12 months following the effective date of the Change in Control. If Employee becomes entitled to benefits under Section 3 during the term of this Agreement, the Agreement will not terminate until all of the obligations of the parties hereto with respect to this Agreement have been satisfied.

2. At-Will Employment. The Company and Employee acknowledge that Employee's employment is and will continue to be at-will, as defined under applicable law. As an at-will employee, either the Company or the Employee may terminate the employment relationship at any time, with or without Cause.

3. Severance Benefits.

(a) Termination without Cause in Connection with a Change in Control. If the Company terminates Employee's employment with the Company without Cause (excluding death or Disability), and such termination occurs during the Change in Control Period, then subject to Section 4, Employee will receive the following:

(i) Accrued Compensation. The Company will pay Employee all expense reimbursements, wages, and other benefits due to Employee under any Company-provided plans, policies, and arrangements.

(ii) Severance Payment. Employee will receive a lump-sum payment (less applicable withholding taxes) equal to twelve (12) months of Employee's annual base salary as in effect immediately prior to Employee's termination date. The identification of the portion of payments that are Deferred Payments will be made under Section 4(c)(v). The lump sum amount payable under this Section 3(a)(ii) shall be conditioned on Employee signing a Release as described in Section 4(a) by the Release Deadline, and the lump sum payment will be made no later than 74 days following Employee's termination of employment. In the event of Employee's death before all payments have been made, the remaining payments will be made to Employee's surviving spouse, or if none, Employee's estate.

(iii) Bonus Payment. Employee will be paid a portion of Employee's incentive compensation for the fiscal year in which Employee's employment terminates, pro-rated based on time employed during the fiscal year. If the bonus program is exempt from Code Section 409A, payment of the bonus will be made in a lump sum no later than the first Company payroll following the Release Deadline. If the bonus program is considered non-exempt deferred compensation under Code Section 409A, the bonus will be paid at the time originally scheduled under the bonus program unless action is taken to terminate the bonus program and accelerate payment in a manner permitted under Code Section 409A.

(iv) Accelerated Vesting of Equity Awards. 100% of Employee's then-outstanding and unvested time-based Equity Awards that do not already contain a provision for accelerated vesting upon a Change in Control will become vested in full. For Equity Awards with vesting based on the achievement of performance criteria, the 50% of Employee's then-outstanding and unvested performance-based Equity Awards that do not already contain a provision for accelerated vesting upon a Change in Control will vest. The remaining 50% of the Employee's then-outstanding and unvested performance-based Equity Awards that do not already contain a provision for accelerated vesting upon a Change in Control will vest only if the terms that result in the Change in Control meet the performance criteria that would have triggered such vesting. If the Equity Award is exempt from Code Section 409A and involves a payment (rather than vesting of already-issued equity or of an option), payment of the Equity Award will be made in a lump sum no later than the first Company payroll following the Release Deadline. If the Equity Award is considered non-exempt deferred compensation under Code Section 409A, the Equity Award will be paid at the time originally scheduled under the award unless action is taken to terminate the award and accelerate payment in a manner permitted under Code Section 409A. At the request of the Employee, The Company will purchase or withhold up to 35% of the vested restricted stock in exchange for an amount of cash determined by the fair market value of such restricted stock on the date of the Change in Control that will be paid directly to state and local governments for tax purposes.

(v) Required Delay of Certain Payments. If Employee is a "specified employee" at the time Employee becomes eligible to receive a payment under Section 3(a), and the payment is not exempt from Section 409A of the Code, the portion of the payment that constitutes "deferred compensation" (within the meaning of Code Section 409A) shall be made no earlier than 6 months following Employee's termination date. Determination of whether Employee is a specified employee will be made under Treas. Reg. § 1.409A-1(i) (or any successor thereto). Any payments delayed under this provision shall be paid immediately following the end of the six month period. Upon Employee's death during the 6 month period, any delayed payments will be paid in a lump sum as soon as practicable following Employee's death.

(b) Voluntary Resignation; Termination for Cause. If Employee's employment with the Company terminates (i) voluntarily by Employee or (ii) for Cause by the Company, then Employee will not be entitled to receive severance or other benefits except for those (if any) as may then be established under the Company's then existing severance and benefits plans and practices or pursuant to other written agreements with the Company.

(c) Disability; Death. If the Company terminates Employee's employment as a result of Employee's Disability, or Employee's employment terminates due to Employee's death, then Employee will not be entitled to receive any other severance or other benefits, except for those (if any) as may then be established under the Company's then existing written severance and benefits plans and practices or pursuant to other written agreements with the Company.

