Parametric Sound Corporation
Notes to Interim Condensed Consolidated Financial Statements
(unaudited)
December 31, 2013 (prior to the Merger with Turtle Beach)

Options of Subsidiary

In February 2013, HHI adopted an equity incentive plan under which it could grant options to purchase up to 250 shares of its common stock to HHI employees, directors and consultants ("HHI Stock Plan"). In February and March 2013, HHI granted to consultants and employees options, with a five year term, to purchase 140 shares of HHI common stock at an exercise price of $1,000 per share including an option to purchase 50 shares of HHI common stock granted to the Company's then Executive Chairman. These option grants were subject to a combination of performance and time-based vesting, and also contained certain anti-dilution adjustment rights, as well as repurchase rights and first refusal rights in favor of HHI. In August 2013, in connection with the proposed Merger, options on 100 shares (including the 50 shares held by the Company's former Executive Chairman) were amended to narrow certain performance vesting conditions and provided that the options on such 100 shares would terminate upon the closing of the Merger which was consummated on January 15, 2014. At December 31, 2013 options to purchase 17.50 shares issued to consultants had vested and were exercisable.

The Company used the Black-Scholes option-pricing model to determine the estimated fair value of each option while outstanding using a weighted average volatility of 72%, a weighted average risk-free interest rate of 0.68%, and expected terms of 5 years. The Company recorded $3,018 as option expense related to the HHI options for the three months ended December 31, 2013 that is included in the consolidated share-based compensation expenses summarized above.

For additional information with respect to HHI, see Note 12 – "Subsequent Events".

8. Stockholders' Equity

Summary

The following table summarizes stockholders' equity activity for the three months ended December 31, 2013:

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
Balance at September 30, 2013	6,835,321	$ 6,835	$ 17,383,196	$ (14,303,015)	$ 3,087,016
Sales of common shares at $14.00 per share, net of issuance costs of $20,668	364,286	364	5,078,972	–	5,079,336
Common shares issued upon exercise of stock options for cash	29,500	30	91,320	–	91,350
Common shares issued upon cashless exercise of warrants	39,515	40	(40)	–	–
Share-based compensation expense	–	–	512,350	–	512,350
Net loss for the period	–	–	–	(2,754,310)	(2,754,310)
Balance at December 31, 2013	7,268,622	$ 7,269	$ 23,065,798	$ (17,057,325)	$ 6,015,742

In November 2013 the Company obtained net proceeds of $5,079,336 from the registered direct sale of 364,286 shares of common stock pursuant to the Company's "shelf" registration statement.

Parametric Sound Corporation
Notes to Interim Condensed Consolidated Financial Statements
(unaudited)
December 31, 2013 (prior to the Merger with Turtle Beach)

Stock Purchase Warrants

The following table summarizes information on warrant activity during the three months ended December 31, 2013:

	Number	Average Purchase Price Per Share
Shares purchasable under outstanding warrants at October 1, 2013	137,345	$5.45
Stock purchase warrants issued	—	—
Stock purchase warrants exercised	(66,471)	$5.63
Shares purchasable under outstanding warrants at December 31, 2013	70,874	$5.28

During the three months ended December 31, 2013, a total of 66,471 warrants were converted pursuant to cashless net exercise features, resulting in the issuance of 39,515 shares of common stock.

At December 31, 2013 the Company had the following share warrants outstanding exercisable for 70,874 shares of common stock at an average exercise price of $5.28 per share:

Description	Number of Common Shares	Exercise Price Per Share	Expiration Date
Stock Purchase Warrants (1)	20,000	$3.75	February 22, 2016
Stock Purchase Warrants	46,674	$5.625	March 21, 2017
Stock Purchase Warrants	4,200	$8.720	June 30, 2018

(1) warrants held by an entity affiliated with the Company's former Chief Financial Officer, Treasurer and Secretary, James A. Barnes.

Subsequent to December 31, 2013, a total of 18,774 warrants exercisable at $5.625 per common share were converted pursuant to a cashless net exercise feature resulting in the issuance of 11,725 shares of common stock.

9. Commitments and Contingencies

Bank and Other Cash Equivalent Deposits in Excess of FDIC Insurance Limits

The Company maintains cash and cash equivalent accounts with Federal Deposit Insurance Corporation ("FDIC") insured financial institutions. Certain of the Company's accounts are insured up to $250,000 by the FDIC. The Company's exposure for amounts in excess of FDIC insured limits at December 31, 2013 was approximately $4.4 million. The Company has not experienced any losses in such accounts.

Facility Leases

The Company is committed on a facility lease in Poway, California and the remaining future annual minimum lease payment obligation under the lease is $57,205 for the nine months ended September 30, 2014 and $80,505 for the year ending September 30, 2015.

Employment Agreement

In April 2012 the Company entered into a five-year employment agreement with its then Executive Chairman, Kenneth F. Potashner. Under the terms of the employment agreement, the Company is obligated to pay salary continuation severance equal to one year of his annual base salary plus targeted bonus if his employment is terminated without cause.

For additional information with respect to Mr. Potashner's employment agreement, see Note 12 – "Subsequent Events".

Parametric Sound Corporation
Notes to Interim Condensed Consolidated Financial Statements
(unaudited)
December 31, 2013 (prior to the Merger with Turtle Beach)

Bonus Plan

On February 21, 2013, the Company adopted a cash bonus plan for the period January 1, 2013 to December 31, 2013, pursuant to which each of the Company's executive officers and certain other officers and consultants designated by the Board of Directors were eligible to receive a target bonus equal to a percentage of the executive officer's or other individual's annualized base compensation if applicable performance objectives were met. No such performance objectives were met under the plan at December 31, 2013.

In August 2013, in connection with the Merger, and as authorized under the cash bonus plan, the Board of Directors approved, for its three executive officers, the closing of the Merger as a stand-alone performance objective eligible for the maximum bonus payout for 2013 aggregating $453,000. The Company was also obligated to a consultant for a payment of $250,000 upon closing which included a bonus for business development activities in 2013. No amounts were recorded as an expense or obligation for the period ended December 31, 2013 as the Merger was not completed until January 15, 2014.

The bonuses are merger transaction costs that will be expensed in the period incurred (first calendar quarter of 2014).

Consulting Bonus

During the quarter ended December 31, 2013 the Company made an application for FDA clearance of its HSS product as a medical device for those with hearing loss. Should this application be cleared the Company is obligated for a $250,000 bonus pursuant to a consulting agreement with an outside medical team engaged to assist and advise on medical applications of HSS technology.

Merger Fees

For additional information with respect fees committed related to the Merger, see Note 12 – "Subsequent Events".

Shareholder Litigation

On August 8, 2013, James Harrison, Jr., a purported stockholder of the Company, filed a class action lawsuit in the Superior Court California, County of San Diego, under the caption *Harrison v. Parametric Sound Corp.*, naming the Company, the Company's directors, Paris Acquisition Corp. (a wholly-owned subsidiary of the Company) and Turtle Beach as defendants. Several other substantially similar stockholder class action complaints were filed in the same court in August 2013. In August and September 2013, several substantially similar stockholder class action complaints were filed in the Eighth Judicial District Court, Clark County, Nevada. All complaints related to the same events and transactions regarding the Merger, allege breaches of fiduciary duty and aiding and abetting breaches of fiduciary duty in connection therewith, sought class action status, and demanded an order enjoining the Merger and unspecified reforms, actions and disclosures. On September 10, 2013, the California Superior Court consolidated all related cases before it under the caption *In re Parametric Sound Corp. Shareholder Litigation*, Case No. 37-2013-00061953-CU-BT-CTL (the "California Action"). On September 23, 2013, the Nevada District Court consolidated all related cases before it under the caption *In re Parametric Sound Corp. Shareholders' Litigation*, Lead Case No. A-13-686890-B, Dep't XI (the "Nevada State Court Action").

Following the Company's filing of a preliminary proxy statement with the Securities and Exchange Commission ("SEC") on November 4, 2013, amended consolidated complaints were filed on November 14, 2013 in the Nevada State Court Action and on November 19, 2013 in the California Action. These amended complaints reiterated the same claims and sought the same relief as asserted and sought in the original complaints. On November 20, 2013, Shana Vasek, a purported shareholder of the Company, filed a class action lawsuit in the United States District Court for the District of Nevada, under the caption *Vasek v. Parametric Sound Corp.*, Case No. 2:13-cv-02148-JAD-GWF, naming the same defendants, asserting substantially the same allegations and seeking substantially the same relief as asserted and sought in the above-referenced consolidated action pending in Nevada state court. In addition to asserting substantially the same claims for breach of fiduciary duty and aiding and abetting as asserted in the above-referenced consolidated action pending in Nevada state court, the plaintiff in the federal court action asserts a claim for violations of Sections 14(a) and 20(a) of the Securities Exchange Act of 1934 and SEC Rule 14a-9. The plaintiff in *Vasek* has not yet served any of the defendants with process.

Parametric Sound Corporation
Notes to Interim Condensed Consolidated Financial Statements
(unaudited)
December 31, 2013 (prior to the Merger with Turtle Beach)

On December 3, 2013, the Company filed its definitive proxy statement with the SEC. On December 5, 2013, the Parametric defendants filed a demurrer to the amended complaint in the California Action and moved to stay the California Action in favor of the Nevada State Court Action. The hearing on those motions is scheduled for September 19, 2014. On December 10, 2013, the Parametric defendants moved to dismiss the amended complaint in the Nevada State Court Action. The hearing on that motion was originally scheduled for January 9, 2014, but was rescheduled to permit the plaintiffs to file a second amended complaint.

Between November 20, 2013 and December 17, 2013, the parties in both the California Action and the Nevada State Court Action engaged in limited expedited discovery in advance of expected motions for preliminary injunctions of the special meeting of stockholders that was ultimately scheduled for December 27, 2013. On December 11, 2013, plaintiffs in the Nevada State Court action filed a motion for a preliminary injunction. On December 13, 2013, the judge in the Nevada State Court Action agreed to allow the plaintiffs in the California Action to participate in the briefing and hearing on the motion for a preliminary injunction in the Nevada State Court Action. On December 18, 2013, plaintiffs in both actions filed supplemental papers in support of the motion for a preliminary injunction. On December 23, 2013, defendants filed papers in opposition to the motion for a preliminary injunction. The hearing on the preliminary injunction motion was held on December 26, 2013. In a bench judgment at the conclusion of the hearing, the Court denied plaintiffs' motion for a preliminary injunction, allowing the special meeting of stockholders to proceed as scheduled on December 27, 2013 and on that date the Company's stockholders approved the proposal to issue shares of common stock in connection with the Merger and approved the corresponding change of control and related matters.

On January 27, 2014, the plaintiffs in the Nevada State Action filed a second amended complaint, which asserts virtually identical claims against the same defendants based on essentially the same factual allegations as the amended complaint. The second amended complaint seeks to rescind the transaction or alternatively seeks unspecified monetary damages. Defendants intend to move to dismiss the second amended complaint, but their time for responding has not yet expired.

The Company is unable to predict the outcome of the lawsuits and the possible loss or range of loss, if any, associated with their resolution or any potential effect the lawsuits may have on the Company's operations. Depending on the outcome or resolution of these lawsuits, they could have a material adverse effect on the Company's operations, including its financial condition, results of operations, or cash flows. No amounts have been recorded or accrued related to these lawsuits as of December 31, 2013 except for legal fees and costs included in business transaction expenses. Such legal fees and costs totaled $845,244 for the three months ended December 31, 2013 net of $453,153 recoverable from the Company's D&O insurance carrier. The Company's legal accounts payable at December 31, 2013 was also offset by the $453,153 payable directly to legal firms by the D&O insurance carrier.

Guarantees and Indemnifications

The Company's officers and directors are entitled to indemnification as to personal liability as provided by the Nevada Revised Statutes, the Company's articles of incorporation and bylaws and by indemnification agreements with the Company. The Company may also undertake indemnification obligations in the ordinary course of business related to its products and the issuance of securities with customers, investors, vendors and business parties. The Company is unable to estimate with any reasonable accuracy the liability that may be incurred pursuant to any such indemnification obligations now or in the future. Because of the uncertainty surrounding these circumstances, the Company's current or future indemnification obligations could range from immaterial to having a material adverse impact on its financial position and its ability to continue in the ordinary course of business. The Company has no liabilities recorded for such indemnities.

10. Related Party Transactions

In April 2013, as amended on July 23, 2013 the Company granted an exclusive, worldwide, royalty-bearing license to use certain HHS-related intellectual property to its wholly-owned subsidiary HHI.

See Notes 7, 8, 9 and 12 for additional related party transactions and information.

Parametric Sound Corporation
Notes to Interim Condensed Consolidated Financial Statements
(unaudited)
December 31, 2013 (prior to the Merger with Turtle Beach)

11. Major Customers and Suppliers

Major Customers

For the three months ended December 31, 2013, revenues from two customers accounted for 22% and 12% of total revenues. No other single customer represented more than 10% of total revenues. For the three months ended December 31, 2012, revenues from two customers accounted for 50% and 15% of total revenues. No other single customer represented more than 10% of total revenues. At December 31, 2013, accounts receivable from one customer accounted for 86% of total accounts receivable.

Suppliers

The Company has a number of components and sub-assemblies produced by outside suppliers, some of which are sourced from a single supplier, which can magnify the risk of shortages and decrease the Company's ability to negotiate with suppliers on the basis of price. In particular, the Company depends on its HSS piezo-film supplier to provide expertise and materials used in the Company's proprietary HSS emitters. If supplier shortages occur, or quality problems arise, then production schedules could be significantly delayed or costs significantly increased, which could in turn have a material adverse effect on the Company's financial condition, results of operation and cash flows.

At December 31, 2013, the Company was committed for approximately $260,000 for future inventory deliveries that are generally subject to modification or rescheduling in the normal course of business. At December 31, 2013 the Company had $112,000 of deposits with suppliers related to inventory purchases.

12. Subsequent Events

Merger with Turtle Beach

On January 15, 2014, the Company completed the merger (the "Merger") of its wholly-owned subsidiary, Paris Acquisition Corp., a Delaware corporation ("Merger Sub"), with and into VTB Holdings, Inc., a Delaware corporation ("Turtle Beach"), in accordance with the terms and conditions of the Agreement and Plan of Merger dated August 5, 2013 among the Company, Turtle Beach and Merger Sub (the "Merger Agreement"). As a result of the Merger, Turtle Beach, the surviving entity in the Merger, became a wholly-owned subsidiary of the Company.

In connection with the Merger, the Company issued to the former holders of Turtle Beach common stock and Series A Preferred Stock an aggregate of 30,227,100 shares of Company common stock, par value $0.001 per share. The number of shares of common stock issued was computed in accordance with the formula specified in the Merger Agreement using a Per Share Number (as defined in the Merger Agreement) of 0.35997. In addition, in accordance with the terms of the Merger Agreement, all then outstanding options to purchase shares of Turtle Beach common stock were converted into options to purchase 3,960,783 shares of Company common stock and were assumed by the Company (the "Converted Options"). These newly issued shares of common stock, together with the Converted Options, represented approximately 80% of the total issued and outstanding shares of Company common stock, on a fully-diluted basis at the Merger date (January 15, 2014).

The Company experienced a change in control because the former Turtle Beach securityholders owned approximately 80% of the outstanding common stock of the Company immediately after the completion of the Merger. In addition, the pre-Merger executive officers of the Company resigned effective at the completion of the Merger and were replaced by the executive officers of Turtle Beach, and individuals identified by Turtle Beach were appointed to fill five of the seven vacancies on the Company's board of directors immediately following completion of the Merger. Therefore, Turtle Beach is deemed to be the acquiring company for accounting purposes and the Merger is treated as a "reverse acquisition" under the acquisition method of accounting in accordance with GAAP. Accordingly the total purchase consideration of approximately $101 million will be allocated to the Company's pre-merger tangible and identifiable intangible assets and liabilities based on their respective fair values at the date of completion of the merger with any excess purchase consideration being recorded as goodwill. Turtle Beach's historical results of operations will replace the Company's previous historical results of operations for all periods prior to the merger. After completion of the merger, the results of operations of both combined companies will be included in the Company's consolidated financial statements.

Parametric Sound Corporation
Notes to Interim Condensed Consolidated Financial Statements
(unaudited)
December 31, 2013 (prior to the Merger with Turtle Beach)

Effective January 15, 2014, the Company changed its fiscal year end from September 30 to December 31 to correspond with the fiscal year end of Turtle Beach and its subsidiaries.

Upon completion of the Merger the Company became obligated to pay a contingent investment banking fee of $1,700,000 less $25,000 previously paid and included in business transaction expenses. The investment banking fee is a merger transaction cost that will be expensed in the period incurred (first calendar quarter of 2014).

Incentive and Option Plans

On October 30, 2013 the Company adopted, and on December 27, 2013 the stockholders approved, the Parametric Sound Corporation Annual Incentive Bonus Plan ("Incentive Bonus Plan") but the Incentive Bonus Plan did not become effective until consummation of the Merger on January 15, 2014. The Incentive Bonus Plan will permit incentive compensation bonus awards to be structured to qualify as "performance-based" compensation under Section 162(m) of the Internal Revenue Code.

Also on January 15, 2014, the Company assumed the Turtle Beach 2011 Equity Incentive Plan (the "VTB Plan") and the options previously granted thereunder. The options previously granted pursuant to the VTB Plan will continue to be subject to the terms of the VTB Plan and the applicable award agreements, provided that outstanding options granted under the VTB Plan are at January 15, 2014 exercisable for 3,960,783 shares of Parametric common stock. Following the consummation of the merger, there will be no further awards granted under the VTB Plan.

Credit Agreement

On January 15, 2014, in connection with the consummation of the Merger, the Company and its subsidiaries entered into a Joinder Agreement, dated as of January 15, 2014, between the Company and PNC Bank, National Association ("PNC"), as administrative agent, and a Guaranty Agreement, dated as of January 15, 2014, among the Company's subsidiaries and PNC (collectively the "Joinder and Guarantee") and became an obligor and guarantor under the Credit Agreement, dated as of August 22, 2012, as amended (the "Credit Agreement"), among Turtle Beach, PNC, as administrative agent for the lenders, and the lenders party thereto. The Credit Agreement provides for term loans and a revolving line of credit (together, the "Credit Facility"). The amounts guaranteed under the Credit Agreement at January 15, 2014 were $7.5 million under the term loan and approximately $39.7 million under the revolving line of credit.

HHI Dissolution

Following the Merger, on January 15, 2014, HHI was dissolved and the HHI Stock Plan terminated. In addition, the license the Company granted to HHI was terminated in connection with the dissolution of HHI on January 15, 2014, and no royalties were earned or paid during the license term.

Employment Agreement

Effective with the Merger on January 15, 2014, Mr. Potashner's Executive Chairman's position was terminated triggering a $350,000 salary continuation obligation, payable in twelve equal installments. Mr. Postashner continues to serve as a director of the Company post-merger. Mr. Potashner's employment agreement's change of control provision was also triggered by the Merger and accelerated the vesting of performance based options on 175,000 shares of common stock exercisable at $4.50 per share and acceleration of vesting of time based options on 22,500 shares of common stock exercisable at $9.95 per share.

The severance cost and the cost of option acceleration are merger transaction costs that will be expensed in the period incurred (first calendar quarter of 2014).

See Notes 7, 8 and 9 for additional subsequent event information.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

On January 15, 2014, as described elsewhere in this report, the Company merged with a much larger company Turtle Beach, resulting in a significant change in the nature and scope of its operations. The financial statements and related discussion and analysis of financial condition and results of operations by management presented in this report covers a three-month period that ended prior to completion of the merger. Operating results for the three months ended December 31, 2013 are not indicative of results to be expected for the combined companies for any future interim period after the Merger.

You should read the following discussion and analysis in conjunction with the financial statements and other financial information included elsewhere in this Quarterly Report on Form 10-Q. The following discussion may contain forward-looking statements that reflect our plans, estimates and beliefs. See "Cautionary Note Regarding Forward-Looking Statements and Other Information" above. For additional context with which to understand our financial condition and results of operations, see the discussion and analysis included in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended September 30, 2013, filed with the SEC on November 26, 2013, as well as the consolidated financial statements and related notes contained therein. For further context to understand the financial condition and results of operations of the combined companies post-merger, see the unaudited pro forma combined consolidated financial information and related discussion and analysis of Turtle Beach along with Turtle Beach historical financial and other information contained in the Definitive Proxy Statement (the "Proxy Statement") on Schedule 14A for the special meeting of stockholders held on December 27, 2013, a copy of which was filed with the SEC on December 3, 2013.

