

ROCKFORD CORPORATION
Corporate Governance Guidelines

Rockford has developed these Corporate Governance Guidelines to help the Board of Directors and Senior Managers fulfill their responsibilities to govern and manage Rockford using the highest standards of responsibility, ethics and integrity. These guidelines provide a framework for the Board's review of Rockford's business operations and are intended to permit the Board to make decisions that are in the best interests of Rockford's shareholders and independent of Rockford's management.

1. Board Composition and Selection; Independent Directors

1.1 Board Size. The Board believes that 6 to 8 directors is an appropriate size in light of Rockford's current business circumstances. The Board will periodically evaluate the size of the Board in order to determine whether a larger or smaller number of directors would be beneficial.

1.2 Selection of Directors. The directors are elected annually by the shareholders at Rockford's annual meeting. Each year the Board recommends a slate of directors for election, using the input of the Governance and Nominating Committee. Nominations are based on each individual's suitability to serve on the Board. The Board considers characteristics such as the potential director's standards of personal and professional ethics and integrity, experience in business or other matters relevant to Rockford's business, practical wisdom and mature judgment, and commitment to representing the interests of Rockford's shareholders. A majority of the independent directors must approve the Board's recommendations.

1.3 Independent Directors. The Board believes that its principal role is to oversee the management of Rockford's business with the best interests of the shareholders in mind. To best accomplish this role, the Board believes that the majority of its directors must be "independent." A director will be considered independent only if the Board determines that the director does not have any direct or indirect material relationship with Rockford that may impair, or appear to impair, the director's ability to make independent decisions. To make this determination, the Board will apply the definition of "independent director" in NASDAQ Stock Market listing rules¹ and applicable laws and regulations.

1.4 Meetings of the Independent Directors. At least twice each year, the independent directors will hold a regularly scheduled meeting at which only the independent directors are present. These meetings may be held as part of the regular Board meetings, with management directors excused, or may be held independently of the regular Board meetings.

¹ NASD Rule 4200(a)(15)(A) through (G).

2. Roles of Board and Management

2.1 Ethics and Values. The Board and management are jointly responsible for managing and operating Rockford's business with the highest standards of responsibility, ethics and integrity. In that regard, the Board expects each director and each member of Rockford's management to embody values such as integrity, honesty, reasoned judgment, respect, responsibility and trust.

2.2 Role of Board of Directors. The Board's responsibility is to direct and oversee the conduct of Rockford's business in the best interests of the shareholders. To carry out that responsibility, the Board's main functions are:

- **Management oversight** - The Board is charged with selecting, evaluating and establishing the compensation of the Chief Executive Officer (CEO), and providing advice and input in the selection, evaluation and compensation of other members of senior management. As part of the annual officer evaluation process, the Board will plan for CEO succession, including plans for interim succession in the event of an unexpected occurrence. The compensation committee and a majority of the independent members of the Board must approve the compensation of Rockford's executive officers.
- **Strategic Planning** - The Board reviews and approves long-term strategic plans and annual operating plans, and supervises the implementation of those plans.
- **Major corporate actions** - The Board reviews and approves significant business transactions, acquisitions and other major corporate actions.
- **Financial reports** - The Board is responsible for reviewing, understanding and approving Rockford's financial statements and reports, and for establishing appropriate controls and procedures to ensure that Rockford's financial and other disclosures are accurate, complete and understandable.

2.3 Role of Management - Rockford's senior management, under the guidance of the CEO, is responsible for the day-to-day operation of Rockford's business in a responsible and ethical manner, in accordance with the Board's instructions. To fulfill that that responsibility, management's main functions are:

- **Organizational Structure** - Management is responsible for establishing an organizational structure that meets Rockford's needs and for selecting qualified personnel to fill appropriate positions within that structure.
- **Strategic planning and implementation** - Management is responsible to develop long-term strategic plans and annual operating budgets. Management must present these plans and budgets to the Board in appropriate detail and secure the Board's approval. After the Board has approved the plans and

budgets, management is responsible for carrying out the plans within the budgets and for recommending changes as necessary.

- **Financial reports** - Management is responsible for the integrity of financial statements and reports. Management is responsible for implementing the systems and controls the Board establishes to ensure that Rockford's financial statements and other disclosures are prepared in a timely and accurate manner.

3. Committees of the Board

3.1 Standing Committees. In addition to the Executive Committee, the Board has established three standing committees to assist it in fulfilling its responsibilities:

- **Audit and Finance Committee** - The Audit and Finance Committee is made up of independent directors and oversees Rockford's internal accounting and audit processes. This committee assists the Board in overseeing the preparation of financial reports and other disclosures provided to the shareholders. The committee is directly responsible for the appointment and retention of Rockford's independent auditors. In addition, the committee is responsible for monitoring Rockford's capital requirements, financing arrangements, banking relationships, and other financial issues.
- **Compensation Committee** - The Compensation Committee is responsible for recommending to the Board the amounts and types of compensation paid to Rockford's executive officers and non-employee directors. It is also responsible for administering Rockford's stock option and other compensation plans.
- **Governance and Nominating Committee** - The Governance and Nominating Committee oversees all matters of corporate governance for Rockford, including recommending to the Board individuals to be nominated as directors and monitoring the independence of the Board.

In addition to these standing committees, the Board may organize other standing or special committees as necessary for the efficient management and oversight of Rockford's business.

3.2 Membership. The Board, acting with the recommendation of the Governance and Nominating Committee, will establish the number and identity of directors making up each the committee. The Audit Committee, the Compensation Committee and the Governance and Nominating Committee will be comprised entirely of directors who (a) are independent and (b) satisfy any additional standards established under applicable laws and regulations.

3.3 Committee Meetings. Each committee is governed by a written charter adopted by the Board. Acting in accordance with its charter, each committee will determine when and how often to meet, unless otherwise directed by the Board. Prior to each committee meeting, the chairman of the committee will develop the meeting's agenda in consultation with appropriate

members of management. Each committee will keep minutes of its meeting. Rockford's corporate secretary will incorporate the committee meeting minutes into Rockford's official minute book. Whenever a committee makes a decision or takes any action on behalf of the Board, the committee chair will promptly report such actions to the Board.