(d) Exclusive Remedy. In the event of a termination of Employee's employment as set forth in Section 3(a) of this Agreement, the provisions of Section 3 are intended to be and are exclusive and in lieu of any other rights or remedies to which Employee or the Company otherwise may be entitled, whether at law, tort or contract, in equity, or under this Agreement (other than the payment of accrued but unpaid wages, as required by law, and any unreimbursed reimbursable expenses). Employee will be entitled to no benefits, compensation or other payments or rights upon a termination of employment other than those benefits expressly set forth in Section 3 of this Agreement.

4. Conditions to Receipt of Severance

(a) Release of Claims Agreement. The receipt of any severance payments or benefits (other than the accrued benefits set forth in Section 3(a)(i)) pursuant to this Agreement is subject to Employee signing and not revoking a release of all claims against the Company and its officers, directors and affiliates in a form determined by the Company (the "**Release**"). Employee must sign and deliver the signed Release to the Company by the due date set by the Company, which will be no later than 60 days following Employee's termination date. The Company will provide the Release to Employee at least 21 days before the due date for return of the Release. The "**Release Deadline**" is seven days after the due date set by the Company for return of the Release, or such later date when any right of Employee to revoke the release under applicable law expires. In no event will the Release Deadline be later than 74 days following the date of Employee's termination date. If Employee does not sign and return the Release by the due date set by the Company, Employee will forfeit any right to severance payments or benefits under this Agreement. In no event will severance payments or benefits be paid or provided until the Release actually becomes effective and irrevocable.

(b) Restrictive Covenants. Notwithstanding the terms of any other agreement between the Company and Employee, even if it provides for negation of covenants from Employee to the Company in the event of a Change in Control, in exchange for this Agreement, Employee agrees to adhere to the following covenants during Employee's employment and after termination of employment:

(i) Non-Solicitation. Employee's receipt of any payments or benefits under Section 3 (other than the accrued benefits set forth in Section 3(a)(i)) will be subject to Employee continuing to comply with the terms of the Non-Solicitation Agreement between the Company and Employee as such agreement may be amended and/or superseded from time to time (the "**Non-Solicitation Agreement**") between the Company and Employee dated March 6, 2014.

(ii) Confidentiality. Employee's employment by Company creates a relationship of confidence and trust between Employee and the Company. Employee acknowledges that Company has invested, and continues to invest, substantial time, money and specialized knowledge into developing its resources. Therefore, unless Employee has obtained the Company's advance written consent, and except for authorized use in performance of Employee's duties on behalf of and for the benefit of Company, Employee shall not disclose to any others, or use, at any time, in any way, or anywhere, either during or subsequent to employment with the Company, any trade secret or other Confidential Information (of either technical or non-technical nature) of the Company. This shall not be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation or order and provided that Employee promptly provides written notice to the Company of any such order. For purposes of this Agreement, (i) "Confidential Information" means information, not generally known in the industry in which the Company is or may be engaged, disclosed to Employee, or known by Employee, as a consequence of or through his employment by the Company, about the Company's business, including but not limited to marketing, ideas, problems, developments, research records, technical data, processes, products, plans for products or service improvement and development, business and strategic plans, financial information, forecasts, and any other information which derives independent economic value, actual or potential, and all other information of a trade secret or confidential nature.

(c) Section 409A.

(i) Notwithstanding anything to the contrary in this Agreement, no severance pay or benefits to be paid or provided to Employee, if any, pursuant to this Agreement that, when considered together with any other severance payments or separation benefits, are considered deferred compensation under Section 409A of the Code, and the final regulations and any guidance promulgated thereunder ("**Section 409A**") (together, the "**Deferred Payments**") will be paid or otherwise provided until Employee has a "separation from service" within the meaning of Section 409A. Similarly, no severance payable to Employee, if any, pursuant to this Agreement that otherwise would be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9) will be payable until Employee has a "separation from service" within the meaning of Section 409A.

(ii) It is intended that the severance payments under this Agreement will not constitute Deferred Payments, but rather will be exempt from Section 409A as a payment that would fall within the “short-term deferral period” as described in Section 4(c)(iv) below or resulting from an involuntary separation from service as described in Section 4(c)(v) below, to the maximum amount permitted under Section 409A.

(iii) Each payment and benefit payable under this Agreement is intended to constitute a separate payment under Section 1.409A-2(b)(2) of the Treasury Regulations.