Business Overview

We are a technology company with a substantial body of intellectual property focused on delivering novel audio solutions. Our HSS technology pioneered the practical application of parametric acoustic technology for generating sound along a directional ultrasonic column. After our September 2010 spin-off from LRAD Corporation, we completed development of a new product line (HSS-3000) and in July 2011 commenced sales of our HSS-3000 audio systems. The HSS-3000 product line delivers directed audio solutions to customers primarily for commercial use including digital signage, kiosk and related applications that benefit from focused sound targeted to specific locations. Our principal markets are North America, Europe and Asia. We are targeting our technology for new uses in consumer markets including computers, video gaming, televisions and home audio along with other commercial markets including casino gaming and cinema. We are also researching and developing health applications for persons with hearing loss.

We are seeking to expand into new markets through both product sales and licensing. Our licensing strategy is to identify large or high-growth markets, develop needed technology solutions and features, and work with established industry participants and OEMs to make products incorporating our technologies widely available to consumers. To date, we have not received any revenue from licensing activities.

Merger With Turtle Beach

On January 15, 2014, we completed the merger (the "Merger") of our wholly-owned subsidiary, Paris Acquisition Corp., a Delaware corporation ("Merger Sub"), with and into VTB Holdings, Inc., a Delaware corporation ("Turtle Beach"), in accordance with the terms and conditions of the Agreement and Plan of Merger dated August 5, 2013 among the Company, Turtle Beach and Merger Sub (the "Merger Agreement"). As a result of the Merger, Turtle Beach, the surviving entity in the Merger, became our wholly-owned subsidiary.

In connection with the Merger, we issued to the former holders of Turtle Beach common stock and Series A Preferred Stock an aggregate of 30,227,100 shares of our common stock, par value \$0.001 per share ("Common Stock"). The number of shares of Common Stock issued was computed in accordance with the formula specified in the Merger Agreement using a Per Share Number (as defined in the Merger Agreement) of 0.35997. In addition, in accordance with the terms of the Merger Agreement, all then outstanding options to purchase shares of Turtle Beach common stock were converted into options to purchase 3,960,783 shares of our Common Stock and were assumed by us (the "Converted Options"). These newly issued shares of Common Stock, together with the Converted Options, represented approximately 80% of the total issued and outstanding shares of Common Stock, on a fully-diluted basis at January 15, 2014.

The information contained in this Quarterly Report on Form 10-Q is for the three months ended December 31, 2013 and describes our operations prior to the Merger. Accordingly, the first report describing the combined operations of the Company and Turtle Beach will be our Quarterly Report on Form 10-Q for the three months ended March 31, 2014.

Additional Financing and Business Development Information

In November 2013 we obtained $5.08 million of net proceeds from the registered direct sale of common stock pursuant to our "shelf" registration statement to meet a closing condition of the Merger.

We believe there are significant commercial, consumer and health care market opportunities worldwide for our HSS technology. As a result of commercial pilot and other installations in 2013, during the quarter ended December 31, 2013 we actively transitioned to a channel distribution strategy. We began appointing leading audio visual commercial integrators to represent our HSS products and added experienced sales personnel to grow our commercial business in 2014. We expect increased product sales during calendar 2014 as a result of expanded distribution channels and targeted direct sales.

During 2012 we identified health care as an additional target market for HSS applications as a result of consumer preference surveys indicating that persons with normal and impaired hearing reported greater clarity of sound from HSS compared to standard speakers. We are developing product designs, continuing research in this area and in November 2013 filed a pre-market notification with the FDA seeking clearance to sell our HSS product as an over-the-counter medical device for the hearing impaired.

We are unable to predict the level of future product sales in our current or new markets, the timing of future licensing revenues, if any, nor the timing or likelihood of any FDA clearance. We are also unable to predict the acceptance of our technology or resulting products by consumers as we target new commercial, consumer and healthcare markets through product sales or licensing.

We face significant challenges in growing our HSS business in existing and targeted markets. We expect we will need to continue to innovate new applications for our sound technology, develop new products to meet customer requirements and identify and develop new markets for our products and any licensing activities.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations is based upon our financial statements located in Item 1 of Part I, "Financial Statements," and in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report of Form 10-K for the year ended September 30, 2013 filed with the SEC. The preparation of these financial statements, prepared in accordance with accounting principles generally accepted in the United States, requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to valuation of accounts receivable and inventory, warranty liabilities, impairment of intangible assets, contingencies, the grant date fair value of stock options and warrants, share-based compensation expense, valuation of acquired intangible assets and valuation allowance related to deferred tax assets. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Some of our accounting policies require higher degrees of judgment than others in their application. These include revenue recognition, warranty liabilities, impairments, share-based compensation and valuation of acquired intangible assets. Historically, our assumptions, judgments and estimates relative to our critical accounting policies have not differed materially from actual results. There were no significant changes or modification of our critical accounting policies and estimates involving management valuation adjustments affecting our results for the three months ended December 31, 2013. For further information on our critical accounting policies, refer to Note 1 to the financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2013.

Segment and Related Information

We operate as a single reportable segment on an enterprise-wide basis. We generate revenue by selling our technology-based products.

Results of Operations

Comparison of Results of Operations for the Three Months Ended December 31, 2013 and 2012

The following is a discussion of the results of our operations for the three months ended December 31, 2013 and 2012.

Revenues

Revenues were $67,863 for the three months ended December 31, 2013 compared to revenues of $108,674 for the comparable three months of the prior year ended December 31, 2012. Revenues from two customers accounted for 22% and 12% of total revenues. During the most recent quarter we were transitioning to a channel distribution strategy and we are appointing leading audio visual commercial integrators to represent our HSS commercial product line for digital signage, retail store, kiosk, and point-of-sale terminal markets. We are also pursuing business development activities related to additional commercial and other consumer applications of our technology, including health care applications. We expect increased product sales during calendar 2014 as a result of this strategy and the addition of experienced sales personnel.

Cost of Revenues and Gross Profit

Gross profit for the three months ended December 31, 2013 was $31,845 (47% of revenues) compared to $54,618 (50% of revenues) for the three months ended December 31, 2012. We continue to develop our distribution, sales and pricing strategies and make product updates and changes that impact margins. With have limited warranty cost experience and estimated future warranty costs can impact our gross margins. Due to our limited sales and history, we do not believe that historical gross profit margins for HSS products should be relied upon as an indicator of future gross profit margins.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended December 31, 2013 were $838,257 excluding non-cash share based compensation expenses of $410,248. This compares to $725,369, excluding $191,228 of non-cash share based compensation expenses, during the comparable prior-year period ended December 31, 2012. We will continue to incur significant amounts of non-cash share based compensation expense in future periods from vesting of existing option grants and the possibility of new grants.

Major cost categories for the three months ended December 31, 2013 included compensation and consulting-related costs of $406,000 (excluding non-cash share based compensation expenses), travel and related costs of $73,000, professional fees of $136,000, public company costs of $171,000, trade show and promotion expenses of $17,000 and occupancy costs of $25,000. Public company costs increased by $94,000 from the prior year's comparable quarter as a result of increased director fees for additional merger related meetings and additional filing and stockholder communication costs. Personnel and consulting costs increased $23,000 due to additional sales personnel and professional fees increased $19,000 primarily as a result of increase audit and SOX compliance costs for fiscal 2013. Our travel related costs increased $11,000 primarily related to increased sales and business development activities.

We are unable to estimate the level of future selling, general and administrative costs that we will contribute to the combined company's total in future quarters as these costs are subject to the timing and extent of integration activities.

Research and Development Expenses

Research and development expenses for the three months ended December 31, 2013 were $420,125 excluding non-cash share based compensation expenses of $118,971. This compares to $329,418, excluding $62,435 of non-cash share based compensation expenses, during the comparable prior-year period ended December 31, 2012.

Major cost categories for the most recent quarter included personnel and consultancy costs of $229,000 (excluding non-cash share based compensation expenses), $95,000 of prototype, development and testing costs, occupancy costs of $28,000 and patent costs and patent, technology and fixed asset amortization and depreciation costs of $58,000.

We added research and development personnel and as a result personnel and consultancy costs increased $20,000 during the most recent quarter compared to the quarter ended December 31, 2012. Prototype, development and testing costs increased by $51,000 due to FDA development and use of outside engineering firms to develop prototypes.

The scope and magnitude of our future research and development expenses that we will contribute to the combined company's total in future quarters are difficult to predict as the amounts required for future product development costs are difficult to estimate but could be substantial.

Business Transaction Expenses

During the three months ended December 31, 2013, we incurred $996,678 of business transaction costs preparing for the merger with Turtle Beach and related litigation consisting of legal, investment bank, accounting and related costs and expenses. These costs are net of $453,153 of litigation related legal fees and costs payable by the Company's D&O insurance carrier. No such costs were incurred in the prior year's first quarter.

Net Loss

Net loss for the three months ended December 31, 2013 and 2012 was $2,754,310 and $1,252,120, respectively. The most recent period loss included $529,219 of non-cash share-based compensation expenses compared to $253,663 for the prior year's first quarter.

We expect that our operations will contribute additional net losses to the results of the combined company until we are able to grow revenues to generate sufficient margins to cover our operating costs.

Liquidity and Capital Resources

Overview

At December 31, 2013 we had cash of $4.7 million and our current assets exceeded our current liabilities by $4.4 million. Other than cash, accounts receivable and inventory, we have no unused sources of liquidity at this time.

Cash Flows

Operating Activities

Net cash used in operating activities was $2,032,636 and $856,136 for the three months ended December 31, 2013 and 2012, respectively. The overall increase of $1,176,500 between the two periods was primarily related to the increase of $1,502,190 in net loss between periods ($275,556 of which increase related to non-cash expenses and $996,678 due to business transaction expenses). The increase in cash used was also increased by an increase in prepaid expenses of $93,441 and a reduction in accrued liabilities of $84,220 and reduced by a $248,271 increase in accounts payable.

Investing Activities

We used cash of $59,553 for property and equipment purchases and patent costs during the three months ended December 31, 2013. We have no material commitments for future capital expenditures but expect to continue to incur patent costs in the future.

Financing Activities

During the three months ended December 31, 2013 we obtained $5,079,336 from the sale of common stock and $91,350 from the exercise of stock options. During the most recent three months, we made payments reducing our capital lease obligation of $9,207.

Capital Requirements

Our future capital requirements, cash flows and results of operations as a combined company following the Merger could be affected by and will depend on many factors some of which are currently unknown to us, including:

- market acceptance of our products and our ability to grow revenues;
- the costs and timing of production and supply of our products;
- the costs of innovating, developing and protecting new products;
- the costs and timing of sales and marketing efforts; and
- the costs, timing and outcome of any future warranty claims or litigation against us associated with any of our products.

As a combined company, post-merger, we believe that our combined cash and cash equivalents and amounts available under our credit facilities and our cash flows derived from operations will be sufficient to meet our anticipated cash needs for business operations, contractual obligations and other liquidity requirements associated with our operations for at least the next twelve months. We may explore additional financing sources to fund expansion, to respond to competitive pressures, to acquire or to invest in complementary products, businesses or technologies, or to lower our cost of capital, which could include equity and debt financings. We cannot guarantee that any additional financing will be available on acceptable terms, if at all. If we raise additional funds through the issuance of equity or convertible debt our existing stockholders could suffer significant dilution, and if we raise additional funds through the issuance of debt securities or other borrowings, these securities or borrowings would have rights senior to common stock and could contain covenants that could restrict operations.

Contractual Obligations

Other than aggregate facility and office lease payments of approximately $10,500 per month, the equipment capital lease of $3,574 per month and our employment agreement with our then Executive Chairman, we had no material contractual obligations at December 31, 2013. The nature and scope of our operations and our contractual obligations changed significantly with the Merger and will be reported on a combined basis in future reports.

Off-Balance Sheet Transactions

We do not have off-balance sheet arrangements, financings, or other relationships with unconsolidated entities or other persons, also known as "special purpose entities" (SPEs).

Recent Accounting Pronouncements

There have been no recent accounting pronouncements or changes in accounting pronouncements during the three-month period ended December 31, 2013, or subsequently thereto, that we believe are of potential significance to our financial statements.

Item 3. Qualitative and Quantitative Disclosures about Market Risk.

The primary objective of our investment activities is to preserve principal while concurrently maximizing the income we receive from our investments without significantly increasing risk. Some of the securities that we invest in may be subject to interest rate risk. This means that a change in prevailing interest rates, with respect to interest rate risk, may cause the principal amount or market value of the investments to fluctuate. In general, money market funds are not subject to market risk because the interest paid on such funds fluctuates with the prevailing interest rate. Accordingly, a 100 basis point increase in interest rates or a 10% decline in the value of the United States equity markets would not be expected to have a material impact on the value of such money market funds.

At December 31, 2013, to minimize risks we maintained our portfolio of cash equivalents in bank cash or money market fund accounts. Due to the relatively short duration of our investment portfolio, an immediate 10% change in interest rates would have no material impact on our financial condition, results of operations or cash flows. Declines in interest rates over time will, however, reduce our interest income.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13(a)-15(e) and 15(d)-15(e)) of the Exchange Act are designed to ensure that (1) information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms; and (2) that such information is accumulated and communicated to management, including the principal executive officer and principal financial officer, to allow timely decisions regarding required disclosures.

At the conclusion of the period ended December 31, 2013, we carried out an evaluation, under the supervision and with the participation of our then Chief Executive Officer (our principal executive officer, or PEO) and our then Chief Financial Officer (our principal financial officer, or PFO), of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our PEO and PFO concluded that our disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act, were effective at the reasonable assurance level as of December 31, 2013.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during our fiscal quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Our process for evaluating controls and procedures is continuous and encompasses constant improvement of the design and effectiveness of established controls and procedures and the remediation of any deficiencies, which may be identified during this process.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Please refer to Note 9, *Commitments and Contingencies*, in the notes to the unaudited condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q quarterly report, which is incorporated into this item by reference.

Item 1A. Risk Factors.

We are affected by risks specific to us as well as factors that affect all businesses. In addition to the other information set forth in this report, careful consideration should be taken of the risk factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended September 30, 2013 that could materially and adversely affect our business, financial position, results of operations, cash flows and stock price. As a result of the Merger careful consideration should also be taken of the risk factors related to Turtle Beach's Business listed under the caption "Risks Related to Turtle Beach's Business" in the Definitive Proxy Statement (the "Proxy Statement") on Schedule 14A filed with the SEC on December 3, 2013 and that could also materially adversely affect the business, financial position, results of operations, cash flows and stock price of the post-merger combined companies.

There have been no material changes or additions to those enumerated risk factors, except as described below:

This report contains only pre-merger financial information on the financial position and results of operations of Parametric and, due to the timing of merger closing and reporting periods, does not include corresponding financial information on Turtle Beach or the combined companies as of the date of this report or any subsequent period. The unavailability of current combined financial information could affect the price and increase the volatility and risk of trading our common stock.

The merger of Parametric and Turtle Beach was completed on January 15, 2014 and Parametric's prior fiscal year ended on September 30, 2013. The financial statements and related discussion and analysis of financial condition and results of operations by management presented in this report covers a three-month period for Parametric that ended prior to completion of the merger. Operating results for the three months ended December 31, 2013 may not be indicative of results for the combined company for any future interim period after the Merger.

As we elected to change our fiscal year end to that of Turtle Beach, in the future we will report on a calendar year basis. The Proxy Statement contains unaudited financial information for Turtle Beach and unaudited pro forma information through September 30, 2013. As described in our current report on Form 8-K filed with the SEC on January 16, 2014, the audited consolidated financial statements of Turtle Beach for the year ended December 31, 2013, required to be filed pursuant to Item 9.01(a) of Form 8-K, will be filed with the SEC within 71 days of the date such Form 8-K was required to be filed. This report is expected to include related unaudited pro forma combined financial information. The first post-merger combined results are expected to be reported in our quarterly report on Form 10-Q for the quarter ending March 31, 2014.

Since corresponding quarterly financial information for Turtle Beach or the combined company for the period covered by this report of Parametric is not currently available at this time, the lack thereof could affect the price and increase the volatility and risk of trading our common stock as investors will have limited historical financial information until future reports are filed.

Future results of the combined company may differ materially from historical unaudited pro forma financial statements presented in the Proxy Statement.

The future results of the Company may be materially different from the combined and /or respective historical results of Parametric and Turtle Beach. Parametric and Turtle Beach expect to incur significant costs associated with completion of the merger and combining the operations of the two companies. The exact magnitude of these costs is not yet known. These costs may decrease the capital available for use for continued development of our business in the future or may cause us to seek to raise new capital sooner than expected.

Our ability to utilize Parametric's net operating loss and tax credit carryforwards in the future is subject to substantial limitations.

Under Section 382 of the Internal Revenue Code of 1986, as amended (the Code), if a corporation undergoes an "ownership change" (generally defined as a greater than 50 percent change (by value) in its equity ownership over a three-year period), the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income may be limited. Further, if the historic business of Parametric is not treated as being continued by the combined entity for the two-year period beginning on the date of the Merger (referred to as the "continuity of business requirement"), the pre-transaction net operating loss carryforward deductions become substantially reduced or unavailable for use by the surviving corporation in the transaction. It is expected that the merger with Turtle Beach resulted in an "ownership change" of Parametric. Accordingly, our ability to utilize Parametric's net operating loss and tax credit carryforwards may be substantially limited.

Under Section 384 of the Code, available net operating loss carryovers of Parametric or Turtle Beach may not be available to offset certain gains arising after the merger from assets held by the other corporation at the effective time of the merger. This limitation will apply to the extent that the gain is attributable to an unrealized built-in-gain in the assets of Parametric or Turtle Beach existing at the effective time of the merger. To the extent that any such gains are recognized in the five-year period after the merger upon the disposition of any such assets, the net operating loss carryovers of the other corporation will not be available to offset such gains (but the net operating loss carryovers of the corporation that owned such assets will not be limited by Section 384 although they may be subject to other limitations under Section 382 as described above).

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On November 14, 2013, we issued an aggregate of 16,793 shares of common stock to one investor upon the conversion of a warrant to purchase an aggregate of 26,471 shares of common stock at an exercise price of $5.625 per share. The fair market value of the common stock determined in accordance with the warrant on the date of conversion was $15.38 per share.

On November 27, 2013, we issued an aggregate of 22,722 shares of common stock to one investor upon the conversion of a warrant to purchase an aggregate of 40,000 shares of common stock at an exercise price of $5.625 per share. The fair market value of the common stock determined in accordance with the warrant on the date of conversion was $13.02 per share.

Pursuant to the cashless net exercise feature of the above three warrant transactions, the warrants could be converted, in lieu of cash exercise, into a number of shares of common stock determined by multiplying the number of shares purchasable under the warrant by the difference between the fair market value of the common stock computed on the date of conversion and the warrant exercise price, and dividing such product by the fair market value of the common stock computed on the date of conversion. The shares were issued in reliance upon the exemption provided by Section 3(a)(9) of the Securities Act.

Table of Contents

13. Adjustments upon Changes in Capitalization

13.1. In order to prevent dilution or enlargement of the rights of Participants under the Plan as a result of any stock dividend, recapitalization, forward stock split or reverse stock split, reorganization, division, merger, consolidation, spin-off, combination, repurchase or share exchange, extraordinary or unusual cash distribution or other similar corporate transaction or event that affects the Common Stock, the Committee shall adjust (i) the number and kind of shares of Common Stock which may thereafter be issued in connection with Awards or Prior Plan Awards, (ii) the number and kind of shares of Common Stock issuable in respect of outstanding Awards or Prior Plan Awards, (iii) the aggregate number and kind of shares of Common Stock available under the Plan, and (iv) the exercise or grant price relating to any Award or Prior Plan Award. Any such adjustment shall be made in an equitable manner which reflects the effect of such transaction or event. It is provided, however, that in the case of any such transaction or event, the Committee may make any additional adjustments to the items in (i) through (iv) above which it deems appropriate in the circumstances, or make provision for a cash payment with respect to any outstanding Award or Prior Plan Award; and it is provided, further, that no adjustment shall be made under this Section that would cause the Plan to violate Section 422 of the Code with respect to Incentive Stock Options or that would adversely affect the status of any Award or Prior Plan Award that is "performance-based compensation" under Section 162(m) of the Code.

13.2. In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards, including any Performance Goals, in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 13.1) affecting the Company, any Subsidiary or Affiliate, or in response to changes in applicable laws, regulations, or accounting principles. Notwithstanding the foregoing, no adjustment shall be made in any outstanding Awards to the extent that such adjustment would adversely affect the intended status of the Award as "performance-based compensation" under Section 162(m) of the Code.

