

**CHARTER FOR THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
OF
RASER TECHNOLOGIES, INC.**

(Adopted by the Board of Directors and Effective as of May 1, 2004)
(Amended and restated on April 12, 2005 and October 1, 2005)

PURPOSE OF THE COMMITTEE

The purpose of the Audit Committee (the “*Committee*”) of the Board of Directors (the “*Board*”) of Raser Technologies, Inc. (the “*Corporation*”) shall be to:

- oversee the accounting and financial reporting processes of the Corporation and audits of the financial statements of the Corporation and its subsidiaries;
- assist the Board in the oversight and monitoring of (1) the integrity of the financial statements of the Corporation, (2) the Corporation’s compliance with legal and regulatory requirements, (3) the independent public accounting firm’s qualifications, independence and performance, and (4) the Corporation’s internal accounting and financial control and reporting practices;
- submit and sign the report that the rules of the U.S. Securities and Exchange Commission (the “*SEC*”) require be included in the Corporation’s annual proxy statement;
- provide the Board with the results of its monitoring and recommendations derived therefrom;
- provide to the Board such additional information and materials as it may deem necessary to make the Board aware of significant financial matters that require the attention to the Board; and
- serve as a “Qualified Legal Compliance Committee,” as defined by rules adopted by the SEC (the “*SEC Rules*”).

The primary responsibility of the Committee is to oversee the Corporation’s financial reporting process on behalf of the Board and report its findings to the Corporation’s Board. Management is responsible for preparing the Corporation’s financial statements, and the Corporation’s independent public accounting firm is responsible for auditing those financial statements. The Committee and the Board recognize that management and the independent public accounting firm have more resources and time, and more detailed knowledge and information regarding the accounting, auditing, internal control and financial reporting practices of the Corporation than the Committee does; accordingly the Committee’s oversight role does not provide any expert or special assurance as to the financial statements and other financial information provided by the Corporation to its stockholders and others.

The Committee has the authority to undertake the specific duties and responsibilities listed below and such other duties as the Board may from time to time prescribe. It is acknowledged, however, that all of the areas of oversight listed below may not be relevant to all of the matters and tasks that the Committee may consider and act upon from time to time, and the members of the Committee in their judgment may determine the relevance thereof and the attention such items will receive in any particular situation.

COMMITTEE MEMBERSHIP, ORGANIZATION AND GOVERNANCE

Composition. The Committee shall be composed of no fewer than three (3) members of the Board. The Committee members will be appointed by, and will serve at the discretion of, the Board. Members of the Committee must meet the following criteria (as well as any additional criteria required by the SEC and the SEC Rules or by the Pacific Stock Exchange, Inc. or any of the Pacific Stock Exchange Rules):

- each member must satisfy the requirements for independence set out in Rule 5.3(k)(1) of the Pacific Stock Exchange Rules and Rule 10A-3(b)(1) of the Securities Exchange Act of 1934, as amended, or under any other applicable SEC Rules;
- each member must be financially literate in accordance with the Audit Committee requirements for companies listed on the Pacific Stock Exchange;
- at least one (1) member shall have accounting or related financial management expertise in accordance with the Audit Committee requirements for companies listed on the Pacific Stock Exchange; and
- at least one (1) member shall be an “audit committee financial expert,” as defined in the SEC rules, and the Board will be responsible for determining whether a Committee member meets the qualifications set forth in such rules.

Chairperson. The Committee shall recommend to the Board, for its approval, the designation of one (1) member of the Committee to serve as its chairperson.

Meetings and Procedures. The Committee will meet at least once each fiscal quarter. The Committee may establish its own schedule. Special meetings may be convened as required. The Committee, or its Chairperson, shall report orally to the full Board on the results of all Committee meetings. The Committee may choose as its secretary such person as the Committee deems appropriate. The Committee may invite to its meetings other directors, officers or employees of the Corporation, or other persons as the Committee deems appropriate in order to carry out its responsibilities.

The Committee will meet separately with the Chief Executive Officer and separately with the Chief Financial Officer of the Corporation at such times as are appropriate to review the financial affairs of the Corporation. The Committee will meet separately with the independent public accounting firm of the Corporation, at such times as it deems appropriate, but not less than quarterly, to fulfill the responsibilities of the Committee under this Charter. The Committee may also meet separately with the Corporation’s internal auditor or with such division financial officers, controllers, attorneys or other persons as the Committee, in its sole discretion, may determine from time to time.

Minutes. The Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

Reports. In addition to submitting and signing the Audit Committee report in the Corporation's annual proxy statement in accordance with the SEC Rules, the Audit Committee will summarize its examinations and recommendations to the Board as may be appropriate, consistent with this Charter.

Compensation. Members of the Committee may receive compensation for their service as members of the Committee in such amount and form as the Board shall determine in its sole discretion. Such fees, may include retainers and per meeting fees. Any changes in such compensation shall be determined by the Board in its sole discretion. No member of the Committee may receive any compensation from the Corporation other than the fees that they receive for service as a member of the Board or any committee thereof and except as permitted by the Pacific Stock Exchange Rules.

