
CORPORATE GOVERNANCE GUIDELINES

AS AMENDED ON SEPTEMBER 24, 2010

The following corporate governance guidelines (the “Guidelines”) have been approved by the Board of Directors (the “Board”) of SRS Labs, Inc. (the “Company”), and together with the charters of the Board committees, provide the framework for the governance of the Company. While they should be interpreted in the context of all applicable laws, regulations and listing requirements of the Nasdaq Stock Market, as well as in the context of the Company’s Certificate of Incorporation and Bylaws, as the same may be amended or restated from time to time, they are not, subject to any contractual or other commitments of the Company, intended to establish by their own force any legally binding obligations.

The Board recognizes that the public discussion of corporate governance is on-going and evolving in a changing regulatory and judicial environment. Accordingly, it will review these guidelines and other aspects of the Company’s governance annually or more often if deemed necessary or appropriate.

Role of the Board and Management

The Company’s business is conducted by its employees and officers under the direction of the chief executive officer (the “CEO”) and the oversight of the Board to enhance long-term corporate profitability and to protect and enhance shareholder value. Both the Board and management recognize that the long-term interests of the shareholders are advanced by responsibly considering the concerns of the other stakeholders and interested parties of the Company including employees, customers, suppliers, creditors, local communities and the public at large. The Board expects the Company’s directors, as well as officers and employees, to act ethically at all times and to acknowledge their adherence to the policies comprising the Company’s Code of Business Conduct and Ethics.

Functions of the Board

Among the responsibilities of the Board, which are discharged by the Board as a whole or through Board committees established by the Board, are:

- Providing general oversight of the Company and delegating to management the operation of the Company;
- Reviewing, approving and monitoring the Company’s business and financial plans and strategies;
- Selecting, evaluating, compensating and, when necessary, replacing the CEO and other senior management;
- Aligning executive compensation with shareholder value;
- Assessing the major risks facing the Company and reviewing options to mitigate the risks;
- Reviewing and approving the Company’s financing plans and capital budget;
- Reviewing and approving significant transactions, including debt and equity financings and significant reorganizations, acquisitions and dispositions;
- Approving and overseeing the succession plan for the CEO and the other senior management; and

- Ensuring that processes are in place for maintaining (a) the integrity of the Company; the integrity of the financial statements and other financial reports; (b) compliance with laws and regulations and the integrity of the Company's relationships with employees, customers, suppliers and other stakeholders.

Strategic Oversight

1. Board's Role in Strategy. The Board is constructively engaged with management to ensure the appropriate development, execution and modification of the Company's vision and strategy.

2. Strategic Planning Meetings. As part of the annual calendar of scheduled meetings of the Board, the Chairman of the Board will schedule and develop the agenda for at least one strategic planning meeting of the Board devoted to a review and update of the Company's vision or mission statement of the Company, the strategy to pursue the Company's vision and the actions necessary to implement the strategy. If the Chairman does not qualify as an independent director, the Chairman of the Board and the Lead Director (hereinafter defined under the heading "Board Meetings, Selection and Duties of a Lead Director") will schedule and develop the agenda for the strategic planning meetings. These meetings should commence at least three months prior to the end of the Company's fiscal year. As a result of this process, the CEO will propose for the Board's approval the Company's business vision and strategy.

3. Financial Planning Meetings. In addition to the Strategic Planning Meetings, and as part of the annual calendar of scheduled meetings of the Board, the Chairman of the Board will schedule and develop the agenda for at least one meeting to discuss the annual financial plan for the following year. If the Chairman does not qualify as an independent director, the Chairman and the Lead Director will schedule and develop the agenda for such meeting(s) to discuss the annual financial plan. The meeting(s) to develop an annual financial plan will be scheduled after sufficient work has been accomplished with respect to the above-referenced strategic plan. As a result of this process, the CEO will propose for the Board's approval the Company's financial plan for the following year.

4. Monitoring the Execution, Results and Adjustment of the Strategy. Management periodically updates the Board on the attainment of strategic and financial goals and the changes in the external environment. The Board monitors execution of the strategy, results and any adjustment of the strategy in light of the changes in the external environment.

5. Risk Oversight. The Board is responsible for risk oversight, but certain areas are delegated to relevant Board committees. The committees report to the entire Board, and the full Board regularly reviews reports from management and the committees on various aspects of the Company's business as it relates to risk and strategies for addressing those risks.

- The Audit Committee has oversight responsibilities regarding financial risks, including risks related to the Company's financial statements and auditing, accounting and related reporting processes, and systems of internal controls regarding finance, accounting, financial reporting and business practices.
- The Compensation Committee oversees risks relating to the Company's compensation policies and practices, including those relating to executive officer and director compensation as well as incentive, equity-based, and other compensatory plans in general.
- The Nomination and Corporate Governance Committee oversees risks related to the leadership structure of the Board and corporate governance of the Company. This includes risks related to the Nomination and Corporate Governance Committee's process for nominating directors, the functioning and effectiveness of the Board, the performance of the CEO, and the Company and CEO's development plans for senior management.

