

RASER TECHNOLOGIES, INC.
CORPORATE GOVERNANCE GUIDELINES

Adopted by the Board of Directors and Effective on October 27, 2005

The following guidelines have been approved by the Board of Directors (the “**Board**”) of Raser Technologies, Inc. (the “**Company**”). These guidelines, in conjunction with the Company’s Articles of Incorporation, Bylaws and Board committee charters, form the framework for the governance of the Company.

1. **Role of the Board of Directors.** The Board oversees and provides policy guidance on the business and affairs of the Company to enhance the long-term value of the company. The Board monitors overall corporate performance, the integrity of the Company’s internal controls and the effectiveness of its legal compliance programs. The Board selects the Chief Executive Officer of the Company, elects officers, and oversees management. The Board also oversees the Company’s strategic and business planning process. The Board also reviews and assesses risks facing the Company and management’s approach to addressing such risks. The Board recognizes that the long-term interests of shareholders are advanced by responsibly addressing the concerns of all stakeholders, including employees, customers, business partners, suppliers, governmental officials and the public at large.
2. **Director Independence.** A majority of the Board shall consist of directors who meet the criteria for independence set forth in the listing standards issued by Section 303A.02 of the NYSE Listed Company Manual.
3. **Board Membership Criteria.** The Governance and Nominating Committee is responsible for reviewing with the Board, on an annual basis, the appropriate skills and characteristics required of board members individually as well as the Board as a whole. In evaluating the qualifications of the candidates, the Governance and Nominating Committee will consider many factors, including, issues of character, judgment, independence, diversity, age, expertise, diversity of experience, length of service, other commitments and the like. The Governance and Nominating Committee will evaluate such factors and will consider each individual candidate in the context of the current perceived needs of the Board of Directors as a whole. The Board believes that candidates and nominees must reflect a Board that is comprised of directors who (i) are predominantly independent,

(ii) are of high integrity, (iii) have qualifications that will increase overall Board effectiveness and
(iv) meet other requirements as may be required by applicable rules of NYSE and the SEC.
4. **Board Size.** The Company’s Bylaws provide that the Board shall consist of three to nine persons, as adjusted from time to time by amendment to the Company’s Bylaws in a manner consistent with the Company’s Articles of Incorporation, as amended. The Board’s size will be assessed at least annually by the Governance and Nominating Committee.
5. **Term of Office.** The Company’s Articles of Incorporation provides for a classified Board, with each of the three classes of directors serving staggered three-year terms. The Board does not believe it should establish term limits, because the Board believes that directors who over time have developed increasing insight into the Company and its operations provide an increasing contribution to the Board as a whole. Likewise, directors will not be automatically re-nominated for re-election at the end of their term. Directors will not be nominated for election after their 74th birthday but the Board may waive this limitation.
6. **Selection of New Directors.** The applicable class of directors will be elected annually by the shareholders at their annual meeting (the “**Annual Meeting**”). The Governance and Nominating Committee, which consists solely of independent directors (as defined by Section 303A.02 of the NYSE Listed Company Manual), is responsible for identifying and evaluating potential director candidates and making recommendations to the Board concerning director nominees, and for recommending appointment of directors for membership on Board committees and the selection of Board committee chairs.

It is the policy of the Board that the Governance and Nominating Committee consider both recommendations and nominations for candidates to the Board from shareholders *so long as* such recommendations and nominations comply with the Articles of Incorporation and Bylaws of the Company and applicable laws, including the rules and regulations of the U.S. Securities and Exchange Commission (the “**SEC**”). Shareholders may recommend director nominees for consideration by the Governance and Nominating Committee by writing to the Corporate Secretary of the Company and providing evidence of the shareholder’s ownership of Company stock and specifying the nominee’s name, home and business address and other contact information. Following verification of the shareholder status of the person submitting the recommendation, all properly submitted recommendations will be promptly brought to the attention of the Governance and Nominating Committee. Shareholders who desire to nominate persons directly for election to the Board at the Company’s Annual Meeting must meet the deadlines and other requirements set forth in the Company’s Bylaws and the

rules and regulations of the SEC. Any vacancies on the Board occurring between Annual Meetings may be filled by persons selected by a majority of the directors then in office, and any director so elected will serve for the remaining term of the class of directors in which the vacancy occurred.

