

DTS, Inc.
Corporate Governance Guidelines

PREAMBLE

The Board of Directors (the “Board”) of DTS, Inc. (the “Company” or “DTS”) has adopted these Corporate Governance Guidelines (these “Guidelines”) to reflect the principles by which the Company operates. These Guidelines reflect the Board’s commitment to monitor the effectiveness of policy and decision making both at the Board and management level and to ensure that a sound implementation strategy for the success of the enterprise is in place, with a view to enhancing stockholder value over the long term. These Guidelines are not intended to change any federal or state law or regulation applicable to the Company, including the Delaware General Corporation Law, the Restated Certificate of Incorporation, as amended, or Amended and Restated Bylaws of the Company, or any rule or regulation of any stock exchange.

The role of the Board is to provide guidance and strategic oversight to management. Management’s responsibility is to conduct the day-to-day operations of the Company’s business in an effective and ethical manner.

The Board believes that it should be comprised of directors with varied, complementary backgrounds each of whom has skills and expertise that may be useful to the Company. The Nominating and Corporate Governance Committee is responsible for assessing the appropriate balance of experience, skills and characteristics required of the Board.

The Board believes these Guidelines should be an evolving set of corporate governance principles, subject to alteration as circumstances warrant. As such, these Guidelines will be regularly re-evaluated by the Nominating and Corporate Governance Committee in light of changing circumstances in order to continue serving the best interests of the stockholders.

I. DIRECTORS – Desired Personal Characteristics and Core Competencies of Directors

A. PASSION - Directors should be passionate about the performance of the Company, both in absolute terms and relative to its peers. That passion should manifest itself in engaged debate about the future of the Company and an esprit de corps among the Board that both challenges and inspires the Company’s employees.

B. CORE COMPETENCIES OF THE BOARD

1. **Industry Knowledge** - Companies continually face new opportunities and threats that are unique to their industries. The Board should seek to have several members with appropriate, current and relevant industry-specific knowledge.
2. **Strategy and Vision** - A key Board role is to approve and monitor company strategy to ensure the Company continues to operate in a manner the directors reasonably believe to be in the best interest of the Company and its stockholders. The Board should seek to have several directors with the current and relevant skills and expertise to provide strategic insight and direction by encouraging innovation, conceptualizing key trends, evaluating strategic decisions, and continuously challenging the organization to sharpen its vision.
3. **Accounting and Finance** - Among the most important missions of the Board is ensuring that stockholder value is both enhanced through corporate performance and protected through adequate internal financial controls. The Board should have one or more directors with specific expertise in financial accounting and corporate finance, especially with respect to trends in debt and equity markets.

4. **Business Judgment** - Stockholders rely on directors to make sensible choices on their behalf. The majority of directors should have a record of making good business decisions in the corporate sector.
5. **Management** - To monitor corporate management, the Board needs to understand management trends in general and industry trends in particular. The Board should have one or more directors who understand and stay current on general management “best practices” and their applications in complex, rapidly evolving business environments.
6. **International Markets** - To succeed in an increasingly global economy, the Board should seek to have one or more directors who appreciate the importance of global business trends and who have first-hand knowledge of international business and experience in those markets.
7. **Leadership** - Ultimately, a company’s performance will be determined by the directors’ and Chief Executive Officer’s ability to attract, motivate, and energize a high-performance leadership team. The Board should seek to have one or more directors who understand and possess empowerment skills and have a history of motivating high-performance talent.
8. **Risk Oversight** – The Company faces a number of risks, including general economic risks, operational risks, financial risks, competitive risks and reputational risks. Management is responsible for the day-to-day management of those risks, while the Board is responsible for reviewing and assessing major risks facing the Company and evaluating management’s approach to addressing such risks. To assist the Board in this oversight role, the Board should seek to have one or more directors with experience managing business enterprise risk.
9. **Continued Education** - Board members are encouraged to actively participate in selected continued education and orientation sessions to promote the continuous improvement of Board practices.

II. **BOARD COMMITTEES**

The Board currently has three standing committees: Audit, Compensation, and Nominating and Corporate Governance. There may be occasions when the Board will wish to form a new standing or ad hoc committee, or disband a current committee depending upon the circumstances and good business practices; provided, however, that the Company will at all times have all committee(s) required by The NASDAQ Stock Market or such other principal stock exchange or quotation service on which the Company’s securities are listed or quoted.

Specific charters will be adopted by the Board for all standing committees. The charters will set forth the purposes of the committees as well as the responsibilities and qualifications for committee membership.