Board Composition and Director Qualifications

1. Size. The number of directors that constitutes the Board is fixed from time to time by a resolution adopted by a majority of the Board, provided that there are at least 5 directors. The Board believes that the board should be large

enough to allow for diversity of experience and perspectives, without being so large as to impede board discussion or effectiveness. Currently, the Board is composed of 5 members, divided into three classes.

2. Independence. The majority of the Company's directors are required to qualify as independent directors in accordance with the rules of the Nasdaq Stock Market, Inc. ("Nasdaq"). At least annually, the Board will review the application of the independence criteria to each director designated as an independent director to make sure that the director continues to qualify as independent.

3. Selection of Directors. At each annual meeting of shareholders, the successors of the class of directors whose term expires at that meeting shall be elected by the shareholders. The Board proposes a slate of nominees to the shareholders for election to the Board after receiving a report and recommendation from the Nomination and Corporate Governance Committee. The Company's Bylaws and the SEC's proxy access rules also set forth procedures relating to the nomination of directors at the annual meeting and no person will be eligible for election as a director unless nominated in accordance with such provisions. Between annual shareholder meetings, the Board may elect directors to fill vacancies on the Board or to elect a person(s) to fill newly created directorship(s) resulting from any increase in the number of directors. The Nomination and Corporate Governance Committee is responsible for screening and recommending candidates for consideration by the Board. The invitation to join the Board shall be extended by the entire Board. Shareholders may propose director nominees for consideration by the Nomination and Corporate Governance Committee by submitting the name and the supporting information to: Secretary, SRS Labs, Inc., 2909 Daimler Street, Santa Ana, California 92705.

4. Qualifications. Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the shareholders. The Company endeavors to have a Board comprised of experienced and dedicated individuals with diverse backgrounds, perspectives and skills. Among the factors that the Nomination and Corporate Governance Committee and the Board will take into account in recommending and selecting Board candidates are the prospective candidate's character, judgment, business experience or professional background, knowledge of the Company's business, technical skills, community involvement and availability and commitment to carrying out his or her responsibilities as a director, as well as such other qualifications as may be requested by the Nomination and Corporate Governance Committee from time to time. Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serve on the Board for an extended period of time. Directors should offer their resignation in the event of any significant change in their personal circumstances that would materially impact their ability to perform their duties as a director, such as a change in their principal job responsibilities. The Company does not limit the number of public company boards on which members of the Board are permitted to serve; however, all directors are required to advise the Chairman of the Board in advance of accepting an invitation to serve on the Board of another public company and are expected not to accept the invitation if it would materially interfere with the director's responsibilities as a member of the Board.

5. Term Limits. The Company does not have term limits for its directors and does not believe that directors should expect to be renominated when their term expires. The Board self-evaluation process coordinated by the Nomination and Corporate Governance Committee, described below, will be an important consideration for Board tenure. As a general rule, directors will not be nominated for election to the Board after their 70th birthday; however, the full Board may nominate candidates 70 years old and over for special circumstances.

Board Committees

1. Establishment of Committees. While the general policy of the Company is that the Board as a whole is responsible for all major decisions, business circumstances or legal requirements make it necessary or desirable to carry out certain Board responsibilities through committees. The Board has established the following three standing committees:

- Audit Committee;
- Compensation Committee; and
- Nomination and Corporate Governance Committee.

The Board may, from time to time, establish any other standing or special committees that it determines are necessary or desirable to carry out its responsibilities, and subsequently may disband any committee so established.

2. Independence of Committee Members. The members of each committee, and the committee chairman, are appointed annually by the Board in consultation with the Nomination and Corporate Governance Committee. Each of the members of the three standing committees is required to qualify as an independent director in accordance with the criteria established by the Nasdaq Stock Market and to meet any other requirements imposed by law.

3. Committee Charters. Each of the standing committees has a charter that is approved by the Board. The charter sets forth the duties and responsibilities of the committee, including those duties and responsibilities imposed by applicable regulatory requirements and Nasdaq. At least annually, the Board will review the adequacy of the charters of each standing committee of the Board and make changes as deemed necessary.

Board Meetings

1. Frequency and Attendance and Subject Matter. Board and committee meetings are held with such frequency as the business of the Company requires. It is the current practice of the Company to hold not less than four regular meetings, two strategic planning meetings and at least one meeting to discuss the annual financial plan every year. Special meetings, including meetings held by telephone conference call, may be held between regular meetings as circumstances may require. The Chairman of the Board sets for the Board and the chair of each committee sets for each respective committee, the annual calendar of Board or committee meetings throughout the year. If the Chairman does not qualify as an independent director, the Chairman and the Lead Director shall set for the Board the annual calendar of Board meetings. A report of all actions taken by each committee is presented at the next regular Board meeting, and the minutes of all committee meetings are circulated to the entire Board.