7. Limitation on Board Service. To insure Directors have adequate time to devote to the Company's work, directors are not allowed to serve on more than a total of 4 public company boards.

8. Director Responsibilities. The fundamental role of the directors is to exercise their business judgment to act in what they reasonably believe to be the best interests of the Company and its shareholders. In fulfilling that responsibility the directors should be able to rely on the honesty and integrity of the Company's senior management and expert legal, accounting, financial and other advisors. The directors should have the benefit of directors' and officers' insurance, paid by the company, to indemnification to the fullest extent allowed under the Company's charter and applicable law, and to exculpation as provided by applicable law and the Company's charter.

Board members are expected to rigorously prepare for, attend and participate in all board and applicable committee meetings. Information and data that is important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed in writing to the directors prior to the meeting. Particularly sensitive subject matters may be discussed at the meeting without advance distribution of written materials.

The Board does not have a policy on whether or not the roles of Chief Executive Officer and Chairman of the Board should be separate and, if they are to be separate, whether the Chairman should be selected from the non-employee directors or be an employee. The board believes these issues should be considered as part of the board's broader succession planning process. The Board does believe, however, that if the roles Chief Executive Officer and the Chairman are combined, sound governance practices requires a strong countervailing governance structure that includes, among other things, the appointment of a Lead Independent Director with a broad set of duties. In such a case, the Lead Independent Director's duties shall include, at a minimum, (i) presiding at all meetings of the Board at which the Chairman is not present, including executive sessions of independent directors, (ii) serving as a liaison between the Chairman and the independent directors, (iii) approving Board meeting schedules to assure that there is sufficient time for discussion of all agenda items, (iv) having authority to call meetings of the independent directors, and (v) if requested by major shareholders, ensuring he or she is available for consultation and direct communication.

The Chairman of the Board will establish the agenda for each board meeting and the Secretary will distribute it in advance to the board. Each board member is free to suggest the inclusion of items on the agenda and to raise at any board meeting subjects that are not on the agenda for that meeting. The board will review the Company's long-term strategic plans and the big-picture challenges faced by the Company in executing on these plans. Generally, the Board will meet at least four times per year, or as often as required.

The board believes that management speaks for the Company. Individual board members may occasionally meet or otherwise communicate with various constituencies that are involved with the Company, but it is expected that board members would do this with the knowledge of management and, in most instances, at the request of management. The Board encourages the attendance of members of the Board at the annual meetings of shareholders of the Company.

9. Number and Composition of Board Committees. The Board currently has three committees: Audit, Compensation, and Governance and Nominating. The Board may from time to time establish a new committee or dissolve an existing committee depending on the circumstances. All members of the Audit Committee will meet the independence requirements of Section 303A.02 of the NYSE Listed Company Manual and Rule 10A-3(b)(1) of the Securities Exchange Act of 1934, as amended. All members of the Compensation and Governance and Nominating Committees will be independent directors as defined by Section 303A.02 of the NYSE Listed Company Manual, subject to the exceptions contained in the NYSE Rules. The Board will be responsible to make determinations as to the independence of directors and their determinations will be based on a review of the facts and circumstances of each director or nominee. At least one member of the Audit Committee (i) will have accounting or related financial management expertise in accordance with the Audit Committee requirements for companies listed on the NYSE, and (ii) shall be an "audit committee financial expert" as defined in the rules and regulations of SEC. Each committee is chaired by an independent director who primarily drives the agenda, frequency and length of committee meetings and who has unlimited access to management, Company information and independent advisors, as necessary and appropriate. The Board intends to rotate committee assignments and committee chair positions, to develop and preserve experienced leadership. Committee charters are posted on the Company's website.