The Nominating and Corporate Governance Committee shall be responsible, after consultation with the Chief Executive Officer and the Chair of the Board, for making recommendations to the Board with respect to the assignment of Board members to various committees. After reviewing the Nominating and Corporate Governance Committee’s recommendations, the Board shall be responsible for appointing the chairs and members to the committees on an annual basis. The Board will consider rotating committee membership periodically, at about three-year intervals. Such rotation shall not be mandatory, however, since there may be persuasive reasons to maintain an individual director’s committee membership for a longer period.

Committee chairs will determine the frequency of meetings of their respective committees, and in consultation with the committee members and management, will set meeting times and develop committee agendas. All standing Board committees shall be chaired by independent directors.

The Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee shall be composed entirely of independent directors. In addition, the Audit Committee shall be composed of at least one independent director who possesses such accounting and financial expertise as The NASDAQ Stock Market or such other principal stock exchange or quotation service on which the Company's securities are listed or quoted shall require.

III. BOARD MEETINGS

The Chair of the Board will establish the agenda for Board meetings. Any Board member may recommend the inclusion of specific agenda items. Such recommendations will be accommodated to the extent practicable.

There will be four regularly scheduled meetings of the Board each year, with additional meetings as required or otherwise deemed appropriate. At least one of these meetings will include budgeting and long-term strategic planning. Board members are expected to attend all meetings barring special circumstances.

Materials important to the Board's understanding of agenda items shall be distributed to the Board, in a timely manner, before it meets. These materials shall be informative but concise.

The Board will ensure that adequate time is provided for full discussion of important items and that management presentations are scheduled in a manner that permits a substantial portion of Board meeting time to be available for open discussion.

Each director is expected to review and understand the materials provided in advance of meetings and any other materials provided to the Board from time to time.

Members of the Company's management who are not Board members may attend and participate in the Board meetings at the invitation of the Chair of the Board. Should the Chair of the Board contemplate inviting any such person to attend and participate on a regular basis, Board concurrence will first be obtained.

IV. BOARD ACCESS TO MANAGEMENT, AUDITORS AND OTHER ADVISORS

Board members shall have complete access to the Company's management and independent auditors. Board member contact with such individuals shall be handled in a manner that would not be disruptive to the Company's business operations. Any non-routine written communications emanating from such contact should be copied to the Chair of the Board and Chief Executive Officer.

The Board encourages the Chief Executive Officer to bring corporate executives into Board and committee meetings: (a) to provide additional insight on items being discussed because of their personal involvement in such areas or (b) to provide the Board exposure to individuals with outstanding management potential.

The Board and each committee of the Board shall have the authority to retain outside financial, legal or other advisors as they deem appropriate and shall have the authority to obtain advice, reports or opinions from internal and external counsel and advisors without obtaining approval from any officer of the Company.

V. BOARD INTERACTION WITH STOCKHOLDERS, PRESS, AND CUSTOMERS

Management shall speak for the Company. Each director shall refer all inquiries from stockholders, the press or customers to the Chief Executive Officer. If, however, any stockholder wishes to address questions regarding the business or affairs of the Company directly to the Board, or any individual director, the stockholder shall be referred to the Chair of the Board, unless the Chair is also the Chief Executive Officer and the stockholder wishes to address a non-employee director, in which case the stockholder shall be referred to the Lead Independent Director if one is so designated and, if not, to the Chair of the Audit Committee.

VI. BOARD COMPENSATION

Compensation of non-employee directors shall be fixed by the Board, and shall be comparable to that offered by other companies of similar size and scope. Absent exceptional circumstances, no non-employee director may also serve as a consultant or service provider to the Company. The Audit Committee is responsible for determining whether such exceptional circumstances exist and that the provision of such services would be in the best interest of the Company and its stockholders. The Audit Committee shall approve any such arrangements in advance.

Directors who are officers of the Company shall not receive additional remuneration for serving as a director.

Management will periodically review with the Compensation Committee the status of non-employee director compensation relative to comparable companies. Any changes to non-employee director compensation shall arise from recommendations of the Compensation Committee, with full discussion and concurrence by the Board.

VII. BOARD COMPOSITION

The Board believes that it should generally have no less than 5 and no more than 9 directors. This range permits diversity of experience without hindering effective discussion or diminishing individual accountability.

The Board shall be comprised of at least a majority of independent directors. No director will qualify as “independent” unless the Board affirmatively determines that the director has no relationship that would interfere with the exercise of independent judgment in implementing the responsibilities of a director. A director will not be considered independent if he or she does not meet the criteria for director independence established by The NASDAQ Stock Market (as set forth in **Attachment A** hereto) or such other principal stock exchange or quotation service on which the Company’s securities are listed or quoted.