14. Termination and Amendment

14.1. The Board may amend, alter, suspend, discontinue, or terminate the Plan without the consent of the Company's stockholders or Participants, except that any such amendment, alteration, suspension, discontinuation, or termination shall be subject to the approval of the Company's stockholders if (i) such action would increase the number of shares subject to the Plan, (ii) such action results in the repricing, replacement or repurchase of any Option or SAR, or (iii) such stockholder approval is required by any federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the Common Stock may then be listed or quoted, in each case, except as provided in Section 13.1; provided, however, that without the consent of an affected Participant, no amendment, alteration, suspension, discontinuation, or termination of the Plan may materially and adversely affect the rights of such Participant under any Award theretofore granted and any Award Agreement relating thereto, except as the Committee determines in its sole discretion to be necessary or advisable to ensure a deduction under Section 162(m) of the Code or to comply with Section 409A of the Code or an exemption therefrom. The Committee may waive any conditions or rights under, or amend, alter, suspend, discontinue, or terminate, any Award theretofore granted and any Award Agreement relating thereto; provided, however, that without the consent of an affected Participant, no such amendment, alteration, suspension, discontinuation, or termination of any Award may materially and adversely affect the rights of such Participant under such Award, except as the Committee determines in its sole discretion to be necessary or advisable to ensure a deduction under Section 162(m) of the Code or to comply with Section 409A of the Code or an exemption therefrom.

14.2. The foregoing notwithstanding, any Performance Goal or other performance condition specified in connection with an Award shall not be deemed a fixed contractual term, but shall remain subject to adjustment by the Committee, in its discretion at any time in view of the Committee's assessment of the Company's strategy, performance of comparable companies, and other circumstances, except to the extent that any such adjustment to a performance condition would adversely affect the intended status of an Award as "performance-based compensation" under Section 162(m) of the Code.

Table of Contents

15. No Right to Award, Employment or Service

Neither the Plan nor any action taken hereunder shall be construed as giving any Employee, Consultant or Non-Employee Director any right to be retained in the employ or service of the Company, any Subsidiary or Affiliate. For purposes of the Plan, transfer of employment or service between the Company and its Subsidiaries and Affiliates shall not be deemed a termination of employment or service.

16. Taxes

The Company, any Subsidiary or Affiliate is authorized to withhold from any payment relating to an Award under the Plan, including from a distribution of Common Stock or any payroll or other payment to a Participant amounts of withholding and other taxes due in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company, the Subsidiary or Affiliate and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Common Stock or other property and to make cash payments in respect thereof in satisfaction of a Participant's tax obligations. Withholding of taxes in the form of shares of Common Stock shall not occur at a rate that exceeds the minimum required statutory federal and state withholding rates. Participants who are subject to the reporting requirements of Section 16 of the 1934 Act may elect to pay all or a portion of any withholding or other taxes due in connection with an Award by directing the Company to withhold shares of Common Stock that would otherwise be received in connection with such Award.

17. Limits on Transferability; Beneficiaries

No Award or other right or interest of a Participant under the Plan shall be pledged, encumbered, or hypothecated to, or in favor of, or subject to any lien, obligation, or liability of such Participant to, any party, other than the Company, any Subsidiary or Affiliate, or assigned or transferred by such Participant otherwise than by will or the laws of descent and distribution, and such Awards and rights shall be exercisable during the lifetime of the Participant only by the Participant or his or her guardian or legal representative. Notwithstanding the foregoing, the Committee may, in its discretion, provide that Awards or other rights or interests of a Participant granted pursuant to the Plan (other than an Incentive Stock Option) be transferable, without consideration, to immediate family members (i.e., children, grandchildren or spouse), to trusts for the benefit of such immediate family members and to partnerships in which such family members are the only partners. The Committee may attach to such transferability feature such terms and conditions as it deems advisable. In addition, a Participant may, in the manner established by the Committee, designate a beneficiary (which may be a person or a trust) to exercise the rights of the Participant, and to receive any distribution, with respect to any Award upon the death of the Participant. A beneficiary, guardian, legal representative or other person claiming any rights under the Plan from or through any Participant shall be subject to all terms and conditions of the Plan and any Award Agreement applicable to such Participant, except as otherwise determined by the Committee, and to any additional restrictions deemed necessary or appropriate by the Committee.

18. No Rights to Awards; No Stockholder Rights

No Participant shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Participants. No Award shall confer on any Participant any of the rights of a stockholder of the Company unless and until Common Stock is duly issued or transferred to the Participant in accordance with the terms of the Award.

19. Foreign Nationals.

Without amending the Plan, Awards may be granted to Employees, Consultants and Non-Employee Directors who are foreign nationals or are employed or providing services outside the United States or both, on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to further the purpose of the Plan. Moreover, the Committee may approve such supplements to, or amendments, restatements or alternative versions of, the Plan as it may consider necessary or

Table of Contents

appropriate for such purposes without thereby affecting the terms of the Plan as in effect for any other purpose, provided that no such supplements, amendments, restatements or alternative versions shall include any provisions that are inconsistent with the terms of the Plan, as then in effect, unless the Plan could have been amended to eliminate such inconsistency without further approval by the stockholders of the Company.

20. Securities Law Requirements

20.1. No Award or Prior Plan Award shall be exercisable if the Company shall at any time determine that (a) the listing upon any securities exchange, registration or qualification under any state or federal law of any Common Stock otherwise deliverable upon such exercise, or (b) the consent or approval of any regulatory body or the satisfaction of withholding tax or other withholding liabilities, is necessary or appropriate in connection with such exercise. In any of the events referred to in clause (a) or clause (b) above, the exercisability of such Awards or Prior Plan Awards shall be suspended and shall not be effective unless and until such withholding, listing, registration, qualifications or approval shall have been effected or obtained free of any conditions not acceptable to the Company in its sole discretion, notwithstanding any termination of any Award or Prior Plan Award or any portion of any Award or Prior Plan Award during the period when exercisability has been suspended.

20.2. The Committee may require, as a condition to the right to exercise any Award or Prior Plan Award that the Company receive from the Participant, at the time any such Award or Prior Plan Award is exercised, vests or any applicable restrictions lapse, representations, warranties and agreements to the effect that the shares are being purchased or acquired by the Participant for investment only and without any present intention to sell or otherwise distribute such shares and that the Participant will not dispose of such shares in transactions which, in the opinion of counsel to the Company, would violate the registration provisions of the Securities Act of 1933, as then amended, and the rules and regulations thereunder. The certificates issued to evidence such shares shall bear appropriate legends summarizing such restrictions on the disposition thereof.

21. Recoupment

Any Award granted pursuant to the Plan shall be subject to mandatory repayment by the Participant to the Company pursuant to the terms of any Company "clawback" or recoupment policy directly applicable to the Plan and (i) set forth in the Participant's Award Agreement or (ii) required by law to be applicable to the Participant.

22. Termination

Unless the Plan previously shall have been terminated by action of the Board, the Plan shall terminate on the 10-year anniversary of the Effective Date, and no Awards under the Plan shall thereafter be granted.

23. Fractional Shares

The Company will not be required to issue any fractional shares of Common Stock pursuant to the Plan. The Committee may provide for the elimination of fractions and for the settlement of fractions in cash.

24. Governing Law

To the extent that Federal laws do not otherwise control, the validity and construction of the Plan and any Award Agreement entered into thereunder shall be construed and enforced in accordance with the laws of the State of California, but without giving effect to the choice of law principles thereof.

25. Effective Date

The Plan shall be effective as of the date when, and only when, (i) the Company's stockholders have approved the Plan, (ii) the Company's stockholders have approved the proposal to approve the issuance of Common Stock in connection with the merger ("Merger") contemplated by the Agreement and Plan of Merger dated as of August 5, 2013, among Parametric, VTB Holdings, Inc., a Delaware corporation, and Paris Acquisition Corp., a Delaware corporation, and the corresponding change of control of the Company, and (iii) the Merger has been consummated.

Table of Contents

ANNEX F
PARAMETRIC SOUND CORPORATION
ANNUAL INCENTIVE BONUS PLAN

I. Statement and Purpose of Plan

The Parametric Sound Corporation Annual Incentive Bonus Plan provides additional compensation opportunities for selected employees based on the achievement of pre-determined performance goals.

II. Definitions

A. "Affiliate" means, with respect to any specified Person, a Person that directly, or indirectly through one or more intermediaries, Controls, is Controlled by or is under common Control with, the specified Person.

B. "Board" means the Board of Directors of the Company.

C. "Change in Control" means a "change in control event" within the meaning of Treasury regulation 1.409A-3(i)(5).

D. "Code" means the Internal Revenue Code of 1986, as amended.

E. "Committee" means the Compensation Committee of the Board or, if appointed by the Board, a subcommittee thereof which shall be comprised exclusively of two or more members of the Board who are non-employee "outside directors" within the meaning of section 162(m)(4)(C) of the Code and Treasury regulation 1.162-27(e)(3).

F. "Company" means Parametric Sound Corporation, a Nevada corporation.

G. "Company Stock" means the common stock of the Company, par value $0.001 per share.

H. "Control" (including the terms "Controlling," "Controlled by" and "under common Control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

I. "Determination Date" means the date upon which the Committee determines Performance Goals and Incentive Bonus opportunities for Participants. With respect to any Incentive Bonus that is intended to be a Qualified Incentive Bonus, the Determination Date must be no later than the earlier of (1) 90 days after the commencement of the Performance Period and (2) the date upon which 25% of the Performance Period has elapsed.

J. "Disability" means, as determined by the Committee in its sole discretion, that a Participant (1) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months or (2) is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Company, its Subsidiaries or Affiliates.

K. "Fair Market Value" means, on any given date, the closing price of a share of Company Stock on the principal national securities exchange on which Company Stock is listed on such date, or, if Company Stock was not publicly traded on such date, on the last preceding date on which Company Stock was publicly traded.

Table of Contents

L. "Incentive Bonus" means a bonus that is payable hereunder to a Participant based on the achievement of specified pre-determined Performance Goals. An Incentive Bonus may be a Qualified Incentive Bonus or a Non-Qualified Incentive Bonus.

M. "Non-Qualified Incentive Bonus" means an Incentive Bonus that is not intended to be a Qualified Incentive Bonus.

N. "Participant" means any employee of the Company or one of its Subsidiaries who has been designated by the Committee to participate in the Plan for an applicable Performance Period.

O. "Performance Goal" means a measure of performance, the achievement of which is substantially uncertain at the time such goal is established, which is used to determine a Participant's Incentive Bonus and is established by the Committee not later than the applicable Determination Date. Performance Goals may be measured on an absolute or relative basis. Relative performance may be measured against an external index, such as, by way of example and not limitation, a group of peer companies, industry groups or a financial market index. Performance Goals with respect to Incentive Bonuses that are intended to be Qualified Incentive Bonuses must be based upon any one or more of the following measures as they relate to the Company, its Subsidiaries or Affiliates (or any business unit or department thereof): (i) stock price, (ii) market share, (iii) sales, (iv) earnings per share, (v) diluted earnings per share, (vi) diluted net income per share, (vii) return on stockholder equity, (viii) costs, (ix) cash flow, (x) return on total assets, (xi) return on capital or invested capital, (xii) return on net assets, (xiii) operating income, (xiv) net income, (xv) earnings (or net income) before interest, taxes, depreciation and amortization, (xvi) improvements in capital structure, (xvii) gross, operating or other margins, (xviii) budget and expense management, (xix) productivity ratios, (xx) working capital targets, (xxi) enterprise value, (xxii) safety record, (xxiii) completion of acquisitions or business expansion of the company, our subsidiaries or affiliates (or any business unit or department thereof) (xxiv) economic value added or other value added measurements, (xxv) expenses targets, (xxvi) operating efficiency, (xxvii) regulatory body approvals for commercialization of products, (xxviii) implementation or completion of critical projects or related milestones, (xxix) quality control, (xxx) supply chain achievements and (xxxi) marketing and distribution of products. Performance Goals with respect to Incentive Bonuses that are not intended to be Qualified Incentive Bonuses may be based on one or more of the preceding measures or any other measure that the Committee may determine in its sole discretion.

P. "Performance Period" means a period of one or more consecutive fiscal years, or portions thereof, of the Company as established by the Committee during which the performance of the Company, its Subsidiaries or Affiliates or any business unit or department thereof, or any individual is measured for the purpose of determining the extent to which a Performance Goal is achieved. Nothing in this Plan shall prevent the Committee from establishing a Performance Period that commences prior to the termination of one or more other Performance Periods.

Q. "Person" means any individual, corporation, limited liability company, partnership, trust, joint stock company, business trust, unincorporated association, joint venture, governmental authority or other legal entity of any nature whatsoever.

R. "Plan" means the Parametric Sound Corporation Annual Incentive Bonus Plan herein set forth, as amended from time to time.

S. "Qualified Incentive Bonus" means an Incentive Bonus that is intended to be "qualified performance-based compensation" under section 162(m) of the Code and Treasury regulation 1.162-27(e), including any successor provision.

T. "Subsidiary" means, at any relevant time, any corporation or other entity of which 50% or more of the total combined voting power of all classes of stock (or other equity interests in the case of an entity other than a corporation) entitled to vote is owned, directly or indirectly, by the Company.

Table of Contents

III. Eligibility

All employees of the Company, its Subsidiaries and Affiliates shall be eligible to be selected by the Committee to participate in the Plan.

IV. Administration

A. General. The Committee shall have the authority, subject to the provisions herein, (A) to select employees to participate in the Plan; (B) to establish and administer the Performance Goals and the Incentive Bonus opportunities applicable to each Participant and certify whether the Performance Goals have been attained; (C) to construe and interpret the Plan and any agreement or instrument entered into under or in connection with the Plan; (D) to establish, amend, and waive rules and regulations for the Plan's administration; and (E) to make all other determinations that may be necessary or advisable for the administration of the Plan. Any determination by the Committee with respect to the Plan shall be final, binding and conclusive on all employees and Participants and anyone claiming under or through any of them. Neither the Committee, nor any member of the Committee, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with the Plan, and the members of the Committee shall be entitled in all cases to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including, without limitation, attorneys' fees) arising or resulting therefrom to the fullest extent permitted by law.

B. Adjustments. In the event of any corporate transaction involving the Company (including, without limitation, any subdivision or combination or exchange of the outstanding shares of common stock, stock dividend, stock split, spin-off, split-off, recapitalization, capital reorganization, liquidation, reclassification of shares of common stock, merger, consolidation, extraordinary cash distribution or sale, lease or transfer of substantially all of the assets of the Company, in each case, as determined by the Committee in its sole discretion), the Committee may make or provide for such adjustments in any Performance Goals applicable to an Incentive Bonus as the Committee may determine to be appropriate in order to prevent dilution or enlargement of the benefits of Participants hereunder (provided that with respect to Qualified Incentive Bonuses, any such adjustment shall be made in accordance with Code section 162(m) and the regulations thereunder).

V. Establishment of Performance Goals and Incentive Bonus Opportunities

No later than the Determination Date for each Performance Period, the Committee shall establish in writing (i) the employees of the Company, its Subsidiaries and Affiliates who shall be Participants in the Plan with respect to such Performance Period, (ii) the Performance Goals applicable to each such Participant (including, as the Committee deems advisable, threshold, target and maximum levels of performance), (iii) each Participant's target and, if applicable, threshold and maximum Incentive Bonus opportunities for such Performance Period, (iv) the method for computing the amount of Incentive Bonuses that may be payable under the Plan to each Participant for such Performance Period if the Performance Goals established by the Committee for such Performance Period are attained in whole or in part and (v) whether such Incentive Bonuses are intended to be Qualified Incentive Bonuses or Non-Qualified Incentive Bonuses.

VI. Termination of Employment

Except as otherwise provided in Sections VI.A and VI.B below, payment of an Incentive Bonus shall be contingent upon (i) attainment of the applicable Performance Goals within the applicable Performance Period and (ii) the Participant's continuing employment with the Company, a Subsidiary or Affiliate on the date such Incentive Bonus is paid.

A. Termination due to Death or Disability. If a Participant's employment with the Company, a Subsidiary or Affiliate is terminated due to the Participant's death or Disability prior to payment of an Incentive Bonus, the Committee may, in its sole discretion, permit all or any part of such Incentive Bonus to be paid without regard to

Table of Contents

the attainment of the applicable Performance Goals. Any Incentive Bonus to be paid pursuant to this Section VI.A shall be paid to the Participant or the Participant's estate, as applicable, at the time the Company pays Incentive Bonuses to its employees generally in accordance with Section IX.

B. Other Terminations. If a Participant's employment with the Company, a Subsidiary or Affiliate terminates for any reason other than the Participant's death or Disability prior to the payment of an Incentive Bonus, then (i) in the case of a Qualified Incentive Bonus, the Committee may, in its sole discretion, permit the payment of all or any part of such Qualified Incentive Bonus, if any, that would have been paid to the Participant absent such termination based on the actual outcome of the applicable Performance Goals during the applicable Performance Period, as certified pursuant to Section VII.F, and (ii) in the case of a Non-Qualified Incentive Bonus, the Committee may, in its sole discretion, permit all or any part of such Non-Qualified Incentive Bonus to be paid without regard to the attainment of the applicable Performance Goals. Any Incentive Bonus to be paid pursuant to this Section VI.B shall be paid to the Participant at the time the Company pays Incentive Bonuses to its employees generally in accordance with Section IX.

VII. Additional Rules Applicable to Qualified Incentive Bonuses

A. Unless otherwise specifically determined by the Committee, any Incentive Bonus granted to a "covered employee" whose "applicable employee remuneration" (each within the meaning of Code Section 162(m)) is expected to exceed $1,000,000 for the year in which such Incentive Bonus may be paid is intended to be a Qualified Incentive Bonus.

B. Qualified Incentive Bonuses must be based solely on the attainment of one or more objective Performance Goals and may not be based on subjective criteria. In addition, no later than the Determination Date, the Committee shall designate in writing how the relevant Performance Goals with respect to the Performance Period will be calculated.

C. Neither the grant nor the payment of any Non-Qualified Incentive Bonus shall be made contingent on the failure to earn any Qualified Incentive Bonus.

D. The maximum aggregate Qualified Incentive Bonus that may be payable to any Participant under the Plan with respect to any fiscal year of the Company shall not exceed $1,000,000.

E. The Committee shall have no discretion to increase the amount of Qualified Incentive Bonuses that would otherwise be due upon attainment of the relevant Performance Goals; provided, however, that the Committee may exercise negative discretion within the meaning of Treasury regulation 1.162-27(e)(2)(iii)(A) with respect to any Qualified Incentive Bonus hereunder to reduce any amount that would otherwise be payable hereunder.

F. Payment of any Qualified Incentive Bonus pursuant to the Plan shall be contingent upon the Committee's certifying in writing that the Performance Goals and any other material terms applicable to such Qualified Incentive Bonus were in fact satisfied, in accordance with applicable regulations under Code section 162(m). Unless and until the Committee so certifies, such Qualified Incentive Bonus shall not be paid.

VIII. Change in Control

In connection with the consummation of a Change in Control of the Company, the Committee may, in its sole discretion, permit all or any part of a Participant's target Incentive Bonus for the Performance Period in which such Change in Control occurs to be paid without regard to the attainment of the applicable Performance Goals. Any Incentive Bonus to be paid pursuant to this Section VIII shall be paid to the Participant on or as soon as administratively practicable following the consummation of such Change in Control, but in no event later than March 15 of the year following the year in which such Change in Control occurs.

Table of Contents

IX. Payment of Incentive Bonuses; Tax Withholdings

A. Earned Incentive Bonuses shall be paid no later than March 15th of the calendar year following the calendar year that includes the last day of the Performance Period with respect to which such Incentive Bonuses are earned.

B. The Company shall have the right to deduct from all Incentive Bonuses payable hereunder any federal, state, local or foreign taxes required by law to be withheld with respect to such payments and no Incentive Bonuses will be paid until the Participant has made arrangements with the Company to satisfy any such withholding taxes.

X. Non-exclusivity of Plan

Nothing in the Plan shall be construed in any way as limiting the authority of the Committee, the Board, the Company or any Subsidiary or Affiliate to establish any other annual or incentive compensation plan or as limiting the authority of any of the foregoing to pay cash bonuses or other supplemental or additional incentive compensation to any persons employed by the Company, its Subsidiaries or Affiliates, whether or not such person is a Participant in this Plan and regardless of how the amount of such bonus or compensation is determined.

XI. Amendment, Termination and Term of Plan

The Board, without the consent of any Participant, may at any time terminate or from time to time amend the Plan in whole or in part; provided, however, that no amendment with respect to, or affecting, Qualified Incentive Bonuses that would require the consent of the stockholders of the Company pursuant to section 162(m) of the Code shall be effective without such consent.

XII. Interpretation and Construction

A. No provision of the Plan, nor the status of any employee as a Participant, shall constitute an employment agreement or in any way affect the duration of any Participant's employment, or the rights of the Company or the Participant to terminate such employment. Both the Participant and the applicable employer shall have the same ability to terminate employment as if the Plan had not been adopted.

B. Any provision of the Plan that could be construed to prevent Qualified Incentive Bonuses under the Plan from qualifying for deductibility under section 162(m) of the Code or Treasury regulation 1.162-27(e) shall, to such extent, be disregarded.

XIII. Adjustment; Repayment of Incentive Bonuses

All Incentive Bonuses paid or to be paid under the Plan are subject to rescission, cancellation or recoupment, in whole or in part, under any current or future "clawback" or similar policy of the Company.