10. **Interlocking Directorships.** No interlocking directorships will be allowed by the Board.
11. **Executive Sessions.** Executive sessions of solely independent directors will be held regularly. The sessions will be scheduled and chaired by the chair of the Governance and Nominating Committee.
12. **Code of Ethics.** The Board expects all directors, as well as officers and employees, to display the highest standard of ethics, consistent with the Company's values and standards. The Company has and will continue to maintain a Code of Business Conduct and Ethics ("*Code of Ethics*"), a copy of which is posted on the Company's website. The Governance and Nominating Committee reviews and monitors compliance with the Code of Ethics, and the Board (or a committee thereof) must approve any waivers of the Code of Ethics for directors or executive officers. Directors are expected to report to the Board any non-compliance with the Code of Ethics, including any possible conflict of interest between the director and the Company, and the Board will promptly take appropriate action. All directors will recuse themselves from any discussion or decisions affecting the Company's business in which they have personal, or business interests.
13. **Succession Planning and Executive Compensation.** The Board (or a committee thereof) plans for CEO succession and reviews senior management selection and succession planning. The Board may from time to time ask the Compensation Committee to undertake specific reviews concerning management succession planning. The compensation of the CEO and other senior officers will be determined by the Compensation Committee, which will consist solely of independent directors (as defined by applicable NYSE listing standards).
14. **Loans to Directors or Officers.** The Company will not make loans or extensions of credit of any sort to Directors or Officers, and specifically prohibits loans to directors and officers for the payment of option exercises.
15. **Board Compensation.** The Company compensates non-employee directors for their Board and Board committee service. Employee directors are not paid additional compensation for their services as directors. The Governance and Nominating Committee will review the amount and form of director compensation and provide recommendations to the Board as to such compensation based upon the committee's consideration of the responsibilities and time commitment of Company directors, as well as board compensation practices of similarly situated public companies. The Governance and Nominating Committee shall have full authority to engage, at the Company's expense, third-party consultants to advise on compensation levels and compensation components.
16. **Stock Ownership Requirement by Directors.** Directors are required to directly own company stock in value no less than one times the annual retainer fees within three years of joining the Board. The Compensation Committee will periodically assess the appropriateness of these guidelines. The committee will also review and guide the extent to which executives should be restricted from selling stock acquired through equity compensation.
17. **Board Access to Senior Management.** Directors are encouraged to talk directly to any member of management regarding any questions or concerns the directors may have. Senior management will be invited to attend Board meetings from time to time to discuss their respective areas of responsibility and enhance the flow of relevant Company information to the Board.
18. **Director Education.** The Company supports orientation for new directors. The orientation will include an introduction to the Company's senior management, presentations that review the Company's business strategies, its financial and accounting systems and risk management controls, its code of business conduct and methods and compliance programs and its independent auditor. The Company also supports continuing director education and generally expects directors to attend an appropriate continuing education program every two years. The Secretary of the Company will notify directors of such educational opportunities. The Company will periodically provide materials or briefing sessions for all directors on subjects that would assist them in discharging their duties.
19. **Evaluation of Board and Committee Performance.** The Board and each Board committee will conduct a self-evaluation annually. Committees assess their performance relative to their charter and to best practices. The Governance and Nominating Committee oversees this self-evaluation process and also assesses Board performance. This Committee recommends changes to improve the Board, the Board committees and individual director effectiveness. From time to time the Committee may engage, at the Company's expense, an independent advisor to evaluate Board effectiveness and to suggest changes to improve Board performance.
20. **Chief Executive Officer Performance Review.** The Compensation Committee reviews the performance of the CEO annually. The Board will review the committee's report to ensure that the current Chief Executive Officer is providing the high-quality leadership for the Company, from a short, intermediate and long-term perspective.
21. **Authority to Retain Advisors.** The Board and each Board committee shall have the authority, at the Company's

expense, to retain and terminate independent financial, legal or other advisors as the Board and any such Committee deems necessary.