The Board is free to choose its Chair in any manner that is in the best interests of the Company at the time. When the Chair of the Board also serves as the Company’s Chief Executive Officer or when the Chair is not independent, the Board, by majority vote of the independent directors, may designate an independent director to serve as the “Lead Independent Director.” If a Lead Independent Director has been designated, the Board will consider rotating that position to another independent director on an annual basis.

The Lead Independent Director (if so designated) is responsible for coordinating the activities of the independent directors. The designation of a Lead Independent Director is intended to facilitate communication between the independent directors and the Chair of the Board/Chief Executive Officer and not to diminish the ability of any other independent director to communicate directly with the Chair of the Board/Chief Executive Officer at any time. The specific responsibilities of the Lead Independent Director (if so designated) are as follows:

- Act as a principal liaison between the independent directors and the Chair of the Board on sensitive issues;
- Develop the agenda for and moderate executive sessions of the Board's independent directors;
- Provide feedback to the Chair of the Board regarding matters discussed in executive sessions of the independent directors;
- Work in collaboration with the Chair of the Board in developing the agendas for Board meetings;
- Consult with the Chair of the Board as to an appropriate schedule of Board meetings, seeking to ensure that the independent directors can perform their duties responsibly while not interfering with the flow of Company operations;
- Consult with the Chair of the Board as to the quality, quantity, and timeliness of the flow of information from Company management that is necessary for the independent directors to effectively and responsibly perform their duties;
- Preside at any meeting of the Board at which the Chair of the Board is not present; and
- Work in collaboration with the Nominating and Corporate Governance Committee and the Chair of the Board with respect to the implementation and periodic review and, as appropriate, alteration of the Company's Corporate Governance Guidelines.

VIII. SELECTION OF NEW DIRECTORS

The Nominating and Corporate Governance Committee is responsible for identifying, screening and nominating candidates for Board membership. When considering its nominations, the Nominating and Corporate Governance Committee shall also consider the advice and recommendations of the Company's Chief Executive Officer and the stockholders of the Company. The Nominating and Corporate Governance Committee may at its discretion seek third-party resources to assist in selection and/or the evaluation process.

The Board believes that directors should possess the highest personal and professional ethics and should be willing and able to devote the required amount of time to company business. When considering candidates for director, the Nominating and Corporate Governance Committee takes into account a number of factors, including the following:

- Whether the candidate has current and relevant business experience that would enable the candidate to serve as a genuine strategic asset;
- Independence from management;
- Age, gender and ethnic background;
- Educational and professional background;
- Judgment, skills, integrity and reputation;
- Existing commitments to other businesses and other boards;
- Potential conflicts of interest with other pursuits;
- Legal considerations such as antitrust issues;
- Corporate governance background, to enable the committee to determine whether the candidate would be suitable for Nominating and Corporate Governance Committee membership;
- Financial and accounting background, to enable the committee to determine whether the candidate would be suitable for Audit Committee membership;
- Executive compensation background, to enable the committee to determine whether the candidate would be suitable for Compensation Committee membership;
- The needs of the Board and the Company with respect to the particular talents, experience and diversity of its directors; and
- The size and composition of the existing Board.

Before nominating a sitting director for re-election at an annual meeting, the Nominating and Corporate Governance Committee will consider:

- The director's performance on the Board; and
- Whether the director's re-election would be consistent with the Company's Corporate Governance Guidelines.

The Nominating and Corporate Governance Committee will also consider qualified candidates for director suggested by stockholders applying the criteria for candidates described above and considering the additional information referred to below. Stockholders wishing to suggest a qualified candidate for review and consideration by the Nominating and Corporate Governance Committee should write to the Company's Corporate Secretary and include the following information:

- A statement that the writer is a stockholder and is proposing a candidate for consideration by the Nominating and Corporate Governance Committee;
- The name of and contact information for the proposed candidate;
- A statement of the proposed candidate's business and educational experience;
- Information regarding each of the director evaluation criteria established from time to time by the Nominating and Corporate Governance Committee and disclosed in the Company's most recent Annual Proxy Statements sufficient to enable the Nominating and Corporate Governance Committee to evaluate the proposed candidate;
- A statement detailing any relationship between the proposed candidate and any customer, supplier or competitor of DTS;
- Detailed information about any relationship or understanding between the proposing stockholder and its affiliates and associates, on the one hand, and the proposed candidate, on the other hand;
- A statement as to whether the proposed candidate meets the director independence criteria established by The NASDAQ Stock Market or such other principal stock exchange or quotation service on which the Company's securities are listed or quoted; and
- A statement that the proposed candidate is willing to be considered and willing to serve as a director if nominated and elected.