(iv) Any amount paid under this Agreement that satisfies the requirements of the “short-term deferral” rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations will not constitute Deferred Payments for purposes of clause (i) above. Severance payments made in the first 74 days following separation from service will be short-term deferrals.

(v) Any amount paid under this Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the Section 409A Limit (as defined below) will not constitute Deferred Payments. Specifically, with respect to payments under Section 3(a)(ii), severance payments made after the first 74 days following separation from service and during the six month period following separation from service that are not in excess of the Section 409A Limit will not constitute Deferred Payments. To the extent total severance payments under Section 3(a)(ii) made after 74 days following separation from service will exceed the Section 409A Limit, the first payments scheduled to be made more than six months after separation from service will be considered to be Deferred Payments subject to Code Section 409A up to the amount of such non-exempt Deferred Payments.

(vi) The foregoing provisions are intended to comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. The Company and Employee agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition before actual payment to Employee under Section 409A, provided that the Company does not guarantee any tax result.

5. Limitation on Payments. In the event that the severance and other benefits provided for in this Agreement or otherwise payable to Employee (i) constitute “parachute payments” within the meaning of Section 280G of the Code, and (ii) but for this Section 5, would be subject to the excise tax imposed by Section 4999 of the Code, then Employee’s benefits under Section 3 will be either:

(a) delivered in full, or

(b) reduced to an amount that is \$1 less than the maximum amount which would result in no portion of such benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999 of the Code, results in the receipt by Employee on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code. If a reduction in severance and other benefits constituting “parachute payments” is necessary under (b) above, reduction will occur in the following order: (i) reduction of cash payments that are not Deferred Payments; (ii) cancellation of awards granted “contingent on a change in ownership or control” (within the meaning of Code Section 280G), (iii) cancellation of accelerated vesting of equity awards; (iv) reduction of cash payments that are Deferred Payments beginning with payments to be paid latest in time; (v) reduction of employee benefits. In the event that acceleration of vesting of equity award compensation is to be reduced, such acceleration of vesting will be cancelled in the reverse order of the date of grant of Employee’s equity awards.

Unless the Company and Employee otherwise agree in writing, any determination required under this Section 5 will be made in writing by the Company’s independent public accountants serving immediately prior to a Change in Control or such other person or entity to which the parties mutually agree (the “*Firm*”), whose determination will be conclusive and binding upon Employee and the Company. For purposes of making the calculations required by this Section 5, the Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and Employee will furnish to the Firm such information and documents as the Firm may reasonably request in order to make a determination under this Section. The Company will bear all costs the Firm may incur in connection with any calculations contemplated by this Section 5.

6. Definition of Terms. The following terms referred to in this Agreement will have the following meanings:

(a) **“Cause”** means:

(i) an act of dishonesty made by Employee in connection with Employee’s responsibilities as an employee;

(ii) Employee’s conviction of, or plea of nolo contendere to, a felony or any crime involving fraud or embezzlement;

(iii) Employee’s gross misconduct;

(iv) Employee’s unauthorized use or disclosure of any proprietary information or trade secrets of the Company or any other party to whom Employee owes an obligation of nondisclosure as a result of Employee’s relationship with the Company;

(v) Employee’s willful breach of any obligations under any written agreement or covenant with the Company;

(vi) Employee’s failure to cooperate in good faith with a governmental or internal investigation of the Company or its directors, officers or employees, if the Company has requested Employee’s cooperation; or

(vii) Employee’s continued failure to perform Employee’s employment duties after Employee has received a written demand of performance from the Company which specifically sets forth the factual basis for the Company’s belief that Employee has not substantially performed his duties and has failed to cure such non-performance to the Company’s satisfaction within 10 business days after receiving such notice.

(b) **“Change in Control”** has the meaning ascribed to it in the Company’s 2012 Equity Incentive Plan, provided that the Change in Control meets the definition of a change in ownership, effective control or assets under Treas. Reg. Section 1.409A-3(i)(5).

(c) **“Change in Control Period”** means the period beginning three months prior to, and ending twelve (12) months following, a Change in Control.

(d) **“Code”** means the Internal Revenue Code of 1986, as amended.

(e) **“Disability”** means that Employee has been unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

(f) **“Equity Awards”** means Employee’s outstanding restricted stock any other Company equity compensation awards that do not already contain an accelerated vesting provision in a Change in Control.

(g) **“Section 409A Limit”** means two times the lesser of: (i) Employee’s annualized compensation based upon the annual rate of pay paid to Employee during the Employee’s taxable year preceding the Employee’s taxable year of Employee’s termination of employment as determined under, and with such adjustments as are set forth in, Treasury Regulation 1.409A-1(b)(9)(iii)(A)(1) and any Internal Revenue Service guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which Employee’s employment is terminated.