XIV. Effective Date

The Plan shall be effective as of the date when, and only when, (i) the Company's stockholders have approved the Plan, (ii) the Company's stockholders have approved the proposal to approve the issuance of Common Stock in connection with the merger ("Merger") contemplated by the Agreement and Plan of Merger dated as of August 5, 2013, among Parametric, VTB Holdings, Inc., a Delaware corporation, and Paris Acquisition Corp., a Delaware corporation, and the corresponding change of control of the Company, and (iii) the Merger has been consummated.

Table of Contents

XV. Governing Law

The terms of the Plan shall be governed by the laws of the State of California, without reference to the conflicts of laws principles thereof.

* * * * *

Table of Contents

IN WITNESS WHEREOF, the Company has caused the Plan to be effective as of the date set forth below.

PARAMETRIC SOUND CORPORATION

By: ______________________

Name: ______________________

Title: ______________________

Date: ______________________

Table of Contents

ANNEX G
CONSENT OF SQUAR, MILNER, PETERSON, MIRANDA & WILLIAMSON, LLP

CONSENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We agree to the incorporation by reference in this Proxy Statement of our report dated November 26, 2013, relating to our audits of the consolidated financial statements of Parametric Sound Corporation as of and for the years ended September 30, 2013 and 2012 included in its Annual Report on Form 10-K for the year ended September 30, 2013 filed with the Securities and Exchange Commission on November 26, 2013.

/s/ SQUAR, MILNER, PETERSON, MIRANDA & WILLIAMSON, LLP

San Diego, California
December 2, 2013

Table of Contents

ANNEX H
CONSENT OF FREED MAXICK CPAS, P.C.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the inclusion in the Registration Statements on Form S-3 (File No. 333-188389 and File No. 333-173017), the Registration Statements on Form S-8 (File No. 333-171838, File No. 333-181653 and File No. 333-188390) and the proxy statement on Schedule 14A filed on or about the date hereof (the "proxy statement") of Parametric Sound Corporation of our report dated November 4, 2013, relating to the consolidated financial statements of VTB Holdings, Inc. as of end for the year ended December 31, 2012, which is contained in the proxy statement.

/s/ FREED MAXICK CPAs, P.C.

Buffalo, New York
December 2, 2013

Table of Contents

ANNEX I
CONSENT OF BDO USA, LLP

Consent of Independent Registered Public Accounting Firm

VTB Holdings, Inc.
Valhalla, New York

We hereby consent to the use in the Registration Statements on Form S-3 (File No. 333-188389 and File No. 333-173017), the Registration Statements on Form S-8 (File No. 333-171838, File No. 333-181653 and File No. 333-188390) and the proxy statement on Schedule 14A (the "proxy statement") of Parametric Sound Corporation of our report dated November 4, 2013, relating to the consolidated financial statements of VTB Holdings, Inc., which is contained in the proxy statement.

/s/BDO USA, LLP
New York, New York

December 2, 2013

EXHIBIT E

EXHIBIT E

To: Jim Barnes[jimbarnes@cox.net]
Cc: Seth Putterman[puherman@ritva.physics.ucla.edu]; Kaplan Robert[bobkaplan007@gmail.com]
From: Elwood Norris
Sent: Sat 3/30/2013 10:08:37 AM
Subject: FW: Monday's meeting

Guys,

We need a meeting asap.
Is this blackmail or what/

Woody

From: <ken.potashner@gmail.com>
Date: Friday, March 29, 2013 9:40 PM
To: Elwood Norris <enorris@parametricsound.com>
Subject: Fwd: Monday's meeting

The independent directors with 2 sets of lawyers are reneging on the agreements we made at previous bod meetings stripping hhi of key ip.

Given this is up in the air and we need to waste time and lawyer $ to reassess this it means I can't advance the turtle beach discussions

I hate losing the momentum in that it violates everything I know about getting deals done. The deal just went from70-30 likelihood to 50-50 at best

If the bod costs us this deal I will look for them all to resign or I will resign

The Bod is on the verge of losing you at least $10m personally

Sent from my iPhone

Begin forwarded message:

> From: Juergen Stark <juergen.stark@turtlebeach.com>
> Date: March 29, 2013, 10:09:53 AM PDT
> To: Ken Potashner <kpotashner@parametricsound.com>
> Cc: Ron Doornink <rdoornink@aol.com>, Ken Fox <ken@stripesgroup.com>, Karen
> Kenworthy <karen@stripesgroup.com>, Bruce Murphy
> <Bruce.Murphy@turtlebeach.com>
> Subject: Monday's meeting
>
> Ken,
> In preparation for Monday it would be useful to get some context and
> perspective from you. There are probably 3 types of deals we are
> contemplating, each with pros/cons/challenges. Can you comment on your level
> of interest and any additional pros/cons/challenges you see. I can also call
> you this afternoon or Saturday if that's easier.
>
> 1) Purchase exclusive, perpetual, transferable rights to use the IP for
> consumer electronics (CE). Cash payment and potential ongoing royalty stream
> back to PAMT for those rights. We could reduce this option to gaming only if

> license for all CE was not possible but preference is for all CE.
> - Good fit for CE and gaming with Turtle Beach and keeps these segments
> together
> - Leaves commercial and health for PAMT
> - Fencing off from commercial and health could be based on marketing and
> retailing for CE and gaming only (fairly clean and easy)
> - PAMT would have responsibility for defending and continuing to build the IP
> portfolio?
> - Need to determine how to value this portion of PAMT
> - If only gaming segment, need to determine how to fence this off from CE
> (which could be challenging)
>
> 2) Purchase portion of the PAMT along with above rights to CE market
> (w/gaming). Cash in exchange for these rights and equity in PAMT going
> forward.
> - Creates strong relationship between the companies and ability for VTB to
> participate in upside from other segments
> - Equity easier to value and may make defending of value calculations easier
> given the equity stake
> - Rest of pros/cons similar to #1 above.
>
> 3) Purchase PAMT outright and license back rights to use IP for health segment
> - Overheated stock market and PAMT valuation driven largely by anticipation of
> future economics makes valuation challenging
> - Would require VTB to launch commercial division, unrelated to current CE
> activities, to gain value from digital signage/etc.
> - Option could be "reduced" to purchase majority stake only (?)
> - Perpetuation, expansion, and defense of IP would then move to VTB as part of
> buying the company
> - Assuming some team members would be needed to pursue health?
>
> 4) Purchase PAMT outright including rights to health
> - Same valuation challenges as #3 and add requirement to fund pursuit of
> health segment
> - Is this of interest to PAMT?
>
> Let us know your thoughts please. Looking forward to Monday.
>
> Best,
> Juergen
>
>
> --
>
> Juergen Stark
> CEO
> <http://www.turtlebeach.com>
>
> Turtle Beach, Inc.
> juergen.stark@turtlebeach.com
> 100 Summit Lake Drive, Suite 100
> Valhalla, NY 10595
> +1 914-358-8807
> www.turtlebeach.com <http://www.turtlebeach.com>
>
> <http://www.facebook.com/turtlebeach> Fan Us on Facebook

> <http://www.facebook.com/turtlebeach> | <http://www.twitter.com/turtlebeach>
> Follow Us on Twitter <http://www.twitter.com/turtlebeach> |
> <http://www.youtube.com/turtlebeachvideos> Watch Us on YouTube
> <http://www.youtube.com/turtlebeachvideos>
> This E-mail is covered by the Electronic Communications Privacy Act, 18, S.C.
> §§ 2510-2521. The information contained in this email is confidential and is
> intended only for the use of the individual or entity named above. If the
> reader of this message is not the intended recipient, you are hereby notified
> that any dissemination, distribution or copying of this communication is
> strictly prohibited. Please advise the sender by reply email and immediately
> delete the message and any attachments without copying or disclosing the
> contents. Thank you.
>
>
>

EXHIBIT F

EXHIBIT F

To: Dufilho, Mark[mdufilho@hl.com]
Cc: john todd[john1228@earthlink.net]; Jim Barnes[jimbarnes@cox.net]
From: Ken
Sent: Fri 4/12/2013 12:16:25 PM
Subject: Re: Brief call

He said they are familiar with our technology and believe it will be highly relevant to future products amazon plans on launching

Sent from my iPad

On Apr 12, 2013, at 12:01 PM, "Dufilho, Mark" <MDufilho@HL.com> wrote:

> On it.
>
> Mark Dufilho
> Director
> Consumer, Food & Retail Group
>
> HOULIHAN LOKEY
> 214.220.8477 Direct
> 214.682.2522 Mobile
> MDufilho@HL.com
>
> From: Ken [mailto:ken.potashner@gmail.com]
> Sent: Friday, April 12, 2013 1:59 PM
> To: john todd; Dufilho, Mark; Jim Barnes
> Subject: Fwd: Brief call
>
> Just had a quick chat with him. He declared Amazon is interested in buying the company.
>
> Mark pls call him ASAP to figure out where this fits in our process
>
> Sent from my iPad
>
> Begin forwarded message:
>
> From: "Ceballos Encarnacion, Alex" <aceba@amazon.com>
> Date: April 12, 2013, 11:16:12 AM PDT
> To: Ken <ken.potashner@gmail.com>
> Subject: RE: Brief call
>
> Ken,
> Thanks for the prompt response.
> We understand that the company is evaluating strategic alternatives (per recent press release) and I would like to initiate a discussion to see if there is a way in which Amazon & Parametric can work together.
>
> Thanks,
> Alex
>
> Alex Ceballos
> Director, Worldwide Corporate Development
> Amazon.com Inc
> 535 Terry Ave North,
> Seattle, WA 98109

> O: 206 266 7584
> M: 206 902 6656
> aceba@amazon.com
>
>
>
> From: Ken [mailto:ken.potashner@gmail.com]
> Sent: Friday, April 12, 2013 10:58 AM
> To: Ceballos Encarnacion, Alex
> Subject: Re: Brief call
>
> Please let me know what the topic regards. I am Chairman of the company.
>
> Sent from my iPad
>
> On Apr 12, 2013, at 10:39 AM, "Ceballos Encarnacion, Alex" <aceba@amazon.com> wrote:
>
> Ken,
> Thanks for accepting my LinkedIn invite. Let me know if you have a few minutes to connect over the phone and the best way to reach you. It is related to Parametric Sound where I understand you serve on the board.
>
> Regards,
> Alex
>
> Alex Ceballos
> Director, Worldwide Corporate Development
> Amazon.com Inc
> 535 Terry Ave North,
> Seattle, WA 98109
> O: 206 266 7584
> M: 206 902 6656
> aceba@amazon.com
>
>
> Please consider the environment before printing.
>
> This e-mail message and any attachments are for the sole use of the intended recipient(s) and may contain confidential information. If you are not an intended recipient, or an intended recipient's authorized agent, you are hereby notified that any dissemination, distribution or copying of this e-mail message or any attachments is strictly prohibited. If you have received this message in error, please notify the sender by reply e-mail and delete this e-mail message and any attachments from your computer system.

EXHIBIT G

EXHIBIT G

To: ken potashner[ken.potashner@gmail.com]
From: James Barnes
Sent: Sun 6/2/2013 9:47:16 AM
Subject: Re: update

With that info I don't understand what they are doing? Waiting on Ken's okay or waiting on debt lender to commit?
If 80-90% they should launch attorneys on definitive - - this deal is really strange.

Have you shared health data/ size opportunity with Amazon?

From: Ken Potashner <ken.potashner@gmail.com>
Date: Sunday, June 2, 2013 9:42 AM
To: James Barnes <jbarnes@parametricsound.com>
Subject: Re: update

This is fine with McD in.

Just spoke to Juergen and his preference (and Kens) is that we dont defend the stock in that premium on deal will look better. I told himno renegotiation of deal and he agrees.

With that said I wont allow freefall on stock.

Lets see how the stock performs tomorrow morning and then we will make the decision real time whether to hit the send button. We can have it cued up.

On Sun, Jun 2, 2013 at 9:03 AM, James Barnes <jbarnes@parametricsound.com> wrote:
> Suggest not make mcdonalds a quote. Just reporting that we did what we said we
> would do in the conf call.
>
> Whether to use Mcdonalds name or not is something I have no knowledge of the
> rules. You have the general allowance of talking about it and and 8k is
> different than a PR but I don't know the etiquette etc of PR. May want to
> discuss with mossberg or tracy - - I don't know when you can use a name or not
> and whether just mentioning as a description is something to consider.
>
>
>
> From: Ken Potashner <ken.potashner@gmail.com>
> Date: Sunday, June 2, 2013 7:46 AM
> To: James Barnes <jimbarnes@cox.net>
> Subject: update
>
> send me your latest rev based on our exchanges. I have a call with Jueregn
> this afternoon to discuss

EXHIBIT H

EXHIBIT H

To: Ken Potashner[kpotashner@parametricsound.com]
From: Juergen Stark
Sent: Sat 8/3/2013 8:48:56 AM
Subject: Fwd: Project Surround Investor Presentation
Paris Press Release DRAFT 8.3.2013.doc

Here are David's edits...

---------- Forwarded message ----------
From: **David Lowey** <david.lowey@turtlebeach.com>
Date: Sat, Aug 3, 2013 at 5:37 PM
Subject: Re: Project Surround Investor Presentation
To: Juergen Stark <juergen.stark@turtlebeach.com>

Juergen,

I was already halfway through the document so I kept going and finished the edits.

I cut back a lot of the repetitive statements but kept the additional points that Ken wanted to add by weaving them into existing paragraphs. I did remove the go-shop paragraph entirely.

There is one note in the attached re: the hearing impaired technology, that I have retained with different language.

We can send it to Ken or hold it back and wait to see what he produces.

On Sat, Aug 3, 2013 at 10:41 AM, Juergen Stark <juergen.stark@turtlebeach.com> wrote:

> Wait for now. Ken wants to take a whack at it. Thanks
>
> On Sat, Aug 3, 2013 at 4:22 PM, David Lowey <david.lowey@turtlebeach.com> wrote:
>
>> Thank you for weighing in. My apologies for not responding more quickly this morning. I'll edit the release per your instructions. Do you want to review it once

more before I send it to PAMT?

On Sat, Aug 3, 2013 at 8:57 AM, Juergen Stark
<juergen.stark@turtlebeach.com> wrote:

FYI below on the press release...

---------- Forwarded message ----------
From: **Juergen Stark** <juergen.stark@turtlebeach.com>
Date: Sat, Aug 3, 2013 at 2:55 PM
Subject: Re: Project Surround Investor Presentation
To: ken potashner <ken.potashner@gmail.com>

Ok, David is an actual PR person...SVP from Fleishman...he's a pro and he can take ownership. He gave some comments back on the last draft:

Adjust language to "approximately $205m in 2012 revenues" to match presentation.

Your quote cites "impressive operating margins"...we said we were not going to do that. Latter part of quote repeats items already in the release about us.

He has a concern related to CA on the hearing impaired citation (getting more info on this).

Separately:
1) On the mention of you on the board. That's fine although it make the situation with Carmine and Fred more difficult for us...we were trying to avoid specifics at this point. Also, you guys will need to vote or declare that you are the designee on the PAMT side obviously. Andy could be the independent designee if your board so determined. We'd be good with that.

2) Let's get rid of the "go shop" paragraph. You're not looking for an alternate and neither are we. Including it along with the sentences about evaluating multiple options makes it sound like you guys were desperate, we were the last resort, but you are eagerly searching for alternative bidders. It's not required as indicated by the other sample merger releases (like the one Dan circulated).

On Sat, Aug 3, 2013 at 2:21 PM, ken potashner <ken.potashner@gmail.com> wrote:

> after the call at 8 then i am going to finalize the release, it is a release designed by committee. Everyones input and especially GC will be factored in. Once we get thru this week we will define a more efficient process,
>
> On Sat, Aug 3, 2013 at 2:10 AM, Juergen Stark <juergen.stark@turtlebeach.com> wrote:
>
>> Couple things:
>> 1. Yes, you're correct on the cover...fine as is.
>>
>> 2. I've attached some graphics from the Parametric side...let's see if we can use these in right spots
>>
>> 3. I think we should lean more towards using the "HyperSound" term vs. Paramatric Audio, etc. Since we are much more likely to keep that term going forward.
>>
>> 4. I've attached a drawing of a more visual page for the vision point. Can we create something like that with a nice graphic. Note, it should not look too much like a precise growth curve that anybody tries to convert into numbers...it should be more conceptual. We do not want to set expectations on time or scale with it. This chart is important to Ken's point on vision so worth making it really look good. The chart should show audio technology patents as a foundation and then show how e become a diverse audio technology company over time with VTB and PAMT products layering on.
>>
>> Thanks
>>
>> On Fri, Aug 2, 2013 at 11:44 PM, Hariharan, Siddharth X <siddharth.hariharan@jpmorgan.com> wrote:
>>
>>> As noted, the last page is a placeholder until Dechert confirms. You are right in that it will provide a range, not a specific date.

I believe the cover reflects what you and David L suggested we use. Let us know if otherwise.

We will amend page 18

We will try and change the color palette, but will not be able to circulate a version that reflects that change till some point tomorrow.

Siddharth Hariharan | Vice President | Consumer Retail Investment Banking | **J.P. Morgan**

2029 Century Park East, 38th Floor, Los Angeles, CA 90067
T: 310 860 7253 | F: 312 212 5931 | M: 812 391 3522 |
siddharth.hariharan@jpmorgan.com

Alternate contact: Redetha Deason | T: 310 860 7216 | F: 310 220 6544| redetha.d.deason@jpmorgan.com

From: Juergen Stark [mailto:juergen.stark@turtlebeach.com]
Sent: Friday, August 02, 2013 2:30 PM
To: Hariharan, Siddharth X
Cc: Stroud, Ryan L; kpotashner@parametricsound.com; karen@stripesgroup.com; david.lowey@turtlebeach.com; Bob.Picunko@turtlebeach.com; dmossberg@threepa.com; JBarnes@parametricsound.com; Price, Katie; Kotte, Sanjay K
Subject: Re: Project Surround Investor Presentation

timing needs to be much more ranged on the last page. we shouldn't have a close date that is specific to a day right?

i think we had a new cover graphic.

page 18 is fine from a content standpoint but extremely boring...i was hoping for something more graphic/visual.

On Fri, Aug 2, 2013 at 11:24 PM, Hariharan, Siddharth X <siddharth.hariharan@jpmorgan.com> wrote:

Juergen/Ken – please review page 18 and let us know if this helps address the vision point you wanted to come across.

Siddharth Hariharan | Vice President | Consumer Retail Investment Banking | **J.P. Morgan**

2029 Century Park East, 38th Floor, Los Angeles, CA 90067
T: 310 860 7253 | F: 312 212 5931 | M: 812 391 3522 | siddharth.hariharan@jpmorgan.com

Alternate contact: Redetha Deason | T: 310 860 7216 | F: 310 220 6544| redetha.d.deason@jpmorgan.com

From: Stroud, Ryan L
Sent: Friday, August 02, 2013 2:23 PM
To: juergen.stark@turtlebeach.com; kpotashner@parametricsound.com; karen@stripesgroup.com; david.lowey@turtlebeach.com; Bob.Picunko@turtlebeach.com; dmossberg@threepa.com; JBarnes@parametricsound.com; Price, Katie
Cc: Hariharan, Siddharth X; Kotte, Sanjay K; Price, Katie
Subject: Project Surround Investor Presentation

All – please find attached a draft of the latest investor presentation. Please note that pg. 19 is outstanding as we are awaiting comments from legal.

Regards,

Ryan

Ryan Stroud | Associate | Consumer & Retail Investment Banking | **J.P. Morgan** | 383 Madison Avenue, 38th Floor, New York, NY 10179

T: 212 622 6258 | F: 917 464 6463 | C: 254 855 4174 | ryan.l.stroud@jpmorgan.com | jpmorgan.com

Alternate Contact: Rosemarie Cialini | T: 212 272 3592| F: 917 937 5773 | Rosemarie.Cialini@jpmorgan.com

--

Juergen Stark

CEO

Turtle Beach Logo

Turtle Beach, Inc.

juergen.stark@turtlebeach.com

100 Summit Lake Drive, Suite 100
Valhalla, NY 10595

+1 914-358-8807

www.turtlebeach.com

Facebook Icon Fan Us on Facebook | Twitter Icon Follow Us on Twitter | YouTube Icon Watch Us on YouTube

–

Juergen Stark

CEO
Turtle Beach Logo

Turtle Beach, Inc.
juergen.stark@turtlebeach.com
100 Summit Lake Drive, Suite 100
Valhalla, NY 10595
+1 914-358-8807
www.turtlebeach.com

Facebook Icon Fan Us on Facebook | Twitter Icon Follow Us on Twitter | YouTube Icon Watch Us on YouTube

--

Juergen Stark
CEO
Turtle Beach Logo

Turtle Beach, Inc.
juergen.stark@turtlebeach.com
100 Summit Lake Drive, Suite 100
Valhalla, NY 10595
+1 914-358-8807
www.turtlebeach.com

Facebook Icon Fan Us on Facebook | Twitter Icon Follow Us on Twitter | YouTube Icon Watch Us on YouTube

S.C. §§ 2510-2521. The information contained in this email is confidential and is intended only for the use of the individual or entity named above. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. Please advise the sender by reply email and immediately delete the message and any attachments without copying or disclosing the contents. Thank you.

--

Juergen Stark
CEO
Turtle Beach Logo

Turtle Beach, Inc.
juergen.stark@turtlebeach.com
100 Summit Lake Drive, Suite 100
Valhalla, NY 10595
+1 914-358-8807
www.turtlebeach.com

Facebook Icon Fan Us on Facebook | Twitter Icon Follow Us on Twitter | YouTube Icon Watch Us on YouTube

This E-mail is covered by the Electronic Communications Privacy Act, 18, S.C. §§ 2510-2521. The information contained in this email is confidential and is intended only for the use of the individual or entity named above. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. Please advise the sender by reply email and immediately delete the message and any attachments without copying or disclosing the contents. Thank you.

--

David Lowey
Public Relations
Turtle Beach Logo

Turtle Beach, Inc.
david.lowey@turtlebeach.com
100 Summit Lake Drive, Suite 100
Valhalla, NY 10595
www.turtlebeach.com

Facebook Icon Fan Us on Facebook | Twitter Icon Follow Us on Twitter | YouTube Icon Watch Us on YouTube

--

Juergen Stark
CEO
Turtle Beach Logo

Turtle Beach, Inc.
juergen.stark@turtlebeach.com
100 Summit Lake Drive, Suite 100
Valhalla, NY 10595
+1 914-358-8807
www.turtlebeach.com

Facebook Icon Fan Us on Facebook | Twitter Icon Follow Us on Twitter | YouTube Icon Watch Us on YouTube

only for the use of the individual or entity named above. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. Please advise the sender by reply email and immediately delete the message and any attachments without copying or disclosing the contents. Thank you.

--

David Lowey
Public Relations
Turtle Beach Logo

Turtle Beach, Inc.
david.lowey@turtlebeach.com
100 Summit Lake Drive, Suite 100
Valhalla, NY 10595
www.turtlebeach.com

Facebook Icon Fan Us on Facebook | Twitter Icon Follow Us on Twitter | YouTube Icon Watch Us on YouTube
This E-mail is covered by the Electronic Communications Privacy Act, 18, S.C. §§ 2510-2521. The information contained in this email is confidential and is intended only for the use of the individual or entity named above. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. Please advise the sender by reply email and immediately delete the message and any attachments without copying or disclosing the contents. Thank you.

--

Juergen Stark
CEO
Turtle Beach Logo

Turtle Beach, Inc.
juergen.stark@turtlebeach.com
100 Summit Lake Drive, Suite 100
Valhalla, NY 10595
+1 914-358-8807
www.turtlebeach.com

Facebook Icon Fan Us on Facebook | Twitter Icon Follow Us on Twitter | YouTube Icon Watch Us on YouTube

EXHIBIT I

EXHIBIT I

10-Q 1 parametric_10q-123113.htm QUARTERLY REPORT

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2013

Commission File Number: 000-54020

PARAMETRIC SOUND CORPORATION

PARAMETRIC SOUND CORPORATION
(Exact name of registrant as specified in its charter)

Nevada **(State or other jurisdiction of incorporation or organization)**	**27-2767540** **(I.R.S. Employer Identification Number)**
13771 Danielson Street, Suite L **Poway, California** **(Address of principal executive offices)**	**92064** **(Zip Code)**

(888) 477-2150
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The number of shares of Common Stock, $0.001 par value, outstanding on February 7, 2014 was 37,558,414.

PARAMETRIC SOUND CORPORATION
INDEX

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND OTHER INFORMATION

This Quarterly Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the "Securities Act," and Section 21E of the Securities Exchange Act of 1934, as amended, or the "Exchange Act." All statements other than statements of historical facts contained in this report are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "could," "will," "would," "should," "expect," "plan," "anticipate," "believe," "estimate," "intend," "predict," "seek," "contemplate," "potential" or "continue" or the negative of these terms or other comparable terminology. These forward-looking statements include, but are not limited to, statements about:

- Risks related to our merger with VTB Holdings, Inc. ("Turtle Beach") and related transactions, as described in more detail in this report;
- Our history of losses;
- The limited number of suppliers for some of our components;
- Our market being characterized by rapidly advancing technology;
- The impact of competitive products, technologies and pricing;
- Manufacturing capacity constraints and difficulties;
- Local, regional, national and international economic conditions and events and the impact they may have on us and our customers;
- Continued volatility in the credit and equity markets and the resulting effect on the general economy;
- Our success at managing the risks involved in the foregoing items;
- The commercialization of our proprietary technologies;
- The implementation of our business model within Turtle Beach and strategic plans for our business and technology;
- The scope of protection we are able to establish and maintain for intellectual property rights covering our technology;
- Our belief that existing resources and those of Turtle Beach will provide sufficient liquidity to meet our funding requirements over the next year;
- Our belief that we have strong commercial, consumer and healthcare market opportunities worldwide;
- Our expectation of increased product sales for the balance of calendar 2014;
- Estimates of our expenses, future revenues, capital requirements and our needs for additional financing;
- The timing or likelihood of regulatory filings and approvals including with respect to HSS products as medical devices;
- Our financial performance; and
- Developments relating to our competitors and our industry.

Forward-looking statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under "Risk Factors" in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2013, those listed under "Risks Related to Turtle Beach's Business" in the Definitive Proxy Statement (the "Proxy Statement") on Schedule 14A filed with the SEC on December 3, 2013 and in Part II, "Item 1A. Risk Factors" of this report.

All forward-looking statements in this report reflect our views as of the date of this report based on information with respect to future events and are subject to the above referenced and other risks, uncertainties and assumptions relating to our operations, results of operations, industry and future growth. Given these risks, uncertainties and assumptions, we caution you not to place undue reliance on these forward-looking statements. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, whether as a result of new information, future events or otherwise.

As described in Note 12 – "Subsequent Events" in the notes to the unaudited condensed consolidated financial statements included in Part 1, Item 1 of this Form 10-Q quarterly report, and as previously disclosed in the Company's current report on Form 8-K filed with the Securities and Exchange Commission ("SEC") on January 16, 2014, on January 15, 2014, the Company completed the merger (the "Merger") of its wholly-owned subsidiary, Paris Acquisition Corp., with and into Turtle Beach resulting in a significant change in the nature and scope of the Company's operations. The financial statements and related discussion and analysis of financial condition and results of operations by management presented in this report covers a three-month period that ended prior to the completion of the Merger. Operating results for the three months ended December 31, 2013 may not be indicative of results for any future interim period after the Merger.

Parametric Sound Corporation
Condensed Consolidated Balance Sheets
(reflecting periods prior to the Merger with Turtle Beach - see Note 12)

	December 31, 2013 (unaudited)	September 30, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,667,169	$ 1,597,879
Accounts receivable	117,518	177,453
Inventories, net	723,742	723,420
Prepaid expenses and other current assets	172,504	95,932
Total current assets	5,680,933	2,594,684
Property and equipment, net	211,609	219,369
Intangible assets, net	1,453,993	1,451,298
Total assets	$ 7,346,535	$ 4,265,351
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,110,793	$ 862,522
Accrued liabilities	97,110	183,716
Capital lease obligation - current portion	37,928	37,486
Total current liabilities	1,245,831	1,083,724
Capital lease obligation - long term	84,962	94,611
Total liabilities	1,330,793	1,178,335
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, $0.001 par value, authorized 1,000,000 shares, none issued and outstanding	–	–
Common stock, $0.001 par value, authorized 50,000,000 shares, 7,268,622 and 6,835,321 shares issued and outstanding, respectively	7,269	6,835
Additional paid-in capital	23,065,798	17,383,196
Accumulated deficit	(17,057,325)	(14,303,015)
Total stockholders' equity	6,015,742	3,087,016
Total liabilities and stockholders' equity	$ 7,346,535	$ 4,265,351

See accompanying notes to interim condensed consolidated financial statements

Parametric Sound Corporation
Condensed Consolidated Statements of Operations
(reflecting periods prior to the Merger with Turtle Beach - see Note 12)
(unaudited)

	Three Months Ended December 31, 2013	2012
Revenues:		
Product sales	$ 50,160	$ 94,368
Other revenue	17,703	14,306
Total revenues	67,863	108,674
Cost of revenues	36,018	54,056
Gross profit	31,845	54,618
Operating expenses:		
Selling, general and administrative	1,248,505	916,597
Research and development	539,096	391,853
Business transaction	996,678	–
Total operating expenses	2,784,279	1,308,450
Loss from operations	(2,752,434)	(1,253,832)
Other (expense) income:		
Interest income	1,231	3,075
Interest expense	(1,514)	–
Other	(1,593)	(1,363)
	(1,876)	1,712
Net loss	$ (2,754,310)	$ (1,252,120)
Net loss per basic and diluted common share	$ (0.39)	$ (0.20)
Weighted average common shares used to compute net loss per basic and diluted common share	7,037,195	6,409,231

See accompanying notes to interim condensed consolidated financial statements

Parametric Sound Corporation
Condensed Consolidated Statements of Cash Flows
(reflecting periods prior to the Merger with Turtle Beach - see Note 12)
(unaudited)

	Three Months Ended December 31, 2013	2012
Cash Flows From Operating Activities:		
Net loss	$ (2,754,310)	$ (1,252,120)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	64,618	58,020
Warranty provision	(96)	3,794
Non-cash inventory reserve	(5,046)	(13,604)
Share-based compensation	529,219	253,663
Changes in assets and liabilities:		
Accounts receivable	59,935	24,038
Prepaid expenses and other current assets	(93,441)	22,836
Inventories	4,724	26,414
Accounts payable	248,271	8,670
Accrued liabilities	(84,220)	14,769
Warranty settlements	(2,290)	(2,616)
Net cash used in operating activities	(2,032,636)	(856,136)
Cash Flows From Investing Activities:		
Capital expenditures for property and equipment	(23,930)	(4,474)
Patent costs paid	(35,623)	(18,347)
Net cash used in investing activities	(59,553)	(22,821)
Cash Flows From Financing Activities:		
Proceeds from sale of common stock	5,100,004	–
Offering costs paid	(20,668)	–
Proceeds from exercise of stock options	91,350	1,874
Payments on capital lease obligation	(9,207)	–
Net cash provided by financing activities	5,161,479	1,874
Net increase (decrease) in cash and cash equivalents	3,069,290	(877,083)
Cash and cash equivalents, beginning of period	1,597,879	5,527,647
Cash and cash equivalents, end of period	$ 4,667,169	$ 4,650,564
Supplemental Disclosure of Non-Cash Investing and Financing Information:		
Interest paid	$ 1,514	$ –

See accompanying notes to interim condensed consolidated financial statements

Parametric Sound Corporation
Notes to Interim Condensed Consolidated Financial Statements
(unaudited)
December 31, 2013 (prior to the Merger with Turtle Beach)

Note 1 - Description of Business and Basis of Accounting/Presentation

Organization

Parametric Sound Corporation ("Parametric" or the "Company") is a technology company focused on delivering novel audio solutions through its HyperSound® or "HSS®" technology platform, that pioneered the practical application of parametric acoustic technology for generating audible sound along a directional ultrasonic column. The creation of sound using the Company's technology also creates a unique sound image distinct from traditional audio systems. In addition to its commercial product business, the Company is targeting its technology for new uses in consumer markets including computers, video gaming, televisions and home audio along with other commercial markets including casino gaming and cinema. The Company is also researching and developing health applications for persons with hearing loss.

The Company was incorporated in Nevada on June 2, 2010 as a new, wholly owned subsidiary of LRAD Corporation in order to effect the 100% separation and spin-off of the HSS business (the "Spin-Off"). On September 27, 2010, the Spin-Off was completed and the Company became a stand-alone, independent, publicly traded company. In June 2012, the Company formed PSC Licensing Corp. ("PSC"), in October 2012 formed HyperSound Health, Inc. ("HHI") and in July 2013 formed Paris Acquisition Corp., all as wholly owned subsidiaries. The Company's corporate headquarters are located in Poway, California. Principal markets for the Company's products are North America, Europe and Asia.

Merger with Turtle Beach

On January 15, 2014, the Company completed a merger (the "Merger") of its wholly-owned subsidiary, Paris Acquisition Corp., a Delaware corporation ("Merger Sub"), with and into VTB Holdings, Inc., a Delaware corporation ("Turtle Beach"), in accordance with the terms and conditions of the Agreement and Plan of Merger dated August 5, 2013 among the Company, Turtle Beach and Merger Sub (the "Merger Agreement"). As a result of the Merger, Turtle Beach, the surviving entity in the Merger, became a wholly-owned subsidiary of the Company. As the Merger was not completed until after December 31, 2013, the accompanying unaudited consolidated financial statements have not been prepared to include the balance sheet or results of operations of Turtle Beach, and thus reflect only the Company and its subsidiaries prior to the Merger. See Note 12 – "Subsequent Events" for more information on the Merger.

Basis of Accounting

The accompanying unaudited interim financial statements have been prepared by the Company in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and pursuant to the applicable rules and regulations of the Securities and Exchange Commission ("SEC"). In the opinion of management, the accompanying financial statements contain all adjustments necessary in order make the financial statements not misleading. The condensed consolidated balance sheet as of September 30, 2013 was derived from the Company's most recent audited financial statements, but does not include all disclosures required by GAAP for complete annual financial statements. The financial statements herein should be read in conjunction with the Company's audited financial statements and notes thereto for the fiscal year ended September 30, 2013, included in the Company's Annual Report on Form 10-K for the year ended September 30, 2013. Operating results for the three months ended December 31, 2013 are not indicative of results to be expected for the Company, now a part of the merged entity, for any other future interim period after the Merger. The financial statements should also be read in conjunction with the financial statements and information included in the Company's Definitive Proxy Statement (the "Proxy Statement") on Schedule 14A for the special meeting of stockholders held on December 27, 2013 (the "Special Meeting"), a copy of which was filed with the SEC on December 3, 2013.

Basis of Presentation

The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. Where necessary, the prior year's information has been reclassified to conform to current period statement presentation. These reclassifications had no effect on previously reported results of operations or accumulated deficit.

Parametric Sound Corporation
Notes to Interim Condensed Consolidated Financial Statements
(unaudited)
December 31, 2013 (prior to the Merger with Turtle Beach)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates and assumptions include, but are not limited to, assessing the following: valuation of inventory, valuation of intangible assets, grant date fair value of stock options and warrants, share-based compensation expense, valuation of acquired intangible assets and valuation allowance related to deferred tax assets.

Financial Instruments

At December 31, 2013, there was no difference between the carrying values of the Company's cash equivalents and fair market value. For certain financial instruments, including accounts receivable, accounts payable and accrued liabilities, the carrying amounts approximate fair value due to their relatively short maturities.

The Company does not have any financial assets and liabilities that are measured at fair value on a recurring basis.

Loss Per Common Share

Basic loss per common share is computed by dividing net loss for the period by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per common share reflects the potential dilution of securities that could share in the earnings of the Company. Potential common shares relating to outstanding stock options and warrants to acquire a total of 1,394,728 and 1,692,464 shares of common stock were outstanding at December 31, 2013 and 2012, respectively. These securities are not included in the computation of diluted net loss per common share for all periods presented as their inclusion would be antidilutive due to losses incurred by the Company in such periods.

Business Transaction

For the three months ended December 31, 2013, the Company incurred $996,678 of business transaction costs related to preparing for the merger with Turtle Beach and related litigation consisting of legal, investment bank, accounting and related costs and expenses. These costs are net of $453,153 of litigation related legal fees and costs payable by the Company's D&O insurance carrier (see Note 9).

Recent Accounting Pronouncements

The Company reviews new accounting standards as issued. Although some of these accounting standards issued or effective after the end of the Company's previous fiscal year may be applicable to the Company, management has not identified any new standards that had, or are expected to have, a significant impact on the Company's financial statements.

Subsequent Events

Management has evaluated events subsequent to December 31, 2013 through the date that the accompanying interim condensed consolidated financial statements were filed with the SEC for transactions and other events which may require adjustment of and/or disclosure in such financial statements.

Parametric Sound Corporation
Notes to Interim Condensed Consolidated Financial Statements
(unaudited)
December 31, 2013 (prior to the Merger with Turtle Beach)

2. Inventories, net

Inventory is recorded at the lower of cost and net realizable value. The cost of substantially all of the Company's inventory is determined by the weighted average cost method. Inventories consisted of the following:

	December 31, 2013	September 30, 2013
Finished goods	$ 277,209	$ 260,646
Work in process	75,664	43,494
Raw materials	426,506	479,963
	779,379	784,103
Reserve for obsolescence	(55,637)	(60,683)
	$ 723,742	$ 723,420

The Company relies on one supplier for film for its HSS products. The Company's ability to manufacture its HSS products could be adversely affected if it were to lose its sole source supplier and was unable to find an alternative supplier.

The reserve for obsolescence was reduced by a $5,046 non-cash inventory reserve reduction in the three months ended December 31, 2013 through the use of previously reserved legacy HSS inventory in the production of HSS products and prototypes. The Company expects to continue to realize non-cash inventory reserve reductions through the use of such previously reserved parts.

3. Property and Equipment, net

Property and equipment consisted of the following:

	December 31, 2013	September 30, 2013
Equipment	$ 198,117	$ 195,438
Research equipment under capital lease	139,967	139,967
Tooling	125,433	125,433
Furniture and office equipment	88,002	75,950
Leasehold improvements	27,133	17,934
	578,652	554,722
Accumulated depreciation	(367,043)	(335,353)
	$ 211,609	$ 219,369

Depreciation expense was $31,690 and $25,884 for the three months ended December 31, 2013 and 2012, respectively.

Parametric Sound Corporation
Notes to Interim Condensed Consolidated Financial Statements
(unaudited)
December 31, 2013 (prior to the Merger with Turtle Beach)

4. Intangible Assets, net

Intangible assets consist of the following:

	December 31, 2013	September 30, 2013
Purchased technology	$ 1,225,000	$ 1,225,000
Patents	486,766	452,040
Defensive patents	190,213	190,213
Licenses and trademarks	19,445	18,548
	1,921,424	1,885,801
Accumulated amortization	(467,431)	(434,503)
	$ 1,453,993	$ 1,451,298

Aggregate amortization expense for the Company's intangible assets was $32,928 and $32,136 during the three months ended December 31, 2013 and 2012, respectively.

As of December 31, 2013 estimated intangible assets amortization expense for each of the next five fiscal years and thereafter are as follows:

Fiscal Years Ending September 30,	Estimated Amortization Expense
2014 (9 months remaining)	$ 98,024
2015	124,390
2016	116,719
2017	108,915
2018	107,703
Thereafter	898,242

5. Accrued Liabilities

Accrued liabilities consists of the following:

	December 31, 2013	September 30, 2013
Payroll and related	$ 68,320	$ 68,292
Warranty reserve	7,754	10,140
Customer deposits	2,202	682
Accrued patent and research costs	–	83,088
Deferred rent	14,876	17,661
Other	3,958	3,853
	$ 97,110	$ 183,716

Parametric Sound Corporation
Notes to Interim Condensed Consolidated Financial Statements
(unaudited)
December 31, 2013 (prior to the Merger with Turtle Beach)

Details of the estimated warranty liability are as follows:

	Three Months Ended December 31,	
	2013	2012
Beginning balance	$ 10,140	$ 4,242
Warranty provision	(96)	3,794
Warranty settlements	(2,290)	(2,616)
Ending balance	$ 7,754	$ 5,420

6. Capital Lease Obligation

The capital lease obligation is for research equipment (see Note 3). Amortization of the asset under the capital lease is included in depreciation and amortization expense and the accumulated amortization was $43,333 at December 31, 2013.

Future minimum lease payments for each year of the capital lease are as follows:

2014 (9 months remaining)	$ 32,166
2015	42,888
2016	42,888
2017	14,296
Total payments	132,238
Less amount representing interest	(9,348)
Present value of minimum payments	122,890
Less current portion	(37,928)
	$ 84,962

7. Share-Based Compensation

The Company's 2012 Stock Option Plan, as amended (the "2012 Plan") authorized the grant of options to purchase up to an aggregate of 1,700,000 shares of the Company's common stock to directors, officers, employees and consultants. At December 31, 2013, a total of 190,500 shares were available for grant under the 2012 Plan. At December 31, 2013, the Company also had outstanding options to purchase up to 25,500 shares of the Company's common stock that were granted outside of the 2012 Plan as an inducement grant in accordance with NASDAQ rules.

On October 30, 2013, the Board of Directors adopted, and on December 27, 2013 the stockholders approved, the 2013 Stock-Based Incentive Compensation Plan (the "2013 Plan"), but the 2013 Plan did not become effective until consummation of the Merger on January 15, 2014. The total number of shares of common stock authorized for grant under the 2013 Plan is 2,250,000 shares plus the shares authorized to be granted but not issued under the 2012 Plan, as amended (115,500 shares as of January 15, 2014) plus any shares that may become available through forfeitures or otherwise terminate.

The Company uses the Black-Scholes option pricing model to determine the estimated fair value of each option as of its grant date or any revaluation date, and the grant date fair value is recognized as non-cash based compensation expense over the expected vesting term of options. The inputs to the Black-Scholes option-pricing model are subjective and generally require significant analysis and judgment to develop. No options were granted during the three months ended December 31, 2012. The following table sets forth the significant weighted-average assumptions used in the Black-Scholes model and the calculation of stock-based compensation cost (annualized percentages):

Parametric Sound Corporation
Notes to Interim Condensed Consolidated Financial Statements
(unaudited)
December 31, 2013 (prior to the Merger with Turtle Beach)

	Three Months Ended December 31, 2013	Three Months Ended December 31, 2012
Volatility	88%	n/a
Risk-free interest rate	0.73%	n/a
Forfeiture rate	10.00%	n/a
Dividend yield	0.00%	n/a
Expected life in years	3.31	n/a
Weighted average fair value of options granted	$6.84	n/a

Expected volatility is based on the historical volatility of the Company's common stock over the period commensurate with the expected life of the options. The risk-free interest rate is based on rates published by the Federal Reserve Board. The dividend yield of zero is based on the fact that the Company has never paid cash dividends and has no present intention to pay cash dividends. The Company has a small number of option grants and limited exercise history. Accordingly, for all new option grants the Company has applied the simplified method prescribed by SEC Staff Accounting Bulletin 110, *Share-Based Payment: Certain Assumptions Used in Valuation Methods - Expected Term*, to estimate expected life (computed as vesting term plus contractual term divided by two). The estimated forfeiture rate was estimated by class of employee. Forfeitures are estimated at the time of the grant and revised in subsequent periods if actual forfeitures differ from those estimates, or if the Company updates its estimated forfeiture rate. Such amounts, if any, will be recorded as a cumulative adjustment in the period in which the estimate is changed.

The Company recorded share-based compensation in its interim condensed consolidated statements of operations for the relevant periods as follows:

	Three Months Ended December 31, 2013	Three Months Ended December 31, 2012
Selling, general and administrative	$ 410,248	$ 191,228
Research and development	118,971	62,435
	$ 529,219	$ 253,663

As of December 31, 2013 total estimated compensation cost relating to stock options granted but not yet vested was approximately $1.26 million. This cost can vary with respect to non-employee options based on changes in stock price and other valuation inputs. The remaining estimated cost is expected to be recognized over the weighted average period of 1.25 years.

The following table summarizes stock option activity for the period:

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value (2)
Outstanding October 1, 2013	1,348,354	$5.51	
Granted	5,000	$11.76	
Canceled/expired	–	–	
Exercised	(29,500)	$3.10	
Outstanding December 31, 2013 (1)	1,323,854	$5.58	$ 11,217,232
Exercisable December 31, 2013	933,644	$4.34	$ 8,957,129

(1) Options outstanding are exercisable at prices ranging from $1.50 to $16.92 per share and expire in 2015 to 2018.
(2) Aggregate intrinsic value is based on the closing price of the Company's common stock on December 31, 2013 of

$13.85.

Subsequent to December 31, 2013, a total of $211,333 was received from the exercise of options and the issuance of 50,967 shares of common stock. For additional information with respect to the 2013 Plan, see Note 12 – "Subsequent Events".

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

that it is more likely than not that the Company will be able to generate sufficient future taxable income in the respective tax jurisdictions. Judgment's regarding future profitability may change due to future market conditions, changes in U.S. or international tax laws and other factors. The Company did not record a valuation allowance in any periods presented as management believes that it is more likely than not that deferred income tax assets will be utilized against future taxable income based upon its expected financial performance in the future. The Company will assess the realization of deferred income tax assets on an ongoing basis.

The Company accounts for uncertain tax positions by reporting a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. Interest and penalties, if any, related to unrecognized tax benefits are recognized in the income tax provision in the accompanying consolidated statements of operations.

Foreign Currency

The functional currency of the Company's subsidiary is the local currency. The assets and liabilities of the subsidiary, therefore, translated into U.S. dollars at exchange rates in effect at each balance sheet date. Revenues and expense accounts are translated at weighted-average monthly exchange rates during the period. Translation adjustments are accumulated as a separate component of accumulated other comprehensive (loss) income within stockholders' (deficit) equity. Cumulative foreign currency translation adjustments constitute the sole component of accumulated other comprehensive (loss) income. Foreign currency transaction gains and losses resulting from or expected to result from transactions denominated in a currency other than the functional currency are recognized in other expense, net in the accompanying consolidated statements of operations. There were no foreign currency transaction gains and losses for the periods prior to the acquisition of Lygo. Foreign currency transaction losses for the period ended September 28, 2013 was $0.3 million, net of derivative. Foreign currency transaction gains and losses for the year ended December 31, 2012 was insignificant.

Segment Information

Operating segments are components of an enterprise for which separate financial information is available and is evaluated regularly by the Company's chief operating decision maker (CODM) in deciding how to allocate resources and assessing performance. The CODM is the Chief Executive Officer.

The Company operates as one operating segment. The CODM manages the Company's operations on a consolidated basis for purposes of allocating resources. The CODM reviews financial information presented on a consolidated basis, accompanied by information about revenue by geographic region for purposes of allocating resources and evaluating financial performance.

Net (Loss) Income per Share of Common Stock

Basic and diluted net (loss) income per share of common stock is presented in conformity with the two-class method required for participating securities. Holders of Series A convertible preferred stock are entitled to receive noncumulative dividends when and if declared by the board of directors and are payable prior and in preference to any dividends on shares of the Company's common stock. In the event a dividend is paid on common stock, the convertible preferred stockholders are entitled to a share of that dividend in proportion to the holders of common shares on an as-if converted basis. The Series A convertible preferred stock is considered a participating security. Holders of participating securities do not have a contractual obligation to share in the

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

Company's losses. In accordance with the two-class method, earnings allocated to these participating securities and the related number of outstanding shares of the participating securities, which include contractual participation rights in undistributed earnings, have been excluded from the computation of basic and diluted net (loss) income per share of common stock.

Under the two-class method, net (loss) income attributable to common stockholders is determined by allocating undistributed earnings, calculated as net (loss) income less current period Series A convertible preferred stock non-cumulative dividends, among the common stock and participating securities. In computing diluted net (loss) income attributable to common stockholders, undistributed earnings are re-allocated to reflect the potential impact of dilutive securities. Basic net (loss) income per share of common share is computed by dividing the net (loss) income attributable to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted net (loss) income per share of common stock is computed by dividing the net income attributable to common stockholders by the weighted-average number of common shares outstanding, including potential dilutive common shares assuming the dilutive effect of outstanding stock options using the treasury stock method. For purposes of this calculation, participating securities and stock options to purchase common stock are considered to be common stock equivalents and are excluded from the calculation of diluted net (loss) income per share of common stock if their effect is antidilutive.

Recently Issued and Adopted Accounting Standards

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-06, Improving Disclosures about Fair Value Measurements (Topic 820)—Fair Value Measurements and Disclosures, to add additional disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, and the activity in Level III fair value measurements. The Company adopted ASU No. 2010-06 on January 1, 2011, and the adoption did not have a material impact on the consolidated financial statements, but did have a significant impact on the consolidated financial statement presentation.

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS. This update results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and IFRS. The Company adopted ASU 2011-04 on January 1, 2012, and the adoption did not have a material impact on the consolidated financial statements.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. This statement requires companies to present the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements of net income and other comprehensive income. The Company adopted ASU 2011-04 on January 1, 2012, and the adoption did not have a material impact on the disclosures.

Recent Accounting Pronouncements Not Yet Adopted

In February 2013, the FASB issued ASU 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. This update requires entities to disclose items reclassified out of accumulated other comprehensive income and into net income in a single location within the financial statements. This new

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

guidance is effective for the Company beginning January 1, 2014, with early adoption permitted. The adoption of ASU 2013-02 will not have a significant impact on the Company's consolidated financial position or results of operations.

3. Restatements of Previously Issued Financial Statements

The Company has restated its VTB financial statements as of December 31, 2010, to correct for the following errors:

- The Company determined that the reserve for sales returns and the allowance for doubtful accounts as of December 31, 2010, were overstated by $1.4 million and $0.6 million due to errors in the calculation of these estimates. The correction of these errors increased revenue by $1.4 million and decreased operating expenses by $0.6 million.
- The Company has recorded additional adjustments in the 2010 VTB financial statements in order to correct other errors which were determined not to be material individually or in the aggregate. The most significant of such adjustments was to increase income tax expense for reserves associated with uncertain tax positions, decrease business transactions expenses for amounts that should have been recorded to additional paid in capital and to increase interest expense related to the Company's Series B redeemable preferred stock.

The following table presents the impact of the restatement adjustments on the Company's statement of operations for the period ended December 31, 2010 (in thousands):

	Year Ended December 31, 2010		
	As Previously Reported	Effect of Restatement	As Restated
Net revenue	$ 90,470	$ 1,400	$91,870
Cost of revenue	49,387	1,169	50,556
Operating expenses	25,217	(2,190)	23,027
Operating income	15,865	2,422	18,287
Other expense, net	340	241	581
Income before provision for income tax	15,525	2,181	17,706
Provision for income tax	6,255	1,329	7,584
Net income	9,270	852	10,122

In addition, the Company also recorded certain audit adjustments to VTBH's operating company, VTB, in 2011 to correct the following:

- The Company determined that the stock based compensation expense was understated by $2.7 million because the Company, on a retrospective basis determined the fair value of the options granted during 2011 exceeded the exercise price.
- The Company determined inventory was understated by $1.0 million due to a $0.6 million error in the calculation of excess inventory reserves and to a $0.4 million error in the calculation of capitalized freight.
- The Company has recorded additional adjustments in the 2011 VTB financial statements in order to correct other errors which were determined not to be material individually or in the aggregate.

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

The impact of these adjustments on the Company's consolidated financial statements was a $1.7 million increase in total assets, $0.2 million increase in stockholders' equity and $3.3 million decrease in net income.

4. Fair Value Measurement

The following table sets forth the fair value of financial assets and liabilities by level within the fair value hierarchy:

	As of September 28, 2013			
	Level I	Level II	Level III	Total
	(In thousands and Unaudited)			
Financial Liabilities:				
Other current liabilities – derivative liabilities	$ —	$ (613)	$ —	$(613)
Total financial liabilities	$ —	$ (613)	$ —	$(613)

	As of December 31, 2012			
	Level I	Level II	Level III	Total
	(In thousands)			
Financial Assets and Liabilities:				
Cash and cash equivalents – money market funds	$ 50	$ —	$ —	$ 50
Total financial assets	$ 50	$ —	$ —	$ 50
Other current liabilities – derivative liabilities	$ —	$ (194)	$ —	$(194)
Total financial liabilities	$ —	$ (194)	$ —	$(194)

	As of December 31, 2011			
	Level I	Level II	Level III	Total
	(In thousands)			
Financial Assets:				
Cash and cash equivalents – money market funds	$3,016	$ —	$ —	$3,016
Total financial assets	$3,016	$ —	$ —	$3,016

5. Consolidated Balance Sheet Components

Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	As of September 28, 2013	As of December 31, 2012	As of December 31, 2011
	(Unaudited)	(In thousands)	
Cash	$ 5,052	$5,169	$12,926
Money market accounts	10	50	3,016
Total cash and cash equivalents	$ 5,062	$5,219	$15,942

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

Sales Return Reserves

The sales return reserves consist of the following activity:

	As of September 28, 2013 (Unaudited)	As of December 31, 2012	As of December 31, 2011
		(In thousands)	
Sales return reserves, beginning balance	$ 7,748	$ 6,151	$ 4,105
Reserve accrual	9,554	19,659	17,833
Recoveries and deductions, net	(15,310)	(18,062)	(15,787)
Sales return reserves, ending balance	$ 1,992	$ 7,748	$ 6,151

Inventories

Inventories consist of the following:

	As of September 28, 2013 (Unaudited)	As of December 31, 2012	As of December 31, 2011
		(In thousands)	
Raw materials	$ 3,783	$ 2,809	$ 3,408
Finished goods	58,487	37,897	27,072
Total inventories	$ 62,270	$40,706	$30,480

Property and Equipment, net

Property and equipment, net consists of the following:

	As of September 28, 2013 (Unaudited)	As of December 31, 2012	As of December 31, 2011
		(In thousands)	
Machinery and equipment	$ 150	$ 136	$ 1,161
Software and software development	530	353	490
Furniture and fixtures	155	131	266
Tooling	1,361	1,101	760
Leasehold improvements	67	67	9
Demonstration units and convention booth	9,495	5,948	1,862
Total property and equipment, gross	11,758	7,736	4,548
Less: accumulated depreciation and amortization	(4,960)	(2,004)	(2,868)
Total property and equipment, net	$ 6,798	$ 5,732	$ 1,680

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

Depreciation and amortization expense on property and equipment, for the nine months ended September 28, 2013 and September 29, 2012 and for the years ended December 31, 2012, 2011 and 2010 was $3.1 million, $1.1 million, $1.9 million, $0.7 million and $0.2 million.

Other Assets

Other assets consist of the following:

	As of September 28, 2013	As of December 31, 2012	As of December 31, 2011
	(Unaudited)	(In thousands)	
Deferred financing costs, net	$ 1,921	$ 2,128	$ 572
Deposits and other assets	104	21	37
Total other assets	$ 2,025	$ 2,149	$ 609

Amortization of deferred financing costs is included in interest expense on the accompanying consolidated statements of operations and for the nine months ended September 28, 2013 and September 29, 2012 and for the years ended December 31, 2012, and 2011, was $0.8 million, $0.6 million, $0.8 million and $0.2 million respectively. Amortization expense of deferred financing costs for the year ended December 31, 2010 was insignificant. Included in interest expense for the nine months ended September 28, 2013 and year ended December 31, 2012 were the write-off of $0.4 million and $0.3 million in deferred financing costs related to the partial extinguishment of term notes.

Accrued Liabilities

Accrued liabilities consist of the following:

	As of September 28, 2013	As of December 31, 2012	As of December 31, 2011
	(Unaudited)	(In thousands)	
Accrued expenses	$ 6,446	$ 9,723	$6,594
Accrued compensation expenses	1,555	2,189	2,495
Other	1,544	584	499
Total accrued liabilities	$ 9,545	$12,496	$9,588

Warranty Accruals

The warranty accruals are included in accrued liabilities on the balance sheet and consist of the following:

	As of September 28, 2013	As of December 31, 2012	As of December 31, 2011
	(Unaudited)	(In thousands)	
Warranty – beginning of period	$ 165	$ 109	$ —
Warranty costs accrued	320	618	625
Warranty claims	(468)	(562)	(516)
Warranty – end of period	$ 17	$ 165	$ 109

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

6. Acquisition

In October 2012, the Company's subsidiary, VTB, acquired all of the common stock of Lygo in order to gain access to the distribution channels in Europe. Lygo has historically been VTB's sole distributor in Europe.

As a result of the acquisition of Lygo, the Company expects to increase its market share by expanding into new geographic areas overseas and new related products and leveraging distribution channels to reach new customers.

The Lygo acquisition was accounted using the acquisition method of accounting for business combinations. The total fair value of consideration transferred amounted to $14.4 million, which includes $5.5 million of cash and the effective settlement of $8.9 million of accounts receivable from Lygo, was allocated to the assets acquired and liabilities assumed based on their respective fair values. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed (in thousands):

	(In thousands)
Cash	$ 133
Accounts receivable	4,046
Inventories	9,957
Other current assets	321
Property and equipment	12
Intangible assets:	
Customer relationships	5,526
Non-compete agreement	177
Liabilities assumed:	
Accounts payables	(223)
Other liabilities	(1,889)
Derivative liability	(1,369)
Total fair values of assets and liabilities	16,691
Fair value of total consideration transferred	(14,388)
Gain on bargain purchase	$ 2,303

The excess of the net assets acquired over consideration transferred was assigned to a gain on bargain purchase in the amount of $2.3 million, which is recorded as gain on bargain purchase from acquisition in the accompanying consolidated statements of operations. As a result of the bargain purchase, the Company reassessed the recognition and measurement of identifiable assets acquired and liabilities assumed and concluded that the valuation procedures and resulting measures were appropriate. The bargain purchase gain was primarily driven from the exclusive nature of the arrangement between the two companies prior to the acquisition whereby Lygo did not generate significant revenue from other vendors' products. As a result, the value of the customer relationships, the primary intangible asset acquired, was attributed to the difference between the cash flows associated with owning the asset versus building the asset.

For tax purposes, the acquired intangible assets are not amortized. Accordingly, a deferred tax liability was recorded on the acquisition date for the difference between the book and cost basis related to the acquired intangible assets. In connection with the acquisition, the Company issued 398,010 phantom units under the 2011 Phantom Equity Appreciation Plan, which had an exercise price of $2.01 per share, to continuing employees of Lygos. The phantom units will vest upon the occurrence of a performance condition and upon the satisfaction of

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

service conditions. The Company's phantom units are discussed further in Note 13 "2011 Phantom Equity Appreciation Plan". These equity awards were not included in the Company's determination of the total purchase consideration as these equity awards have post-acquisition performance and service conditions.

The Company incurred $0.3 million in acquisition-related transaction costs for the year ended December 31, 2012, which is included as business transaction expense in the accompanying consolidated statements of operations.

Unaudited Pro Forma Information

Supplemental information on a pro forma basis is presented below for the years ended December 31, 2012 and 2011:

	Year Ended December 31,	
	2012	2011
	(Unaudited) (In thousands)	
Pro forma revenues	$205,341	$172,271
Pro forma net income	18,303	22,998

The unaudited pro forma financial information combines the Company's results of operations and Lygo's results of operations as if the acquisition of Lygo had occurred as of January 1, 2011. The pro forma results include the business combination accounting effects resulting from the acquisition such as the amortization charges from the acquired intangible assets and the gain on bargain purchase. The pro forma information presented does not purport to present what the actual results would have been had the acquisition actually occurred on January 1, 2011, nor is the information intended to project results for any future period.

From the acquisition date through December 31, 2012, the Company recognized revenues and net income for Lygo of $13.1 million and $0.6 million in the accompanying consolidated statements of operations. During the same period VTB recorded intercompany sales to Lygo in the amount of $5.9 million and elimination of intercompany profit of $1.4 million.

7. Intangible Assets

The gross carrying amount and accumulated amortization of intangible assets is as follows:

	As of September 28, 2013			
	Amortization Period at Date of Acquisition	Gross Carrying Value	Accumulated Amortization	Net Book Value
			(Unaudited) (In thousands)	
Customer relationships	13.0 years	$ 5,526	$ 1,384	$ 4,142
Non-compete agreements	2.0 years	177	76	101
Total		$ 5,703	$ 1,460	$ 4,243

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

	As of December 31, 2012			
	Amortization Period at Date of Acquisition	Gross Carrying Value	Accumulated Amortization	Net Book Value
			(In thousands)	
Customer relationships	13.0 years	$ 5,526	$ 747	$ 4,779
Non-compete agreements	2.0 years	177	1	176
Total		$ 5,703	$ 748	$ 4,955

Amortization expense of approximately $0.7 million and $0.7 million on the intangible assets was recognized in the accompanying consolidated statements in selling and marketing expenses for the periods ended September 28, 2013 and December 31, 2012.

As of December 31, 2012, estimated annual amortization expense related to identifiable acquisition-related intangible assets in future periods is as follows:

Year Ending December 31,	Estimated Amortization Expense
	(In thousands)
2013	$ 923
2014	782
2015	619
2016	519
2017	436
Thereafter	1,676
Total	$ 4,955

8. Long-Term Debt

The Company's long-term debt obligations are as follows:

	As of September 28, 2013	As of December 31, 2012	As of December 31, 2011
	(Unaudited)		
		(In thousands)	
Revolving lines of credit	$ 30,186	$ 33,000	$ 12,000
Term loans	23,750	41,250	25,200
Subordinated notes	10,000	—	—
Total outstanding debt	63,936	74,250	37,200
Less: current portion of revolving line of credit	(30,186)	(33,000)	(12,000)
Less: current portion of term loan	(18,750)	(15,000)	(16,200)
Total noncurrent portion of long-term debt	$ 15,000	$ 26,250	$ 9,000

Total interest expense, inclusive of amortization of deferred financing costs, on long-term debt obligations was $3.8 million and $2.1 million for the nine months ended September 28, 2013 and September 29, 2012 and $3.7 million, $1.9 million and $0.3 million for years ended December 31, 2012, 2011 and 2010.

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

Loan and Security Agreement

Term Loan

In October 2010, pursuant to the recapitalization discussed in Note 1, "Organization and Description of Business", VTB entered into a Loan and Security Agreement with various financial institutions. The Loan and Security Agreement provided for term loans aggregating $28.0 million. Turtle Beach's obligations under its credit facility are secured by a first priority lien against substantially all of Turtle Beach's assets. The term loans bear interest at the greater of (i) the minimum interest rate of 5.50% or (ii) LIBOR (London interbank offered rate) plus 4.0% per annum. Interest is due monthly. The term loans mature on October 12, 2015 and have combined scheduled quarterly principal repayments, due on the last day of each quarter, of $0.7 million to $1.4 million, with the balance of $5.6 million due on maturity. During the year ended December 31, 2010, the Company paid $0.7 million of debt issuance costs that are being amortized into interest expense, net in the accompanying consolidated statements of operations over the contractual life of the term loan. The term loans can be repaid at any time after the second anniversary of the loan without penalty.

In August 2012, the Loan and Security Agreement was amended and restated to increase the principal amount on the term loans to $45.0 million and amend the maturity date to August 22, 2015. The Company drew down $45 million on the term loan. The term loans bear interest at the Company's option at (i) the Adjusted Base Rate plus the applicable margin ranging from 2.50% to 3.25% as determined by the Company's total leverage ratio, or (ii) LIBOR rate, plus the applicable margin ranging from 3.50% to 4.25%. The Applicable Base Rate is equal to the highest of (1) the Prime Rate as determined by the syndication agent, (b) Federal Funds Rate plus 0.5% and (c) the LIBOR rate plus 1%. As of December 31, 2012, the interest rate on the term loans was 5.50%. Interest is due, at the Company's option, every 30, 60 or 90 days. The term loans have scheduled quarterly principal repayments of $3.8 million, due on the last day of each quarter, commencing on December 29, 2012. In addition, the term loans shall be reduced, commencing in 2013, by an amount equal to 50% of the excess cash flows, as defined in the Loan and Security Agreement, for the fiscal year ended December 31, 2012 and for each fiscal year thereafter; however, no such payment was required for the 2012 fiscal year. Upon full repayment of the term loans, any excess cash flow will then be applied against the outstanding balance of the revolving loan. The term loans can be repaid at any time without penalty.

In conjunction with the August 2012 amendment, the Company incurred $1.1 million in debt issuance costs that are being amortized to interest expense, net in the accompanying consolidated statements of operations over the contractual life of the term loans using the effective interest method. As a result of the August 2012 amendment, the Company recognized $0.3 million through interest expense, net of unamortized debt issuance costs related to the decrease in principal balance on the term loan to the existing lender that was treated as a partial debt extinguishment. The remaining rollover principal balance to the existing lender was treated as a debt modification.

As of December 31, 2012 and 2011, the unamortized debt issuance costs related to the term loans are $0.9 million and $0.5 million.

Revolving Line of Credit

In August 2011, the Loan and Security Agreement was amended and restated with various financial institutions to include a $15.0 million revolving line of credit. The revolving line of credit bears interest at the greater of

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

(i) the minimum interest rate of 4.50% or (ii) LIBOR plus 3.0%. Interest is due monthly and at December 31, 2011 was at a rate of 4.5%. During the year ended December 31, 2011, the Company incurred $0.1 million in debt issuance costs related to the revolving line of credit that are being amortized over the contractual life of the revolving line of credit on a straight-line basis. The Company is also required to pay a quarterly commitment fee of up to 0.25% per annum on the unused portion of the revolving line of credit. The maturity date of the revolving line of credit was May 31, 2012.

In August 2012, the Loan and Security Agreement was amended and restated to increase the borrowing capacity on the revolving line of credit to $55.0 million to fund the acquisition of Lygo in October 2012 and to fund distributions to the Company's shareholders. During the year ended December 31, 2012, subsequent to the amendment, the Company drew down $38.0 million on the revolving line of credit. The additional borrowings were provided by new lenders while the outstanding balance from 2011 to an existing lender was reduced. The maturity date on the revolving line of credit was amended to August 22, 2015. The revolving line of credit is subject to limitations based on specific percentages of eligible accounts receivables and inventory and bears interest at the Company's option at (i) the Adjusted Base Rate plus the applicable margin ranging from 2.50% to 3.25 % as determined by the Company's total leverage ratio, or (ii) LIBOR rate plus the applicable margin ranging from 3.50% to 4.25 %. The Applicable Base Rate is equal to the highest of (1) the Prime Rate as determined by the syndication agent, (b) Federal Funds Rate plus 0.5% and (c) the LIBOR rate plus 1%. As of December 31, 2012, the interest rates on the revolving loans were 5.50% and 6.25%. Interest is due, at the Company's option, every 30, 60 or 90 days. The Company is also required to pay a quarterly commitment fee of up to 0.50% per annum on the unused portion of the revolving line of credit. The revolving line of credit is subject to an annual provision that requires that there be no amounts outstanding for a 30 day period during the first quarter of each fiscal year; however, it can otherwise be repaid at any time without penalty.

In 2012, the Company incurred $1.3 million in debt issuance costs related to the amendment, which are being amortized over the contractual life of the revolving line of credit facility on a straight-line basis. As of December 31, 2012, the unamortized debt issuance costs related to the revolving line of credit was $1.1 million.

Other Facilities

Under the terms of the Loan and Security Agreement (as amended and restated), the Company can also draw down on a swing loan commitment of up to $5.0 million. Any borrowings on the swing loan mature in seven days of the borrowing date. In addition, the Company can arrange for certain letters of credit with a maximum amount of $5.0 million. Any borrowings against these facilities reduce the amount available pursuant to the revolving line of credit. As of December 31, 2012, the Company had not drawn any amounts on the swing loan. At December 31, 2012 and 2011, the Company had drawn $0.2 million and $0.1 million under the letter of credit facility.

Covenants

Outstanding borrowings on the Loan and Security Agreement (as amended and restated) are secured by substantially all of the assets of the Company and pledges of certain shares in the Company's subsidiaries. The Loan and Security Agreement (as amended and restated) contains certain affirmative and negative covenants to which the Company must comply. The Company is also required to comply with the following financial covenants:

- Minimum total fixed charge coverage ratio (defined as the ratio of EBITDA minus capital expenditures to the sum of income taxes paid or payable, interest paid, scheduled payments of principal on indebtedness, as well as Founder Earn-out payments made during the period);

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

- Maximum total leverage ratio (defined as the ratio of total debt outstanding to EBITDA); and
- Maximum amount of capital expenditures that can be incurred during a fiscal year.

The Company was not in compliance with the fixed charge coverage ratio as of June 30, 2013 and December 31, 2012. However, in July 2013 and August 2013, the Company entered into two amendments to the Loan and Security Agreement (collectively the "2013 Amendments") that waived the default of the fixed charge coverage ratio for those periods. In addition, the 2013 Amendments provided for (i) a minimum EBITDA financial covenant which required that EBITDA for the 12 month period ended June 30, 2013 not be less than $37.0 million, (ii) modification of the total fixed charge coverage ratio for periods ending September 28, 2013 through maturity, (iii) modification of the maximum total leverage ratio for the periods ending September 28, 2013 through maturity, and (iv) modification of the annual clean-down requirements of the revolving line of credit and swing loan to provide for an increase in the eligible amount outstanding from $0 to $16.5 million.

In addition, the 2013 Amendments amended the interest rate on the outstanding term loans to bear interest at the Company's option at (i) the Adjusted Base Rate plus the applicable margin of 3.25%, or (ii) LIBOR rate plus the applicable margin of 4.25%. As of September 28, 2013, the interest rates on the term loans were 5.75%. There were no amendments to the interest rate on the revolving line of credit facilities. As of September 28, 2013, the interest rates on the revolving loan were 5.75% and 6.50%. The 2013 Amendments also required the Company to issue at least $10.0 million, but not more than $15.0 million, in Subordinated Notes on or before August 30, 2013 to reduce the outstanding borrowings on the term loan. Failure to do so required that the maximum borrowing capacity on the revolving line of credit be reduced to $28.0 million. On August 30, 2013, the Company issued $10.0 million of Subordinated Notes to certain affiliated investors, including the Stripes Group and the Chief Executive Officer of the Company, the proceeds of which were applied against the outstanding balance of the term loan. The Subordinated Notes bear interest at a rate of (i) 10% per annum for the first year and (ii) 20% per annum for all periods thereafter. Interest accrues quarterly by increasing the principal on the notes. Accrued interest on the notes was approximately $0.1 million as of September 28, 2013. Principal and interest on the Subordinated Notes is due at maturity. The Subordinated Notes mature on the one year anniversary of the later of (i) the term loan maturity date of August 22, 2015 or (ii) the revolving line of credit termination date of August 22, 2015.

In conjunction with the 2013 Amendments, the Company incurred $0.4 million in debt issuance costs related to the term notes that are being amortized to interest expense, net in the accompanying consolidated statements of operations over the contractual life of the term loans using the effective interest method. As a result of the 2013 Amendments, the Company recognized $0.4 million through interest expense, net of unamortized debt issuance costs related to the decrease in principal balance on the term loans to the existing lenders that were treated as a partial debt extinguishment. The remaining rollover principal balances to the existing lenders were treated as a debt modification. As of September 28, 2013, the unamortized debt issuance costs related to the term loans were $0.6 million.

In conjunction with 2013 Amendments, the Company incurred $0.6 million in debt issuance costs related to the revolving line of credit facilities, which are being amortized over the contractual life of the revolving line of credit facilities on a straight-line basis. As of September 28, 2013, the unamortized debt issuance costs related to the revolving line of credit were $1.3 million.

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

In conjunction with 2013 Amendments, other than as previously disclosed, there were no other significant changes to the swing loan and letter of credit facility. As of September 28, 2013, the Company had not drawn any amounts on the swing loan. At September 28, 2013, the Company had drawn $0.2 million under the letter of credit facility.

Scheduled principal payments on outstanding long-term debt borrowings as of December 31, 2012 are as follows (in thousands):

Year Endin December 31,	
2013	$15,000
2014	15,000
2015	11,250
Total	$41,250

9. Commitments and Contin encies

Purchase Commitments

As of September 28, 2013, December 31, 2012 and 2011, the Company has non-cancelable purchase commitments of $28.5 million, $8.4 million and $10.1 million to purchase finished goods from third-party vendors. These purchase commitments result from the vendors' contractual obligation to procure, assemble and manufacture the Company's products in advance of anticipated sales.

Lease Commitments

The Company leases office and warehouse spaces under operating leases that provide for future minimum rental lease payments under non-cancelable operating leases as of December 31, 2012, are as follows:

Year Endin December 31,	Future Minimum Rental Lease Payments (In thousands)
2013	$ 731
2014	623
2015	607
2016	581
2017	538
Thereafter	930
Total minimum lease payments	$ 4,010

Rent expense for the nine months ended September 28, 2013 and September 29, 2012 was $0.5 million and $0.5 million and for the years ended December 31, 2012, 2011 and 2010 was $0.6 million, $0.5 million and $0.3 million.

Rent expense is recognized on a straight-line basis. Total deferred rent as of September 28, 2013, December 31, 2012 and 2011 was $0.3 million, $0.3 million and $0.1 million and is included in other current liabilities in the accompanying consolidated balance sheet.

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

Litigation

The Company is involved in certain legal proceedings from time to time in the normal course of its operations. The Company believes that the eventual outcome of such proceedings will not have a material adverse effect on the Company's consolidated financial position or its consolidated results of operations or cash flows.

On August 5, 2013, VTBH and Parametric announced that they had entered into a stock-for-stock merger agreement pursuant to which VTBH would have an approximately 80% ownership interest and Parametric shareholders would have an approximately 20% ownership interest in the combined company. Following the announcement, several of Parametric's shareholders filed class action lawsuits in California and Nevada seeking to enjoin the merger. The plaintiffs in each case allege that members of Parametric's board of directors breached their fiduciary duties to the shareholders by agreeing to a proposed merger that allegedly undervalues Parametric. VTBH was named as a defendant in these lawsuits under the theory that VTBH aided and abetted the Parametric board of directors in allegedly violating their fiduciary duties. At this time, the California cases have been consolidated in San Diego, the Nevada cases have been consolidated in Las Vegas, and lead counsel has been appointed for the plaintiffs in each consolidated case. Following the Parametric's filing of a preliminary proxy statement with the Securities and Exchange Commission ("SEC") on November 4, 2013, amended consolidated complaints were filed on November 14, 2013 in the consolidated action pending in Nevada and on November 19, 2013 in the consolidated action pending in California. These amended complaints reiterate the same claims and seeks the same relief as asserted and sought in the original complaints. On November 20, 2013, Shana Vasek, a purported shareholder of Parametric, filed a class action lawsuit in the United States District Court for the District of Nevada, under the caption *Vasek v. Parametric Sound Corp.*, Case No. 2:13-cv-02148-JAD-GWF, naming the same defendants, asserting substantially the same allegations and seeking substantially the same relief as asserted and sought in the above-referenced consolidated action pending in Nevada state court. In addition to asserting substantially the same claims for breach of fiduciary duty and aiding and abetting as asserted in the above-referenced consolidated action pending in Nevada state court, the plaintiff in the federal court action asserts a claim for violations of Sections 14(a) and 20(a) of the Securities Exchange Act of 1934 and SEC Rule 14a-9. VTBH believes that the plaintiffs' claims against it are without merit and intends to vigorously defend itself in litigation. As of September 28, 2013, the Company is unable to estimate a possible loss or range of possible loss in regards to this matter; therefore, no litigation reserve has been recorded in the consolidated financial statements.

10. Preferred Stock

Series B Redeemable Preferred Stock

In September 2010, the Company issued 1,000,000 shares of its Series B redeemable preferred stock with a fair value of $12.4 million. The Series B redeemable preferred stock was recorded at fair value on the date of issuance.

The Series B redeemable preferred stock is non-voting and does not contain any conversion rights.

The Series B redeemable preferred stock must be redeemed on the earlier of September 28, 2030 or the occurrence of a liquidation event at its original issue price of $12.425371 per share plus any accrued but unpaid dividends. Dividends are cumulative and accrue at a rate of 8.0% per annum, compounded quarterly. Dividends are payable as and when declared by the board of directors of the Company.

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

The Company has recorded the Series B redeemable preferred stock as a non-current liability due to its mandatory redemption provisions for all periods presented. The carrying value of the Series B redeemable preferred stock is increased at each reporting date for accrued but unpaid dividends. When dividends are paid, the carrying value of the Series B redeemable preferred stock is decreased. Accrued dividends are recognized through interest expense in the accompanying consolidated statements of operations at each reporting period based on the stated dividend rate plus any additional declared dividends.

As of September 28, 2013, December 31, 2012 and 2011, 1,000,000 shares of Series B redeemable preferred stock are authorized, issued and outstanding. During the year ended December 31, 2012, $2.0 million in dividends were declared and paid on the Series B redeemable preferred stock. As of September 28 2013, December 31, 2012 and 2011, accrued and unpaid dividends are $1.0 million, $0.3 million and $1.2 million.

For the nine months ended September 28, 2013 and September 29, 2012 and for the year ended December 31, 2012, 2011 and 2010, the Company recognized $0.8 million, $0.8 million, $1.0 million, $1.0 million and $0.2 million of interest expense in the accompanying consolidated statements of operations on the Series B redeemable preferred stock.

Series A Convertible Preferred Stock

In September 2010, the Company issued 48,689,555 shares of its Series A convertible preferred stock for aggregate proceeds of $24.3 million.

For the year ended December 31, 2012, $22.6 million of dividends were declared and paid on the Series A convertible preferred stock. There are no accrued but unpaid dividends on the Series A convertible preferred stock for any periods presented.

The Series A convertible preferred stock was recorded at fair value on the date of issuance, net of issuance costs. Shares of the Series A convertible preferred stock are not currently redeemable. The Series A convertible preferred stock is classified outside of stockholders' (deficit) equity because, in the event of certain "liquidation events" that are not solely within the Company's control (including merger, acquisition, or sale of all or substantially all of the Company's assets), the shares would become redeemable at the option of the holders. The Company has not adjusted the carrying values of the Series A convertible preferred stock to its deemed liquidation values since a liquidation event was not probable as of any of the balance sheet dates. Subsequent adjustments to increase or decrease the carrying values to the ultimate liquidation values will be made only if and when it becomes probable that such a liquidation event will occur.

The various rights, preferences, and privileges of the Series A convertible preferred stock are as follows:

Liquidation Rights

Upon any voluntary or involuntary liquidation, dissolution, or winding-up of the corporation, each holder of Series B redeemable preferred stock shall be entitled to payment of the Series B redemption price for such shares of Series B redeemable preferred stock before any distribution or payment is made on any shares of common stock or Series A convertible preferred stock. If the corporation does not have sufficient assets to

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

redeem the Series B redeemable preferred stock, then the entire assets available for distribution shall be distributed pro rata among the holders of the Series B redeemable preferred shares.

Once payment is made to the holders of the Series B redeemable preferred stock, the holders of the Series A convertible preferred stock are entitled to be paid an amount in cash equal to the higher of either (i) the aggregate liquidation preference of $0.50 per share plus all declared and unpaid dividends on all shares of Series A convertible preferred stock held by such holder before any distribution or payment is made upon any shares of common stock or (ii) such holder's pro rata amount of any assets of the corporation available for distribution assuming that immediately prior to such liquidation event each share of Series A convertible preferred stock then outstanding had been converted into the number of shares of common stock issuable upon conversion of shares of Series A convertible preferred stock. If upon any such liquidation event, the corporation's assets are insufficient to permit payment to such holders of the aggregate amount that they are entitled to be paid, then the entire assets available for distribution to the corporation's stockholders shall be distributed pro rata among the holders of the Series A convertible preferred stock based upon the aggregate liquidation preference plus all declared and unpaid dividends on the shares of Series A convertible preferred stock held by each such holder.

A liquidation event is defined as any acquisition of the corporation by means of merger or other form of corporate reorganization in which the outstanding shares of the corporation are exchanged for securities or other consideration issued, or caused to be issued, by the acquiring corporation or its subsidiary (other than a reincorporation transaction) or a sale of all or substantially all of the assets of the corporation.

Conversion Rights

At any time and from time to time (including upon or in connection with a liquidation event), any holder of shares of Series A convertible preferred stock may convert all or any portion of the Series A convertible preferred stock held by such holder into a number of shares of common stock computed by multiplying the number of shares of Series A convertible preferred stock to be converted by the liquidation value of $0.50 per share, plus any declared but unpaid dividends) and dividing the result by the original conversion price of $0.50 per share. The conversion price per share for Series A convertible preferred stock shall be adjusted for certain recapitalizations, splits, combinations, common stock dividends, or similar events. At the current conversion prices, each share of Series A convertible preferred stock will convert on a one-for-one basis into common stock.

Each share of convertible preferred stock shall automatically be converted into shares of common stock at the then-effective conversion price upon the date and time, or the occurrence of an event, specified by vote or written consent of the holders of at least a majority of the then outstanding shares of Series A convertible preferred stock.

Voting Rights

Each share of Series A convertible preferred stock has a number of votes equal to the number of shares of common stock into which it is convertible. Certain holders of the Series A convertible preferred stock, voting together as a single class on an as-if-converted basis, have the right to elect three directors. Certain holders of the common stock, voting together as a single class, have the right to elect two directors.

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

Dividend Rights

No dividends or other distributions shall be declared by the board of directors at any time while any shares of Series B redeemable preferred stock are outstanding unless the 8.0% cumulative dividends on the Series B Original Issue Price of $12.425371 per share have been paid to the holders of the Series B redeemable preferred stock.

As and when dividends are declared or paid with respect to the Series A convertible preferred stock, the holders of the Series A convertible preferred stock shall be entitled to participate in such dividends ratably on a per-share basis with respect to the shares of Series A convertible preferred stock. Dividends are payable only when and if declared by the board of directors.

No dividends or other distributions shall be declared by the board of directors on any shares of common stock at any time any shares of series A convertible preferred stock are outstanding unless, a pro rata amount, on an as-converted basis, has been paid or declared and set apart for payment on the shares of Series A convertible preferred stock.

Redemption Rights

The Series A convertible preferred stock is not mandatorily redeemable except in the event of certain liquidation events. If a deemed liquidation event were to become probable to occur, the Company would need to reassess the ASC 480 definition of being a mandatorily redeemable financial instrument as redemption would become "an event certain to occur."

11. Common Stock

Shares Reserved for Issuance

Shares of common stock reserved for future issuance, on an as-converted basis, are as follows:

	As of September 28,	As of December 31,	
	2013	2012	2011
	(Unaudited)		
Shares reserved for future issuance under the equity incentive plan	3,949,020	4,543,324	3,814,846
Outstanding stock options	11,050,980	10,456,676	3,241,611
Conversion of Series A convertible preferred stock	48,689,555	48,689,555	48,689,555
	63,689,555	63,689,555	55,746,012

Dividends

Dividends on common stock declared and paid by the Company's board of directors were $16.4 million for the year ended December 31, 2012 on common stock. There were no other dividends declared or paid by the board of directors for any other periods.