After conducting an initial evaluation of a stockholder proposed candidate, the Nominating and Corporate Governance Committee and appropriate members of the Company's senior management team will interview that proposed candidate if it believes the candidate might be suitable to be a director. If the Nominating and Corporate Governance Committee believes a proposed candidate would be a valuable addition to the Board, it will recommend to the full Board that proposed candidate's election.

IX. TERMINATION OF BOARD MEMBERSHIP

The Board seeks to create added value for the Company and its stockholders by recruiting its directors to satisfy specific strategic needs such that the Board serves as a strategic asset for the Company. If these needs change over time, through the phases of corporate growth as well as the dynamics of the marketplace and economy, then new directors with the needed skill sets will be sought. New directors are needed periodically to ensure that the Board's composition and its base of domain, management and governance knowledge, skills, experience and contacts are current, active, and relevant to support and guide the Company's strategy in the near to midterm.

In order to replenish the Board with fresh perspectives, the maximum Board tenure shall be 9 years; provided, that a director need not resign from the Board as a result of this tenure limitation until the expiration of his or her then current term.

A director may not stand for re-election after age 70, and will resign from the Board immediately prior to the first annual meeting of the Company's stockholders held following the date on which he or she turns 70.

Exceptions to the term and age limitations can be considered by the Board in those situations where losing the contributions of a specific director would be detrimental to the Company's business and operations.

In connection with each director nomination recommendation, the Nominating and Corporate Governance Committee will consider the issue of continuing director tenure and take appropriate steps to ensure that the Board maintains an openness to new ideas and a willingness to critically re-examine the status quo. An individual director's re-nomination is dependent upon such director's performance as evaluated by the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee will conduct a suitability review near the end of each director's three-year term.

In order to retain freshness in the process and to give new management the unfettered ability to provide new leadership, each officer of the Company who serves on the Board will, unless otherwise specifically requested by the Board, submit his or her resignation to the Board at the time such officer ceases to be a member of the Company's senior management team. The remaining Board members shall determine whether to accept such resignation.

Non-employee directors who experience significant change in their professional circumstances, including a change in their principal job responsibilities, must notify the Nominating and Corporate Governance Committee of any such change. Upon being notified of any such change, the Nominating and Corporate Governance Committee will review the appropriateness of continued Board membership under the circumstances and the affected director will be expected to act in accordance with the Nominating and Corporate Governance Committee's recommendation, including by offering his or her resignation from the Board. Any director who wishes to resign or retire or refuses to stand for re-election to the Board must notify the Company through written notice submitted to the Corporate Secretary of the Company or otherwise provide notice in accordance with the Amended and Restated Bylaws of the Company.

X. EVALUATION OF THE CHIEF EXECUTIVE OFFICER

The selection and evaluation of the Chief Executive Officer and concurrence with the Chief Executive Officer's selection and evaluation of the Company's senior management team is amongst the most important functions of the Board. In its broader sense, "selection and evaluation" includes considering compensation, planning for succession and, when appropriate, replacing the Chief Executive Officer or other members of the Company's senior management team.

The Compensation Committee reviews at least annually the performance of the Chief Executive Officer. The Chief Executive Officer will be expected to report annually to the Compensation Committee on his or her goals and objectives for the ensuing year, and also to report annually on the level of achievement of the preceding year's goals and objectives. All Board members shall be invited to attend that portion of those particular Compensation Committee meetings, and all shall have the opportunity to participate in any appropriate follow-up meetings or discussions.

Thereafter, the Compensation Committee shall meet in executive session to review the Chief Executive Officer's performance. The results of the review and evaluation shall be communicated to the Chief Executive Officer by the Chair of the Board or, if the Chair of the Board is also the Chief Executive Officer, by the Lead Independent Director (if one has been designated), and the Chair of the Compensation Committee.

XI. BOARD AND DIRECTOR EVALUATIONS

The Board will engage in an annual self-evaluation of its performance as a collective body. In addition, annually, each director will undertake an evaluation of all other directors, as well as a

self-evaluation. The entire evaluation process will be administered and reviewed by the Nominating and Corporate Governance Committee.

XII. BOARD MEMBER COMMITMENT

We recognize that Board members may benefit from service on the board of other companies. We encourage that service but also believe it is critical that directors have the opportunity to dedicate sufficient time to their service on the Company's Board. To that end, the Chief Executive Officer and any other director who is a company employee shall serve on no more than two public-company boards in addition to the Company's Board. It is recommended that non-employee directors serve on no more than two public-company boards in addition to the Company's Board.