7. Successors and Assigns. This Agreement is binding on and is for the benefit of the Company and its successors and assigns; including but not limited to any successor of the Company, direct or indirect, resulting from purchase, merger, consolidation, or otherwise. The Company must ensure that any asset sale or other transaction in which the Company's obligations under this Agreement are not assumed by the successor as a matter of law is entered into only under terms providing for the successor to assume the Company's obligations under this Agreement. This Agreement is also binding on Employee and shall inure to the benefit of Employee, his personal or legal representatives, successors, heirs and assigns. No interest of Employee, or any right to receive any payment or distribution hereunder, will be subject in any manner to sale, transfer, assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind, nor may such interest or right to receive a payment or distribution be taken, voluntarily or involuntarily, for the satisfaction of the obligation or debts, or other claims against, Employee, including claims for alimony, support, separate maintenance, and claims in bankruptcy proceedings. All of Employee's rights under this Agreement will at all times be entirely unfunded, and no provision will at any time be made with respect to segregating any assets of the Company or any affiliate for payment of any amounts due hereunder. Employee will have only the rights of a general unsecured creditor of the Company.

8. Notice.

(a) General. Notices and all other communications contemplated by this Agreement will be in writing and will be deemed to have been duly given when sent electronically, personally delivered, mailed by U.S. registered or certified mail, return receipt requested and postage prepaid, or delivered by a private courier service such as UPS, DHL or Federal Express that has tracking capability. In the case of Employee, notices will be sent to the e-mail address or Employee's home address, in either case which Employee most recently communicated to the Company in writing. In the case of the Company, electronic notices will be sent to the e-mail addresses of the Chief Executive Officer and to the Chief Compliance Officer, and mailed notices will be addressed to its corporate headquarters, and all notices will be directed to the attention of its Chief Executive Officer and the Chief Compliance Officer.

(b) Notice of Termination. Any termination by the Company for Cause will be communicated by a notice of termination to the other party hereto given in accordance with Section 8(a) of this Agreement. Such notice will indicate the specific termination provision in this Agreement relied upon, will set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and will specify the termination date (which will be not more than 90 days after the giving of such notice).

9. Resignation. Upon the termination of Employee's employment for any reason, Employee will be deemed to have resigned from all officer and/or director positions held at the Company and its affiliates voluntarily, without any further required action by Employee, as of the end of Employee's employment and Employee, at the Board's request, will execute any documents reasonably necessary to reflect Employee's resignation.

10. Miscellaneous Provisions.

(a) No Duty to Mitigate. Employee will not be required to mitigate the amount of any payment contemplated by this Agreement, nor will any such payment be reduced by any earnings that Employee may receive from any other source.

(b) Waiver. No provision of this Agreement will be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Employee and by an authorized officer of the Company (other than Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party will be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Headings. All captions and section headings used in this Agreement are for convenient reference only and do not form a part of this Agreement.

(d) Entire Agreement. This Agreement, together with the Non-Solicitation Agreement, constitutes the entire agreement of the parties hereto and supersedes in their entirety all prior representations, understandings, undertakings or agreements (whether oral or written and whether expressed or implied) of the parties with respect to the subject matter hereof, including, but not limited to, any rights to any severance and/or change in control benefits set forth in Employee's original offer letter and any prior severance agreement. No waiver, alteration, or modification of any of the provisions of this Agreement will be binding unless it is in a writing that specifically mentions this Agreement and that is signed by Employee and by an authorized officer of the Company (other than Employee).

(e) Choice of Law; Venue. The validity, interpretation, construction and performance of this Agreement will be governed by the laws of the State of New York (with the exception of its conflict of laws provisions). Any claims or legal actions by one party against the other arising out of the relationship between the parties contemplated herein (whether or not arising under this Agreement) will be commenced or maintained in any state or federal court located in New York County, provided that before any claim can be brought, the Employee shall follow and exhaust the claims procedures set out on Annex A to this Agreement.

(f) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement will not affect the validity or enforceability of any other provision hereof, which will remain in full force and effect.

(g) Withholding. All payments made pursuant to this Agreement will be subject to withholding of applicable income, employment and other taxes.

(h) Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

[Signature Page to Follow]

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year set forth below.

COMPANY

HARRIS & HARRIS GROUP, INC.