2. Attendance. Each director is expected to attend in person all regularly scheduled meetings and special meetings of the Board and of each committee on which the director serves, and to spend the time necessary to prepare for meetings. Telephonic participation in Board meetings is permitted.

3. Agenda. The Chairman and CEO are responsible for establishing and circulating the agenda for each Board meeting. If the Chairman does not qualify as an independent director, then the Chairman, the Lead Director and the CEO will be responsible for establishing and circulating the agenda for each Board meeting. Directors are urged to make suggestions for agenda items, or pre-meeting materials, to the Chairman, the Lead Director or the CEO, or appropriate committee chair at any time. Any director, or any member of a committee, as the case may be, may add a matter to the agenda of any Board meeting, or committee meeting, respectively, any matter that the director reasonably believes should be on such agenda. The Chairman of the Board prepares annually for the Board, and the chair of each committee prepares annually for the respective committees, a list of regular items to be on the board agenda or the respective committee agenda throughout the year, designating the meeting at which they will be addressed. If the Chairman does not qualify as an independent director, then the Chairman and the Lead Director will prepare annually the list of regular items to be on the board agenda throughout the year, designating the meeting at which they will be addressed. Special items are placed on the agenda throughout the year as required or needed. The Chairman, the Lead Director and the CEO or committee chair, as appropriate, shall determine the nature and extent of information that is to be provided regularly to the directors before each scheduled board or committee meeting.

4. Advance Review of Meeting Materials. Background materials relating to matters to be considered at a Board or committee meeting will be circulated to directors by the Chairman of the Board or the committee, as appropriate, at least two business days in advance of the meeting, or as much notice as reasonably practicable. Directors are expected to review these materials in advance of the meeting. In situations where the subject matter is time-sensitive or highly confidential, the Chairman may elect to communicate information in advance of the meeting by telephone.

5. Board Presentations by Management. The Board encourages the participation of management officials, in addition to the CEO, in Board meetings for the purpose of (a) making presentations; (b) responding to director questions; (c) providing information on matters within their areas of expertise; and (d) allowing them to gain Board exposure.

6. Meetings of Independent Directors. The Company's independent directors meet regularly without the presence of any of the management directors for the consideration of any matters concerning the Company that they deem appropriate. These meetings are presided over by the Chairman of the Board or, if the Chairman does not qualify as an independent director, by the Lead Director. Any independent director may request a meeting of the independent directors by contacting the Chairman of the Board or, if the Chairman does not qualify as an independent director, the Lead Director. Formal decisions concerning the business and affairs of the Company occur only at regular or special meetings of the Board.

7. Selection of Chairman. The Board shall select one of its members as Chairman.

8. Selection and Duties of a Lead Director. If the Chairman of the Board does not qualify as an independent director, the independent directors of the Board shall select one of the independent directors to be the "Lead Director." Such selection shall be ratified by the Board of Directors. The Lead Director shall have the following duties and responsibilities: (a) acting as Chair of the meetings of the independent directors; (b) serving as a conduit of information between the independent directors and the Chairman of the Board, the CEO and other members of management; (c) together with the Chairman of the Board, scheduling and developing the agenda for at least two strategic planning meetings of the Board and at least one meeting to develop the annual financial plan; (d) together with the Chairman of the Board, setting the annual calendar of Board meetings throughout the year, preparing the list of regular items to be included in board agendas throughout the year and establishing and circulating the board agendas for each Board meeting; and (e) such other responsibilities and duties as the Board of Directors shall designate.

Board Compensation

1. Compensation Standards. The Board as a whole is responsible for approving all compensation arrangements for directors. The Board believes that, in order to attract experienced directors of a high caliber, the compensation paid to non-employee directors should be comparable to that paid by competing companies of a similar size. To align director compensation with corporate performance, a portion of a director's compensation should be paid in Company stock or options to acquire Company stock. A director who is an employee of the Company or one of its subsidiaries is not entitled to receive any additional compensation for services as a director.

2. Periodic Compensation Review. The Compensation Committee is responsible for periodically conducting a review of non-employee director compensation and reporting its evaluation and any recommended changes to the Board.

3. Charitable Contributions. Any charitable contribution made by the Company on behalf of any director or to any organization with which a director is affiliated must be approved in advance by the Board.

Board Relationship to Senior Management

1. Chief Executive Officer Evaluation. The Compensation Committee, with the assistance of the other independent directors of the Board, reviews the performance of the CEO at least annually. The evaluation is based on objective and subjective criteria, including the business and financial performance of the business, the establishment and accomplishment of strategic objectives, vision and leadership and the development of management. The CEO makes an annual report (or more frequent report if circumstances dictate) on his job performance to the Compensation Committee at a meeting which the other independent members of the Board are asked to attend.

2. Chairman of the Board Evaluation. The Compensation Committee, with the assistance of the other independent directors, reviews the performance of the Chairman at least annually. When the CEO is also the Chairman, the CEO/Chairman will be evaluated in performance separately for each of these two roles.

3. Management Succession. The Nomination and Corporate Governance Committee oversees the development of executive succession plans. The CEO makes an annual report (or more frequent report if circumstances dictate) to the Nomination and Corporate Governance Committee at a meeting which the other independent members of the Board are asked to attend on the development and succession planning of the Company's senior management. During this meeting(s), the independent directors and the CEO shall discuss the prospect of at least one individual who could assume the CEO position if the CEO unexpectedly should be unavailable for service. The Board shall approve and maintain a succession plan for the CEO and senior management.

4. Compensation of the CEO and Other Senior Executives. Based on the annual performance review of the CEO, the Compensation Committee recommends to the full Board for determination the compensation, including incentive pay, of the CEO and the Board determines such compensation by a vote which shall include the affirmative vote of a majority of the independent directors of the Company. With respect to the other senior officers of the Company, based upon their annual reviews, the Compensation Committee reviews and approves the compensation, including incentive pay, for the Company's other senior officers. If the CEO is also the Chairman, he will be evaluated in performance separately for each of these two roles.

5. Board and Management Responsibilities for Communication with Company Constituencies and the Public. The Board believes that the Company's management speaks for the Company. Accordingly, all discussions with and communications to the press, business partners, shareholders and the general public relating to the Company made by the management and all inquiries made to individual directors should be referred to the CEO or other appropriate company officer. If requested by the CEO, an individual Board member may meet or communicate with any of the Company's constituencies or the public.

Board Access to Senior Management and Advisors

Each non-employee director has full access to management of the Company. Directors are expected to exercise their best judgment to ensure that such contacts are not disruptive of the business operations of the Company and, to the extent appropriate, to either arrange for such contacts and access through the CEO, or notify the CEO in advance of such efforts.

The Board and its committees each shall have the authority at any time to hire, at the expense of the Company, outside consultants and advisors, including legal and accounting advisors, to assist it in the discharge of its duties. In such cases, the Chairman of the Board or the Chairman of the respective committee engaging such consultant(s) or advisor(s) shall notify the Chief Executive Officer of the Company of such engagement.

Shareholder Communications with the Board

The Board provides a process for stockholders to send communications to the Board or any of the directors. Stockholders may send written communications to the Board or any of the directors care of the Secretary of the Company, SRS Labs, Inc., 2909 Daimler Street, Santa Ana, California 92705. All communications will be compiled by the Secretary of the Company and submitted to the Board or the individual directors on a periodic basis. Each director is expected to attend in person all annual and special meetings of the shareholders.

Ethics and Conflicts of Interest

The Board expects the Company's directors, as well as officers and employees, to act ethically at all times and to acknowledge their adherence to the policies comprising the Company's Code of Business Conduct and Ethics. If an actual or potential conflict of interest arises for a director, the director shall promptly inform the CEO and the Chairman of the Nomination and Corporate Governance Committee. 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 the CEO, a director or an officer of the Company. The CEO shall resolve any conflict of interest issue involving any other employee of the Company.

Performance Review of the Board and the Committees of the Board

1. Review of Board Effectiveness. Following the end of each fiscal year, the Nomination and Corporate Governance Committee coordinates a process of self-assessment by all members of the Board on the performance of the Board during the preceding year and reports to the Board the findings and recommendations to improve Board effectiveness. This evaluation includes a review of the delineation of Board and management powers and the effectiveness of the interaction between the Board and management.

2. Review of Committee Effectiveness. The Nomination and Corporate Governance Committee reviews the committee structure and the membership of each committee at least annually and makes recommendations on any changes that it believes are appropriate. In addition, following the end of each fiscal year, the Board, based on criteria and procedures developed by the Nomination and Corporate Governance Committee, coordinates a process of self-assessment by members of each standing Board committee on the performance of the committee during the preceding year and reports to the Board the findings and any recommendations to improve committee effectiveness.

Director Orientation and Continuing Education

The CEO shall be responsible for ensuring that an effective orientation for new directors occurs within the first six months of their election to the Board. Such orientation shall include personal briefings by senior management relating to the Company's strategic plans, its financial statements and its key policies and procedures, including the

Company's Code of Business Conduct and Ethics. In addition, from time to time, the Company will provide materials and arrange briefing sessions for all directors that address business, legal and other matters of importance that would assist them in discharging their duties. The Company also supports attendance of its directors at continuing education conferences for directors of public companies.