A director seeking to serve on another Board should notify the Chair of the Board in advance of accepting such service and should defer final acceptance of such a position until advised by the Chair of the Board or the Company's legal counsel that such service does not present legal or other serious conflicts for the Company. Each director is expected to ensure that other existing and planned future commitments do not conflict with or materially interfere with the director's service on the Board. Directors are expected to avoid any action, position or interest that conflicts with an interest of the Company, or gives the appearance of a conflict.

XIII. EXECUTIVE SESSIONS

The independent directors will meet in an executive session periodically as circumstances warrant, but at least twice per year, in conjunction with regularly scheduled Board meetings.

XIV. STOCKHOLDER COMMUNICATIONS WITH DIRECTORS AND MANAGEMENT

Any stockholder who desires to contact any member of the Board or DTS management can write to:

DTS, Inc.
Attn: Stockholder Relations
5220 Las Virgenes Road
Calabasas, CA 91302

Stockholders should indicate that they are a DTS stockholder. Depending on the subject matter, stockholder relations personnel will:

- Forward the communication to the director or directors to whom it is addressed;
- Forward the communication to the appropriate management personnel;
- Attempt to handle the inquiry directly, for example where it is a request for information about the Company, or it is a stock-related matter; or
- Not forward the communication if it is primarily commercial in nature or if it relates to an improper or irrelevant topic.

XV. EXECUTIVE SUCCESSION PLANNING

The Board deems as one of its most critical functions the selection of a Chief Executive Officer and other key senior executives that fit the Company's current culture, understand its business strategy and inspire others to follow their lead. To that end, the Board shall plan for the succession of the Chief Executive Officer and other key senior executives in the event of an emergency or the retirement of such executives.

XVI. CODES OF ETHICS AND CONDUCT

The Audit Committee shall cause to be prepared and recommend to the Board the adoption of appropriate codes of ethics and/or conduct and review and recommend changes from time to time.

XVII. STOCK OWNERSHIP GUIDELINES

The Compensation Committee shall cause to be prepared and recommend to the Board the adoption of guidelines for the ownership of Company common stock for our Chief Executive Officer and non-employee directors.

XVIII. IMPLEMENTATION AND EVALUATION OF THESE GUIDELINES

Implementation and periodic evaluation and, as appropriate, alteration of these Guidelines shall be the responsibility of the Nominating and Corporate Governance Committee, working in coordination with the Chair of the Board and the Company's Chief Executive Officer. If the Chair of the Board is also the Chief Executive Officer, then the Nominating and Corporate Governance Committee shall also work in coordination with the Lead Independent Director (if one has been designated).

ATTACHMENT A

NASDAQ Marketplace Rule 5605. Board of Directors and Committees (a) Definitions

(1) "Executive Officer" means those officers covered in Rule 16a-1(f) under the Act.

(2) "Independent Director" means a person other than an Executive Officer or employee of the Company or any other individual having a relationship which, in the opinion of the Company's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. For purposes of this rule, "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. The following persons shall not be considered independent:

(A) a director who is, or at any time during the past three years was, employed by the Company;

(B) a director who accepted or who has a Family Member who 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:

(i) compensation for board or board committee service;

(ii) compensation paid to a Family Member who is an employee (other than an Executive Officer) of the Company; or

(iii) benefits under a tax-qualified retirement plan, or non-discretionary compensation.

Provided, however, that in addition to the requirements contained in this paragraph (B), audit committee members are also subject to additional, more stringent requirements under Rule 5605(c)(2).

(C) a director who 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;

(D) a director who 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:

(i) payments arising solely from investments in the Company's securities; or

(ii) payments under non-discretionary charitable contribution matching programs.

(E) a director of the Company who 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 serve on the compensation committee of such other entity; or

(F) a director who 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.

(G) in the case of an investment company, in lieu of paragraphs (A)-(F), a director who is an "interested person" of the Company as defined in Section 2(a)(19) of the Investment Company Act of 1940, other than in his or her capacity as a member of the board of directors or any board committee.

The Rule's reference to the "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 Commission (but not if the Company reflects such entity solely as an investment in its financial statements). The reference to Executive Officer means those officers covered in Rule 16a-1(f) under the Act. In the context of the definition of Family Member under Rule 5605(a)(2), the reference to marriage is intended to capture relationships specified in the Rule (parents, children and siblings) that arise as a result of marriage, such as "in-law" relationships.

The three year look-back periods referenced in paragraphs (A), (C), (E) and (F) of the Rule commence on the date the relationship ceases. For example, a director employed by the Company is not independent until three years after such employment terminates.