By: _____

Title: _____

Date: _____

EMPLOYEE

By: _____

Date: _____

[signature page of the Change in Control and Severance Agreement]

Annex A
Claims Procedure and ERISA Information

1. **Filing a Claim.** If an Employee is denied benefits under the Agreement, he or she may file a written claim for benefits with the Chief Compliance Officer of the Company, who shall serve as the Claims Administrator.
2. **Denial of Claim.** If an Employee's claim for benefits is wholly or partially denied by the Claims Administrator, a written or e-mail notice of such decision shall be furnished by the Claims Administrator to the claimant within 90 days of receipt of the claim (unless special circumstances require an extension of time for processing the claim) and shall set forth:
 - (a) The specific reason or reasons for denial;
 - (b) A reference to pertinent Plan provisions on which the denial is based;
 - (c) A description of any additional material or information necessary for the claimant to perfect the claim and an explanation of the claims review procedure set forth in this Annex;
 - (d) The steps the claimant can take to ask for a review of the decision, the deadline for the request, and the claimant's right to bring a civil action if the claim is denied on review.

If notice of denial of the claim is not furnished within a reasonable period of time, the claim shall be deemed denied. If circumstances necessitate an extension of the 90 day period for decision on a claim, the Claims Administrator will notify the claimant before the end of the initial 90-day period of the extension and when a decision is expected.

3. **Claims Review Procedure.** If an Employee whose claim has been denied files, within 60 days after its receipt of such denial, a written request for review, setting forth the alleged reasons why his or her claim was improperly denied, the Plan shall fully and fairly review such decision and advise the claimant in writing of its decision and the reasons therefore within 60 days after the Plan Administrator receives such request for review. The claimant may also request in writing reasonable access to or copies of the legal plan text and all other documents, records and other information relevant to the claim for benefits. Such access or copies will be provided upon request and free of charge. The review of a denied claim will take into account all comments, documents, records and other information submitted by the claimant related to the claim, even if that information was submitted after the initial claim denial. In connection with such review, the claimant shall have the right to have representation.

In the event of special circumstances, the time for response may be delayed for an additional period of up to 60 days, but written notice thereof must be given to the claimant within the initial 60 day period of the special circumstances and the date the claimant may expect to receive a decision on appeal. The decision on appeal will contain

- (a) Specific reasons for the denial;
 - (b) Specific references to the plan provisions on which the denial is based;
 - (c) A statement that the claimant will be provided with, upon reasonable request, reasonable access to, and copies of, all documents, records and other information relevant to the claim; and
 - (d) A statement of the claimant's right to bring a civil action for benefits.
4. **Judicial Review.** Decision on a claim on appeal is final and binding on the plan and on the employee unless the court finds that the decision was arbitrary and capricious, based on the record prepared during the plan's claims review process. The Employer and any person acting in a fiduciary capacity at the direction of the Employer shall have the maximum legal discretion to make decisions concerning the operation and administration of the plan including, but not limited to, the provision or denial of benefits.

5. **Administrator and Named Fiduciary.** The Employer shall serve as named fiduciary and Plan Administrator until its resignation and the appointment of successor. The Plan Administrator shall have authority to control and manage the operation and administration of the plan. The Plan Administrator, however, may delegate or allocate this responsibility to one or more persons or a committee. The Plan Administrator may adopt such rules and regulations and may make such decisions as it deems necessary or desirable for the proper administration of the plan.
6. **Plan Information.** Benefit claims and questions regarding the plan and the administration of the Plan should be addressed to: Harris & Harris Group, Inc. 1450 Broadway, 24th Floor, New York, NY 10018, Attn: Chief Compliance Officer. The Company's telephone number is 212-582-0900. The Company is the agent for service of legal process on the Plan. The Company's Employer Identification Number is 13-3119827. The plan number for this Plan is 505.
7. **Administrative Discretion.** Specifically, but not by way of limitation, the Administrator shall have the discretion to make findings of fact needed in the administration of the Plan and shall have the discretion to interpret or construe any ambiguous, unclear or implied terms in any fashion it, in its sole discretion, deems appropriate

STATEMENT OF ERISA RIGHTS

As an employee with a severance pay agreement (referred to as a plan in this Annex), you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 ("ERISA"). ERISA provides that all plan participants shall be entitled to:

Receive Information About Your Plan and Benefits

- ▷ Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing the Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- ▷ Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.
- ▷ Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each Plan Participant with a copy of this summary annual report.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Plan Participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan Participants and Beneficiaries. No one, including your Employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, you may file suit in Federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Your Questions

If you have any questions about your Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration