

# **CORPORATE GOVERNANCE GUIDELINES OF LIQUIDMETAL TECHNOLOGIES, INC.**

**Adopted on May 8, 2013**

The Board of Directors (the “Board”) of Liquidmetal Technologies, Inc. (the “Company”), acting on the recommendation of its Corporate Governance and Nominating Committee, has developed and adopted certain corporate governance principles (these “Guidelines”) establishing a common set of expectations to assist the Board and its committees in fulfilling their responsibilities to the Company’s stockholders to oversee the work of management and the Company’s results. These Guidelines are intended to ensure that the Board will have the necessary authority and practices in place to review and evaluate the Company’s business operations as needed. In recognition of the continuing discussions about corporate governance, the Board will review and, if appropriate, revise these Guidelines from time to time.

## **Role of the Board and Management**

The Company’s business is conducted by its employees, managers and officers, under the direction of the Company’s Chief Executive Officer (“CEO”) and under the oversight of the Board, to enhance the long-term value of the Company for its stockholders. The Board is elected by the Company’s stockholders to oversee management and to assure that the long-term interests of the stockholders are being served.

## **Responsibilities of the Board**

The Board reviews and discusses reports by management on the performance of the Company, its plans and prospects, as well as immediate issues facing the Company. Directors are expected to attend scheduled meetings of the Board and the committees on which they serve. In addition to its general oversight of management, the Board (either directly or through its committees) also performs a number of specific functions, including:

1. Representing the interests of the Company’s stockholders in maintaining and enhancing the success of the Company’s business, including optimizing long-term returns to increase stockholder value;
2. Selecting, evaluating and compensating a well-qualified CEO of high integrity, and overseeing the CEO succession planning process;
3. Providing counsel and oversight on the selection, evaluation, development and compensation of senior management, including, with respect to the compensation of senior management, the review and approval of compensation plans and awards granted under those plans;
4. Reviewing, approving and interacting with senior management with respect to the Company’s fundamental financial and business strategies and major corporate actions, including strategic planning, management development and succession, operating performance and stockholder returns;
5. Assessing major risks facing the Company and reviewing options for their mitigation;

6. Ensuring processes and policies are in place for maintaining the integrity of the Company, the integrity of its financial statements, the integrity of its compliance with law and ethics, the integrity of its relationships with employees, customers and suppliers and the integrity of its relationships with other stakeholders; and
7. Providing general advice and counsel to the CEO and other senior management personnel in the performance of their duties.

## **Board Composition and Selection; Director Independence**

### *Board Size*

Board size and composition will be set so that the Board will possess, in the aggregate, the strategic, managerial and financial skills and experience necessary to fulfill its duties and to achieve its objectives. The specific number of Board members will be reviewed from time to time and adjusted as necessary and appropriate to promote the best overall interests of the Company and its stockholders.

### *Board Leadership*

The Board shall elect a Chairman of the Board who shall have primary responsibility for scheduling Board meetings, calling special meetings when necessary, setting or proposing the agenda for each meeting, and conducting Board meetings, as well as for carrying out such other duties as are specified for such office in the Company's Bylaws. This responsibility does not, however, diminish the responsibilities of each Board member to raise appropriate agenda items, or to propose meetings.

The Board reserves the right to assign the responsibilities of the Chief Executive Officer and Chairman to different individuals or to the same individual if, in the Board's judgment, a combined Chief Executive Officer and Chairman position is determined to be in the best interest of the Company. In the event that the responsibilities of the Chief Executive Officer and Chairman are vested in the same individual or in other circumstances when deemed appropriate, the Board may designate a Lead Director from among the independent directors to preside at the meetings of the non-employee director executive sessions and who shall have such other duties and responsibilities as may be prescribed by the Board.

### *Selection of Board Members*

The Corporate Governance and Nominating Committee of the Board shall be responsible for applying such general and specific criteria for Board membership as shall have been approved by the Board. The criteria approved by the Board are set forth in Appendix A. Also, the Corporate Governance and Nominating Committee shall be responsible for evaluating on an ongoing basis all directors and director candidates based on such general and specific criteria and for seeking to assure that specific talents, skills and other characteristics that are needed to increase the Board's effectiveness are possessed by an appropriate combination of directors.

The Corporate Governance and Nominating Committee shall be responsible for identifying individuals qualified to become members of the Board, consistent with criteria approved by the

Board, and shall recommend to the Board nominees to be members of the Board. The Corporate Governance and Nominating Committee will recommend to the Board (i) nominees for Board membership to fill vacancies or newly created directorships, (ii) the persons to be nominated by the Board for election by the Company's stockholders at annual or special meetings of stockholders, and (iii) committee assignments and rotation of committee members. The Board shall be responsible for selecting nominees to be members of the Board and for recommending them for election by the stockholders at annual or special meetings of stockholders.

The Corporate Governance and Nominating Committee will consider persons recommended by stockholders to become nominees for election as directors in accordance with the criteria set forth in these Guidelines and the Corporate Governance and Nominating Committee Charter. Recommendations for consideration by the Corporate Governance and Nominating Committee should be sent to the Secretary of the Company in writing together with appropriate biographical information concerning each proposed nominee.

#### *Independence of Directors*

A majority of the directors shall be independent directors as defined by the rules of the NASDAQ Stock Market (the "NASDAQ").

Directors who do not meet the NASDAQ independence standards also make valuable contributions to the Board and to the Company by reason of their experience and wisdom.

To be considered independent under the NASDAQ rules, the Board must determine that a director does not have any relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.. The Board has established the categorical standards set forth in Appendix B (which mirror the independence standards set forth in the NASDAQ rules) to assist it in determining director independence.

The Board shall undertake an annual review to evaluate the independence of all non-employee directors. In advance of the meeting at which this review occurs, each non-employee director shall be asked to provide the Board with full information regarding the director's business and other relationships with the Company and its affiliates and with senior management and their affiliates to enable the Board to evaluate the director's independence.

#### *Term Limits, Retirement Policy and Change of Status*

The Board has not established term limits or a mandatory retirement age for directors. The Board believes that long-term, experienced directors provide continuity of leadership, perspective and understanding of the business of the Company. Term limits and mandatory retirement ages have the disadvantage of losing the contributions of these directors, who have been able to develop increasing insight into the Company and its operations, and who therefore provide an increasing contribution to the Board.

As a general policy, the CEO and other senior executives of the Company who are Board members will resign from the Board upon the termination of their employment with the Company.

However, the Board may ask the former CEO to remain on the Board if it believes that an exception to this policy is in the best interests of the Company and its stockholders.

Directors who are changing their principal employment or business profession or association (other than as a result of normal retirement) must inform the Corporate Governance and Nominating Committee so that the Committee may consider whether continued service on the Board is still appropriate and whether such changed circumstances would interfere with the time that the director devotes to Company matters.

Directors are also required to notify the Corporate Governance and Nominating Committee prior to joining another public company board.

### **Executive and Private Sessions of the Board**

Members of senior executive management who are not members of the Board may participate in Board and committee meetings to present information, make recommendations, and be available for direct interaction with Board members.

However, the Board will have at least two regularly scheduled meetings a year for the non-employee directors without members of the Company's management being present; such meetings may occur either independent of or in conjunction with regularly scheduled meetings of the Board. The non-employee directors may meet without management present at such other times as they determine appropriate. In addition, the Board will have at least two regularly scheduled meetings each year that are limited to independent directors.

### **Board Committees**

The Board shall at all times have an Audit Committee, a Corporate Governance and Nominating Committee and a Compensation Committee, each comprised solely of independent directors.

In addition to the requirement that a majority of the Board satisfy the independence standards discussed above, members of the Audit Committee must also satisfy any additional independence requirements imposed by the NASDAQ or the Securities and Exchange Commission. Specifically, directors serving on the Audit Committee may not directly or indirectly receive any compensation from the Company other than the fees they receive for serving as directors.

Committee chairs for the Audit Committee and the Compensation Committee shall be recommended by the Corporate Governance and Nominating Committee and approved by the Board. Committee chairs will be responsible for scheduling committee meetings, setting meeting agendas, leading the conduct of each meeting, reporting the committee's findings and making recommendations to the full Board, and presenting resolutions requiring Board action.

## **Committee Assignment and Rotation**

The Corporate Governance and Nominating Committee will recommend committee assignments and committee rotation to the entire Board for final approval. Board members will rotate between committees from time to time as the Board deems appropriate.

## **Number and Scope of Board and Committee Meetings**

The Board will meet at least four times per year, including concurrently with the Annual Meeting of Stockholders. Committees of the Board will meet as needed or as set forth in their respective charters. Each director is expected to attend meetings of the Board and any committee(s) of which he or she is a member and to review all meeting materials circulated prior to each meeting. Board members are also expected to attend the Company's annual meeting of stockholders each year.

Each Board meeting will include a financial and operating review. In addition, at least once annually, the Board will devote substantial time to reviewing the following matters: senior executive succession planning; the personal objectives and performance of the CEO; corporate controls and financial reporting policies and procedures (in consultation with the Audit Committee); the Board's effectiveness; and the Company's overall business strategy and strategic plan.

## **Director Compensation**

Non-employee directors and committee chairs shall receive reasonable compensation for their services, as may be determined from time to time by the Board upon recommendation of the Compensation Committee. To the extent possible, compensation for non-employee directors and committee chairs shall be consistent with the reasonable practices of other similarly situated companies. The Compensation Committee of the Board shall periodically review and report to the Board with respect to director compensation and benefits.

Directors who are employees of the Company shall receive no additional compensation for serving as directors.

## **Director Access to Management and Independent Advisors**

The Board is expected to be interactive with members of the Company's senior management, and the Board and its individual members shall have access to individual senior executives of the Company. The Company also maintains an environment that permits senior managers to contact Board members directly.

It is the policy of the Board that executive officers and other members of senior management who report directly to the CEO be present at Board and/or committee meetings at the invitation of the Board or committee members. The Board encourages such executive officers and senior management to make presentations or to include in discussions at Board meetings managers and other employees who (i) can provide insight into the matters being discussed because of their functional expertise and/or personal involvement in such matters and/or (ii) are individuals with high potential whom such executive officers and senior management believe the directors should have the opportunity to meet and evaluate.

Directors are authorized to consult with independent advisors, as is necessary and appropriate, without consulting management.

### **Stockholder Access to Directors**

Stockholders and other interested parties may communicate with the full Board, the Chairman of the Board, the non-management directors as a group, the Lead Director (if any), or individual directors by delivering written communications to the Secretary of the Company. The written communication should be addressed to the specific director or directors the stockholder or interested party wishes to contact. Such communication will be delivered directly to the director or directors to whom it is addressed by the Secretary of the Company.

### **Ethics and Conflicts of Interest**

The Board expects the Company's directors, as well as its officers and employees, to act ethically at all times. If an actual or potential conflict of interest arises for a director, the director shall promptly inform the CEO and the Chairman of the Board. If a significant conflict exists and cannot be resolved, the director should resign. All directors will recuse themselves from any discussion or decision affecting their personal, business or professional interests. The Board shall resolve any conflict of interest question involving any director or executive officer of the Company, and the CEO shall resolve any conflict of interest issue involving any other officer of the Company.

### **Director Orientation and Continuing Education**

The Board shall ensure that an orientation program for newly elected directors is implemented. The Corporate Governance and Nominating Committee shall oversee and maintain the orientation program implemented by the Board.

Directors are required to continue educating themselves with respect to various matters, including domestic and international markets, accounting and finance, leadership, crisis response, industry practices, general management, and strategic planning.

### **Management Succession and CEO Compensation**

The Board shall develop and maintain an appropriate succession plan with respect to the position of CEO. The Corporate Governance and Nominating Committee is responsible for making recommendations to the Board about succession planning. The Corporate Governance and Nominating Committee also shall recommend to the Board succession plans in the event of an emergency or the retirement of the CEO.

The Compensation Committee is responsible for establishing annual and long-term performance goals for the CEO and for evaluating his or her performance against such goals.

### **Annual Performance Self-Assessment of the Board**

The Board will conduct a self-assessment at least annually to determine whether it and its committees are functioning effectively.

### **Stock Ownership Guidelines**

The Board believes in the importance of requiring that all directors and senior level officers beneficially own a sufficient amount of the Company's common stock so that their economic interests are aligned with those of the Company's stockholders. As a result, the Board will establish guidelines for the expected level of beneficial ownership of the Company's common stock by all directors and senior level officers and from time to time will review these guidelines.

### **Limitation**

Nothing in these Guidelines is intended to expand the fiduciary obligations of Board members beyond those provided for under applicable law.

## APPENDIX A

### CRITERIA FOR DIRECTOR NOMINEES

In making recommendations to the Company's Board of nominees to serve as directors, the Corporate Governance and Nominating Committee will examine each director nominee on a case-by-case basis regardless of who recommended the nominee and take into account all factors it considers appropriate, which may include strength of character, mature judgment, career specialization, relevant technical skills or financial acumen, diversity of viewpoint and industry knowledge. However, the Board believes the following minimum qualifications must be met by a director nominee to be recommended by the Corporate Governance and Nominating Committee:

1. Each director must display the highest personal and professional ethics, integrity and values.
2. Each director must have the ability to exercise sound business judgment.
3. Each director must be accomplished in his or her respective field, and have broad experience at the administrative and/or policy-making level in business, government, or technology.
4. Each director must be independent of any particular constituency, be able to represent all stockholders of the Company and be committed to enhancing long-term stockholder value.
5. Each director must have sufficient time available to devote to activities of the Board and to enhance his or her knowledge of the Company's business.

The Board also believes the following qualities or skills are necessary for one or more directors to possess:

1. At least one director should have the requisite experience and expertise to be designated as an "audit committee financial expert" as defined by applicable rules of the Securities and Exchange Commission.
2. One or more of the directors generally should be active or former chief executive officers of public companies or leaders of major complex organizations, including commercial, scientific, governmental, and other similar institutions.
3. Directors should be selected so that the Board is a diverse body.

## APPENDIX B

The Board has established categorical standards to assist it in making determinations of director independence. Under these categorical standards, a director will **not** be considered independent if :

1. the director is, or at any time during the past three years was, employed by the Company;
2. the director, or a Family Member of the director, accepted any compensation from the Company in excess of \$120,000 during any period of twelve consecutive months within the three years preceding the determination of independence, other than the following: (a) compensation for board or board committee service, (b) compensation paid to a Family Member who is an employee (other than an Executive Officer of the Company), or (c) benefits under a tax-qualified retirement plan, or non-discretionary compensation;
3. the director is a Family Member of an individual who is, or at any time during the past three years was, employed by the Company as an Executive Officer;
4. the director is, or has a Family Member who is, a partner in, or a controlling shareholder or an Executive Officer of, any organization to which the Company made, or from which the Company received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, other than the following: (a) payments arising solely from investments in the Company's securities; or (b) payments under non-discretionary charitable contribution matching programs;
5. the director is, or has a Family Member who is, employed as an Executive Officer of another entity where at any time during the past three years any of the Executive Officers of the Company served on the compensation committee of such other entity; or
6. the director is, or has a Family Member who is, a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years.
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For purposes of this Appendix B, the term "Family Member" means a person's spouse, parents, children, and siblings, whether by blood, marriage or adoption, or anyone residing in such person's home.

For purposes of this Appendix B, the term "Executive Officer" means those officers covered in Rule 16a-1(f) under the Securities Exchange Act of 1934.

For purposes of this Appendix B, the term "Company" includes any parent or subsidiary of the Company. The term "parent or subsidiary" is intended to cover entities the Company controls and consolidates with the Company's financial statements as filed with the Securities and Exchange Commission (but not if the Company reflects such entity solely as an investment in its financial statements).

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