RESPONSIBILITIES AND AUTHORITY

In addition to other responsibilities given to the Committee by the Board from time to time, the Committee shall:

1. review on a continuing basis the adequacy of the Corporation's internal control structure and procedures for financial reporting, which shall include meeting periodically with the Corporation's management and the independent public accounting firm to review the adequacy of such control structure and to review before release the disclosure regarding such internal control structure required under SEC Rules to be contained in the Corporation's periodic filings and the attestations or reports by the independent public accounting firm relating to such disclosure.
2. appoint, compensate, retain and oversee the work of the independent public accounting firm (and resolve disagreements between management and the independent public accounting firm regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.
3. review with the independent auditor any audit problems or difficulties and management's response thereto.
4. pre-approve audit and non-audit services provided to the Corporation by the independent public accounting firm (or subsequently approve non-audit services in those circumstances where a subsequent approval is necessary and permissible); in this regard, the Audit Committee shall have the sole authority to approve the hiring and firing of the independent public accounting firm, all audit engagement fees and terms and all non-audit engagements, as may be permissible, with the independent public accounting firm.
5. establish clear policies for hiring employees or former employees of the independent public accounting firm.
6. review major issues regarding accounting principles and financial statement presentations; including any significant changes in the Company's selection or

application of accounting principles, and major issues as to the adequacy of the company's internal controls and any special audit steps adopted in light of material control deficiencies.

7. review analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.
8. review the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
9. review and provide guidance with respect to the external audit and the Corporation's relationship with its independent public accounting firm by (1) reviewing the independent public accounting firm's proposed audit scope, audit risk assessment, approach and independence; (2) obtaining on a periodic basis a statement from the independent public accounting firm regarding relationships and services with the Corporation which may impact independence and presenting this statement to the Board, and to the extent there are such relationships, monitoring and investigating them; (3) reviewing the independent public accounting firm's peer review conducted every three (3) years; (4) discussing with the Corporation's independent public accounting firm the financial statements and audit findings, including any significant adjustments, management judgments and accounting estimates, significant new accounting policies and disagreements with management and any other matters described in SAS No. 61, as may be modified or supplemented; (5) reviewing reports submitted to the audit committee by the independent public accounting firm in accordance with the applicable SEC requirements and requirements under the Sarbanes-Oxley Act of 2002; and (6) such other reviews, inspections, independent evaluations as the Committee in its sole discretion may deem advisable.
10. review and discuss with management and the independent public accounting firm the annual audited financial statements and quarterly unaudited financial statements, including the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," prior to filing the Corporation's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q (or Form 10-KSB and 10-QSB, as applicable), respectively, with the SEC.
11. direct the Corporation's independent public accounting firm to review before filing with the SEC the Corporation's interim financial statements included in Quarterly Reports on Form 10-Q (or Form 10-QSB, as applicable), using professional standards and procedures for conducting such reviews.
12. conduct a post-audit review of the financial statements and audit findings, including any significant suggestions for improvements provided to management by the independent public accounting firm.
13. review and discuss the Corporation's earnings press releases (paying particular attention to any use of "pro forma" or "adjusted" non-GAAP information), as well

as financial information and earnings guidance provided to analysts and rating agencies.

14. oversee compliance with the requirements of the SEC for disclosure of auditor's services and audit committee members, member qualifications and activities.
15. review and discuss with management and the Corporation's independent public accounting firm management's report on internal controls and the independent public accounting firm's attestation and report on management's assertions, as required by Section 404 of the Sarbanes-Oxley Act of 2002, as well as the preparation and content of any officer certifications required by the Sarbanes-Oxley Act of 2002 or the SEC to be filed with the Corporation's Quarterly Reports on Form 10-Q (or 10-QSB, as applicable), Annual Reports on Form 10-K (or 10-KSB, as applicable), or any other periodic reports filed with the SEC.
16. review, approve and monitor the Corporations Code of Ethics.
17. review management's monitoring of compliance with the Corporation's standards of business conduct and with the Foreign Corrupt Practices Act.
18. review periodically with counsel any legal matter that could have a significant impact on the Corporation's financial statements.
19. provide oversight of and review at least annually the Corporation's guidelines and policies with respect to risk assessment and risk management, including the Corporation's investment policies.
20. oversee and review the Corporation's policies regarding information technology and management information systems.
21. discuss policies with respect to risk assessment and risk management.
22. if necessary, institute special investigations with full access to all books, records, facilities and personnel of the Corporation.
23. as appropriate, obtain advice and assistance from outside legal counsel, experts or other advisors, with (1) the authority to retain such counsel, experts or other advisors as the Committee may deem appropriate in its sole discretion and (2) the sole authority to approve related fees and retention terms.
24. submit and sign a report in the Corporation's annual proxy statement in accordance with the SEC Rules.
25. establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
26. act as a "Qualified Legal Compliance Committee" as defined by SEC Rules. In this regard, the Committee is authorized to:

- (a) inform the Chief Executive Officer and chief legal officer of any report of evidence of a material violation of state or federal securities laws, a material breach of fiduciary duty arising under state or federal law, or a similar violation of state or federal law;
- (b) determine whether an investigation is necessary and, if the Committee determines that an investigation is necessary, to initiate the investigation, notify the Board and retain necessary expert personnel;
- (c) at the conclusion of any investigation, to recommend an appropriate response and to inform the Chief Executive Officer, the chief legal officer and the Board of the results of the investigation and related recommendations; and
- (d) to notify the SEC if the Corporation fails in any material respect to implement an appropriate response recommended by the Committee.

DELEGATION OF AUTHORITY

The Committee may delegate to one or more designated members of the Committee the authority to pre-approve audit and permissible non-audit services, *provided that* such pre-approval decision is presented to the full Committee at its scheduled meetings.

RESOURCES AND ADDITIONAL AUTHORITY OF THE COMMITTEE

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities in accordance with this Charter.

ANNUAL PERFORMANCE EVALUATION

The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee and its members, including by reviewing the compliance of the Committee with this Charter. In addition, the Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Nominating and Governance Committee of the Board or the Board any improvements to this Charter that the Committee considers necessary or valuable. The Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.