



INVESTMENT LETTER

DECODING **DOLBY LABORATORIES, INC.** (NYSE:DLB)



*Our Motto: To write investment letters that are readable,
without soporific jargon, but with pertinent facts not easily
obtained in the ordinary course of research.*

March 24, 2010

I have one of those vehicles that you often see lined up outside Petty's Fine Foods in Utica Square in Tulsa. It is a species of **Land Rover** belonging to a car genus called SUV, for Sports Utility Vehicle. I use the car neither for sports nor for any utilitarian purpose, except to drive to and from my office, the St. John Health Club, my condominium, and Utica Square, all destinations close enough for walking.

But I rarely walk, except from my home to Utica Square, and often I drive there. I could walk, and save gas money and wear and tear on my utility vehicle, but why do that when I could sit in my car and listen to my stereo system, with sounds produced by **Dolby Pro Logic**, a technology owned by **Dolby Laboratories, Inc.**?

After all, I am a suppie (senior urban professional) who likes many of the same indulgences as the yuppies (young urban professionals) do. We like big comfortable cars and a good expensive meal once or twice a week, but the difference is that we probably use cash, or at least I do, to pay for these pleasures, whereas a yuppie will pay for such enjoyments with a credit card. Both groups, however, have one thing in common: we pursue the enjoyment of tangibles and intangibles, and listening to **Dolby Pro Logic** is one of those intangibles.

Dolby Pro Logic is a matrix surround decoding technology that detects the naturally occurring direction of a sound. **Dolby Pro Logic** delivers the surround sound cues in two channel audio content and transforms the content into five playback channels of full bandwidth surround sound.

I wonder sometimes, as I drive the short distances that comprise my daily routine, whether I turn on the ignition in my SUV because I need the car to get to some place, or whether I turn on the ignition so I can listen to the beautifully crafted **Dolby** presentation of music, music with the important sounds highlighted or dramatized just as a skilled chef emphasizes certain ingredients in a dish prepared to highlight his skills, a dish that restaurants sometimes, surrendering to cliché or soporific jargon, call their signature dish. I cannot answer the question, but I do know, as is true of many people, that I understand the powerful effect music can have on my mood, my discipline, and my energy.

Music, or whatever you want to call the sounds that our ears and our brain either find attractive, compelling, relaxing, seductive, and inspiring or unpleasant, noxious, and tiring, is inescapable. We can close our eyes, but we cannot turn off our ears, especially if you dine out often, as I do.

*The writer experiments with **Chipotle Mexican Grill** (NYSE: CMG). He finds the music loud, but the food tasty. He eats fast, obediently deposits the detritus of his tray into one of the conveniently placed garbage cans, and walks vigorously to the exit,*



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hoping to quickly get into his Land Rover equipped with Dolby Pro Logic so that he can enjoy classical music and forget the musically punishing experience he has just suffered at Chipotle Mexican Grill.

The other Saturday, I decided to try the new **Chipotle Mexican Grill** located at 1623 East 15th Street South in Tulsa. My friend insisted that I get out of my **Moo Goo Gai Pan** rut and try a new place to eat. I love the **Moo Goo Gai Pan** dish at P.F. Chang's China Bistro in Utica Square in Tulsa where I frequently dine. I order the dish often, and ask the server to have the kitchen put extra broccoli in the dish. With extra broccoli, the dish is called **Moo Goo Gai Pan Fred**.

For the sake of friendship, in the spirit of compromise, I was willing to try **Chipotle**. I was told that the ingredients at **Chipotle** were fresh and that the meat was organic, that is, the cows and the pigs who gave their lives so that I could enjoy a tasty lunch had been allowed to roam around the fields, not confined in small spaces. These animals had not been injected with hormones to speed their growth and maturity and had not been fed the antibiotics necessary for animals raised in cramped quarters.

I felt as good as I could about eating the meat of animals raised for our benefit, animals subject to an inevitably unpleasant, tough death, a death that I hoped would be mercifully quick. The more I think about animals and meat consumption the more I am inclined to change to a vegan diet, one without meat and animal products, such as milk. My friend, **Dan Burnstein**, is a vegan and he is in excellent health. My problem is that I like a good steak, and I do not want to make promises to myself that I cannot keep.

So I was at least receptive, if not eager, to experience **Chipotle**. We opened the door. I did not notice any food aroma, but I did notice loud, pulsating music, with the strength of the music reinforced by the tall ceilings, and the absence of any kind of carpets or rugs. The tables were aluminum, the chairs were aluminum, and the counters were aluminum. Not surprisingly, with the music cranked up loud, the sound or noise level was overwhelming. The food was tasty but because of the strength and pace of the music it was impossible to eat slowly and to enjoy the food as much as might have been possible had the ambience of the restaurant been more calming, conducive to conversation and contemplation. The music is set to create energy, but more cynically, to speed up the diner's eating pace. **Chipotle** is, after all, a fast-food chain, and it lives or dies with the speed of its table turnover.

The conversation was good and the guacamole (on the ticket guacamole was abbreviated to "guac") may have put me over my daily calorie limit, but it sure tasted fabulous. My conclusion: **Chipotle** could be a rare occasional treat for me if I did take-out, recognizing that the music was too loud for restaurant dining.

After lunch, safe in the sanctuary of my car, with the music on, inspiring, energizing, but calming, I thought about **Dolby** and the powerful brand name it has created for itself.

BUSINESS SUMMARY **DOLBY LABORATORIES, INC. (NYSE: DLB)**

Dolby's business, one could say, is the refinement of music and sound for entertainment purposes.

Our Business

Dolby is a global organization that generates revenue by licensing our technologies to manufacturers of consumer electronics products and media software vendors and by selling our professional products and related services to entertainment content creators, producers and distributors. We have licensed our technologies to manufacturers in approximately 25 countries, and our licensees

To read the full Investment Letter, please email us at contact@ferimc.com or call (918) 743-5959. You could also fill out your contact information at <http://www.ferimc.com/contact.html>, we will contact you as soon as possible.