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

12. Stock-Based Compensation

The Company recognized stock-based compensation for employees and non-employees in connection with the 2011 Equity Incentive Plan (the "2011 Plan") in the accompanying consolidated statements of operations as follows:

	Nine Months Ended		Year Ended December 31,		
	September 28, 2013	September 29, 2012	2012	2011	2010
	(Unaudited)		(In thousands)		
Cost of revenue	$ 56	$ 40	$ 60	$ 19	$ —
Selling and marketing	251	207	281	132	—
Product development	249	88	121	77	—
General and administrative	1,363	67	523	3,521	—
Total stock-based compensation	$ 1,919	$ 402	$ 985	$ 3,749	$ —

Determination of Fair Value

The estimated grant date fair value of the stock-based awards granted was calculated based on the assumptions discussed below:

	Nine Months Ended		Year Ended December 31,	
	September 28, 2013	September 29, 2012	2012	2011
	(Unaudited)			
Expected term (in years)	6.0	N/A	6.0	6.0
Risk-free interest rate	1.0%-1.1%	N/A	0.8%-1.1%	1.5%-2.4%
Expected volatility	50.4%-50.5%	N/A	50.5%-51.1%	51.2%-52.4%
Dividend rate	0%	N/A	0%	0%

The fair value of each grant of the stock options was determined by the Company's board of directors using the Black-Scholes option-pricing model and assumptions discussed below. Each of these inputs is subjective and generally requires significant judgment to determine.

Fair value of common stock – Because there has been no public market for the Company's common stock, the board of directors has determined the fair value of the common stock at the time of grant of the option by considering a number of objective and subjective factors, valuations of comparable companies, operating and financial performance, the lack of liquidity of capital stock and general and industry specific economic outlook. The fair value of the underlying common stock will be determined by the board of directors until such time as the Company's common stock is listed on an established stock exchange or national market system.

Expected Term – The expected term represents the period that its stock-based awards are expected to be outstanding. The Company estimates the expected term for its equity incentive grants based on a study of several unrelated public peer companies within the Company's industry that the Company considers to be

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

comparable to its business and the historical data on employee exercises and post-vesting employment termination behavior taking into account the contractual life of the award.

Risk-Free Interest Rate – The risk-free interest rate is based on the interest yield in effect at the date of grant for zero coupon U.S. Treasury notes with maturities approximately equal to the option's expected term.

Expected Volatility – Since the Company does not have a trading history for its common stock, the expected volatility was derived from the historical stock volatilities of several unrelated public companies within the Company's industry that are considered to be comparable to the Company's business over a period equivalent to the expected term of the stock option grants.

Dividend Rate – The expected dividend was assumed to be zero based on the fact that the Company's credit agreement prohibits the payment of dividends. Thus, a zero dividend yield is assumed in the stock option fair value computations.

The Company estimates its forfeiture rate based on an analysis of actual forfeitures and will continue to evaluate the adequacy of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover behavior, and other factors. The impact from any forfeiture rate adjustment would be recognized in full in the period of adjustment and if the actual number of future forfeitures differs from estimates, the Company might be required to record adjustments to stock-based compensation in future periods.

2011 Plan

In January 2011, the Company adopted the 2011 Plan that covers certain employees, consultants and directors of the Company who are entitled to stock options and restricted stock, as applicable, pursuant to the provisions of respective award agreements. The 2011 Plan is shareholder-approved, which permits the granting of nonqualified stock options and restricted stock to the Company's Participants of up to 15,000,000 shares, 15,000,000 shares and 7,056,457 shares of common stock for the nine months ended September 28, 2013 and for the years ended December 31, 2012 and 2011.

Stock options are time-based and exercisable within ten years of the date of grant, but only to the extent they have vested. The options generally vest as specified in the option agreements or upon a change in control of the Company, subject to continued employment with the Company.

In the event participants in the 2011 Plan cease to be employed or engaged by the Company, then all of the options would be forfeited if they are not exercised within 90 days.

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

The following table summarizes stock option activity for the nine months ended September 28, 2013 and for the years ended December 31, 2012 and 2011:

		Options Outstanding			
	Shares Available for Grant	Number of Shares Underlying Outstanding Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
				(In years)	
Outstanding – December 31, 2010	—	—	$ —	—	$ —
Authorized option pool under 2011 Equity Incentive Plan	7,056,457				
Granted	(5,975,982)	5,975,982	0.50		
Forfeited	2,734,371	(2,734,371)	0.50		
Outstanding – December 31, 2011	3,814,846	3,241,611	0.50	9.17	4,149,262
Additional options authorized	7,943,543				
Granted	(7,656,094)	7,656,094	2.03		
Forfeited	441,029	(441,029)	0.50		
Outstanding – December 31, 2012	4,543,324	10,456,676	1.62	9.29	5,842,409
Granted (unaudited)	(1,175,000)	1,175,000	2.01		
Forfeited (unaudited)	580,696	(580,696)	0.50		
Outstanding – September 28, 2013 (unaudited)	3,949,020	11,050,980	1.68	8.63	447,661
Vested and expected to vest – December 31, 2012		10,456,676	$ 1.62	9.29	$5,842,409
Exercisable – December 31, 2012		1,320,169	$ 0.50	8.14	$2,214,695
Vested and expected to vest – September 28, 2013 (unaudited)		11,050,980	$ 1.68	8.63	$ 447,661
Exercisable – September 28, 2013 (unaudited)		3,622,253	$ 1.34	8.03	$1,376,908

The weighted-average grant-date fair value of options granted to employees for the nine months ended September 28, 2013 and September 29, 2012 was $1.16 and $1.03 per share, respectively. For the years ended December 31, 2012 and 2011 the weighted-average grant-date fair value of options granted was $1.02 and $0.46 per share. The aggregate fair value of stock options which vested for the nine months ended September 28, 2013 and September 29, 2012 was $2.3 million and $0.5 million and for the years ended December 31, 2012 and 2011 was $0.5 million and $0.4 million. None of the Company's stock options have been exercised.

The income tax benefit related to share-based compensation expense was $0.5 million, $0.1 million, $0.4 million and $1.4 million for September 28, 2013 and September 29, 2012 and December 31, 2012 and 2011. As of September 28, 2013 and December 31, 2012, the Company has stock-based compensation of $7.3 million and $8.1 million related to unvested stock options, net of estimated forfeitures, that the Company expects to recognize over a weighted-average period of 2.6 years and 3.0 years.

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

The following table summarizes additional information regarding outstanding and exercisable options under the 2011 Plan as of September 28, 2013 (unaudited):

	Options Outstanding			Options Exercisable	
Exercise Prices	Number of Shares Underlying Outstanding Options	Weighted-Average Remaining Contractual Life (In Years)	Weighted-Average Exercise Price per Share	Number of Shares Underlying Vested Options	Weighted-Average Exercise Price Per Share
$0.50	2,484,503	7.45	$ 0.50	1,637,535	$ 0.50
$2.01	7,905,448	8.96	$ 2.01	1,682,612	$ 2.01
$2.16	661,029	9.02	$ 2.16	302,106	$ 2.16
	11,050,980			3,622,253	

Restricted Stock

During the year ended December 31, 2011, the board of directors issued 2,822,582 shares of restricted common stock to one of the directors of VTB, in the capacity of consultant director at a fair value of $1.21 per share. Restricted stock was valued with a price equal to the estimated fair value of the Company's common stock at the date of grant. This restricted stock vested immediately upon its issuance and the Company recognized stock-based compensation of $3.4 million for the year ended December 31, 2011.

13. 2011 Phantom Equity Appreciation Plan

In November 2011, the Company adopted a 2011 Phantom Equity Appreciation Plan that covers certain employees, consultants, and directors ("Participants") of the Company who are entitled to phantom units, as applicable, pursuant to the provisions of respective award agreements. This Phantom Equity Appreciation Plan is shareholder-approved, which permits the granting of phantom units to the Company's Participants of up to 1,500,000 units, 1,500,000 units and 991,692 units for the nine months ended September 28, 2013 and for the years ended December 31, 2012 and 2011. Under the plan, eligible participants are granted a plan unit at an exercise price which vests over a period of time, generally four years. Upon a change in control, meaning any event that constitutes a qualifying liquidation event, the participant will earn and be paid a cash bonus for the vested plan units that is equal to the difference between the exercise price of the plan on the date of grant and the fair market value of the plan unit on the date of the change in control event. The amount of the cash bonus payment may be reduced for the amount of required employee payroll withholding tax.

If Participants incur a termination of service for any reason (excluding a termination for cause), (i) the Participants unvested phantom units shall immediately terminate and be cancelled for no consideration and (ii) the Participants' vested phantom units shall remain outstanding until a change of control. If Participants are terminated for cause, the Participants shall forfeit their entire award, including all vested and unvested phantom units.

As of September 28, 2013 and December 31, 2012, 1,255,280, and 1,389,702 units of the Company at a weighted-average exercise price of $0.89 and $0.93 have been granted and are outstanding. No phantom units were granted during the year ended December 31, 2011. As of September 28, 2013 and December 31, 2012, all

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

compensation expense related to the Phantom Equity Appreciation Plan units remained unrecognized because as of those dates the Company did not believe the change in control event was probable of occurring. If the change in control had occurred on September 28, 2013 or December 31, 2012, the Company would have recognized $1.0 million and $0.5 million of compensation expense for the vested phantom units based on the fair value of the Company's common stock as determined by the board of directors of $1.72 per share and $2.18 per share as of September 28, 2013 and December 31, 2012.

14. Net (Loss) Income per Share of Common Stock

The following table sets forth the computation of basic and diluted net (loss) income per share of common stock attributable to common stockholders:

	Nine Months Ended		Year Ended December 31,		
	September 28, 2013	September 29, 2012	2012	2011	2010 As Restated
	(Unaudited)		(In thousands, except per share data)		
Numerator:					
Basic and diluted:					
Net (loss) income	$ (7,044)	$ 9,289	$ 26,460	$ 21,554	$ 10,122
Noncumulative dividends on Series A convertible preferred stock	—	(22,627)	(22,627)	—	—
Undistributed earnings allocated to Series A convertible preferred stock	—	—	(2,222)	(12,699)	(783)
Net (loss) income attributable to common stockholders, basic and diluted	$ (7,044)	$ (13,338)	$ 1,611	$ 8,855	$ 9,339
Basic:					
Weighted-average shares used in computing net (loss) income per share attributable to common stockholders, basic	35,282	35,282	35,282	33,952	127,356
Diluted:					
Weighted-average shares used in computing net (loss) income per share attributable to common stockholders, basic	35,282	35,282	35,282	33,952	127,356
Add weighted-average effect of dilutive securities	—	—	983	972	—
Weighted-average shares used in computing net (loss) income per share attributable to common stockholders, diluted	35,282	35,282	36,265	34,924	127,356
Net (loss) income per share attributable to common stockholders:					
Basic	$ (0.20)	$ (0.38)	$ 0.05	$ 0.26	$ 0.07
Diluted	$ (0.20)	$ (0.38)	$ 0.04	$ 0.25	$ 0.07

The net (loss) income per share attributable to common stockholders in 2010 reflects the 47.1:1 stock split on convertible Series A convertible preferred stock.

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

The following weighted-average shares of common stock equivalents were excluded from the computation of diluted net (loss) income per share of common stock for the periods presented because including them would have been antidilutive (in thousands):

	Nine Months Ended		Year Ended December 31,		
	September 28, 2013	September 29, 2012	2012	2011	2010
	(Unaudited)				
Stock options to purchase common stock	10,915	1,142	2,779	265	—

15. Income Taxes

The geographical breakdown of income before the provision for income taxes is as follows:

	Years Ended December 31,		
	2012	2011	2010 As Restated
		(In thousands)	
Domestic	$39,626	$35,336	$ 17,706
Foreign	842	—	—
Income before provision for income taxes	$40,468	$35,336	$ 17,706

The components of the provision for income taxes are as follows:

	Years Ended December 31,		
	2012	2011	2010 As Restated
		(In thousands)	
Current:			
Federal	$13,660	$13,752	$ 9,876
State	1,510	1,418	1,152
Foreign	436	—	—
Total current	15,606	15,170	11,028
Deferred:			
Federal	(1,148)	(1,358)	(3,261)
State	(120)	(30)	(183)
Foreign	(330)	—	—
Total deferred	(1,598)	(1,388)	(3,444)
Total provision for income taxes	$14,008	$13,782	$ 7,584

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

The reconciliation of federal statutory income tax provision to the Company's effective income tax provision is as follows:

	Years Ended December 31,		
	2012	2011	2010 As Restated
		(In thousands)	
U.S. federal taxes at statutory tax rate	$14,024	$12,368	$ 6,197
State taxes, net of federal benefit	904	902	511
Foreign tax rate differential	(49)	—	—
Gain on bargain purchase	(804)	—	—
Permanent and other	(67)	512	876
Provision for income taxes	$14,008	$13,782	$ 7,584

The following table presents the breakdown between current and non-current deferred tax assets and liabilities:

	As of December 31,	
	2012	2011
	(In thousands)	
Deferred tax assets, current	$ 4,452	$2,672
Deferred tax assets, non-current	2,266	3,197
Deferred tax liabilities, non-current	(1,174)	(536)
Total net deferred tax assets	$ 5,544	$5,333

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are presented below:

	As of December 31,	
	2012	2011
	(In thousands)	
Deferred tax assets:		
Allowance for doubtful accounts	$ 84	$ 38
Inventory	1,093	548
Compensation accrual	2,830	3,738
Accruals and other	3,204	1,552
Net deferred tax assets	7,211	5,876
Deferred tax liabilities:		
Property and equipment	(493)	(543)
Intangible assets	(1,174)	—
Net deferred tax liabilities	(1,667)	(543)
Net deferred tax assets	$ 5,544	$5,333

As of December 31, 2012 and 2011, the Company did not have any net operating loss carryforwards from prior years.

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

The Company intends to indefinitely reinvest earnings from foreign subsidiaries and, accordingly, no related provision for U.S. federal and state income taxes has been provided on such earnings. Upon distribution of those earnings in the form of dividends or otherwise, the Company may be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes in the various countries. At December 31, 2012, the undistributed earnings approximated $2.6 million. There were no undistributed earnings at December 31, 2011. The determination of the future tax consequences of the remittance of these earnings is not practicable.

Uncertain Tax Positions

The following is a reconciliation of the beginning and ending amount of total gross unrecognized tax benefit liabilities:

	As of December 31,		
	2012	2011	2010
	(In thousands)		
Gross unrecognized tax benefit – beginning balance	$1,069	$ 521	$—
Increases related to tax positions taken during current year	399	548	521
Gross unrecognized tax benefit – ending balance	$1,468	$1,069	$521

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in the income tax provision. As of December 31, 2012, the Company had $1.5 million of uncertain tax positions of which $1.0 million represent the amount that, if recognized, would impact the effective income tax rate in future periods. While it is often difficult to predict the final outcome of any particular uncertain tax position, the Company does not believe that the amount of unrecognized tax benefits will change significantly in the next twelve months. Interest and penalty accrued for the periods presented were insignificant.

The Company files income tax returns in the U.S. federal, various states and foreign tax jurisdictions. The Company is subject to U.S. federal income tax examination for the 2009 through 2012 tax years. Additionally, the Company is subject to various state income tax examinations for the 2008 through 2012 tax years.

16. Defined Contribution Plans

VTB maintains a defined contribution 401(k) profit sharing plan (the "Plan") for all employees who are over the age of 21. Participants may make voluntary contributions up to the maximum amount allowable by law. The Company may make contributions to the Plan on a discretionary basis that vest to the participants ratably over a six-year graded vesting schedule, beginning with the second year of participation. The Company made an employer match to the Plan which was insignificant for all periods presented.

Lygo operates a defined contribution pension plan and the pension charge represents the amounts payable by the company to the fund in respect of the year. The assets of the plan are held separately from those of Lygo in an independently administered fund. Pension costs for the nine months ended September 28, 2013 and for the year ended December 31, 2012 were insignificant.

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

17. Geographical Information

The following table represents total revenues based on where customers are physically located:

	Nine Months Ended		Year Ended December 31,		
	September 28, 2013	September 29, 2012	2012	2011	2010 As Restated
	(Unaudited)		(In thousands)		
United States	$ 61,330	$ 65,876	$146,365	$131,115	$ 78,876
Europe	25,682	24,362	50,874	27,900	12,135
Other	5,340	6,861	9,897	7,106	859
Total revenues	$ 92,352	$ 97,099	$207,136	$166,121	$ 91,870

Revenues earned in the United Kingdom comprised $15.0 million and $27.1 million for the nine months ended September 28, 2013 and for the year ended December 31, 2012. No other country outside of the United States comprised 10% or greater of total revenues for the nine months ended September 28, 2013 and September 29, 2012 and for the years ended December 31, 2012, 2011 and 2010.

Property and equipment, net by location are summarized as follows:

	As of September 28, 2013	As of December 31, 2012	As of December 31, 2011
	(Unaudited)	(In thousands)	
United States	$ 6,102	$5,006	$1,210
China	596	657	470
United Kingdom	100	69	—
Total property and equipment, net	$ 6,798	$5,732	$1,680

18. Related Party

For the year ended December 31, 2012, the Company incurred consulting fees of $0.3 million towards professional services provided by one of its shareholders.

Table of Contents

ANNEX E
PARAMETRIC SOUND CORPORATION
2013 STOCK-BASED
INCENTIVE COMPENSATION PLAN

1. Purpose of the Plan

The purpose of the Plan is to assist the Company, its Subsidiaries and Affiliates in attracting and retaining valued Employees, Consultants and Non-Employee Directors by offering them a greater stake in the Company's success and a closer identity with it, and to encourage ownership of the Company's stock by such Employees, Consultants and Non-Employee Directors. On and after the Effective Date, no further grants shall be made under the Prior Plans, which shall remain in effect solely as to outstanding Options thereunder.

2. Definitions

As used herein, the following definitions shall apply:

2.1. "Affiliate" means any entity other than the Subsidiaries in which the Company has a substantial direct or indirect equity interest, as determined by the Board.

2.2. "Award" means a grant of Common Stock, Deferred Stock, Restricted Stock, Restricted Stock Units, Options or SARs under the Plan.

2.3. "Award Agreement" means the written agreement, instrument or document evidencing an Award or Prior Plan Award, including any such item in an electronic medium.

2.4. "Board" means the Board of Directors of the Company.

2.5. "Change in Control" means, after the Effective Date (and the consummation of the transactions described in the Agreement and Plan of Merger by and among the Company, Paris Acquisition Corp. and VTB Holdings, Inc., dated as of August 5, 2013, which shall not be treated as a Change in Control for purposes of the Plan), any of the following events:

(a) a "person" (as such term in used in Sections 13(d) and 14(d) of the 1934 Act), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13D-3 under the 1934 Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities; or

(b) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Section 2.5(a), Section 2.5(c) or Section 2.5(d) hereof) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously approved, cease for any reason to constitute a majority thereof; or

(c) the Company merges or consolidates with any other corporation, other than in a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or

Table of Contents

(d) the complete liquidation of the Company or the sale or other disposition of all or substantially all of the Company's assets.

(e) Notwithstanding anything in the Plan or an Award Agreement to the contrary, if an Award is subject to Section 409A of the Code, no event that, but for this Section, would be a Change in Control as defined in the Plan or the Award Agreement, as applicable, shall be a Change in Control unless such event is also a "change in control event" as defined in Section 409A of the Code.

2.6. "Code" means the Internal Revenue Code of 1986, as amended, and the Treasury regulations promulgated thereunder. A reference to any provision of the Code or the Treasury regulations promulgated thereunder shall include reference to any successor provision of the Code or the Treasury regulations.

2.7. "Committee" means the committee designated by the Board to administer the Plan under Section 4.

2.8. "Common Stock" means the common stock of the Company, par value $0.001 per share, or such other class or kind of shares or other securities resulting from the application of Section 13.

2.9. "Company" means Parametric Sound Corporation, a Nevada corporation, or any successor corporation.

2.10. "Consultant" means an individual who renders services to the Company, a Subsidiary or an Affiliate as a consultant, advisor or independent contractor.

2.11. "Deferral Period" means the period during which the receipt of a Deferred Stock Award under Section 7 will be deferred.

2.12. "Deferred Stock" means Common Stock to be delivered at the end of a Deferral Period and awarded by the Committee under Section 7.

2.13. "Effective Date" has the meaning set forth in Section 25.

2.14. "Employee" means an individual, including an officer or director, who is employed by the Company, a Subsidiary or an Affiliate.

2.15. "Fair Market Value" means the fair market value of Common Stock determined by such methods or procedures as shall be established from time to time by the Committee in good faith and in accordance with applicable law. Unless otherwise determined by the Committee, the Fair Market Value of Common Stock shall mean, on any given date, the closing price of a share of Common Stock on the principal national securities exchange on which the Common Stock is listed on such date or, if Common Stock was not traded on such date, on the last preceding day on which the Common Stock was traded.

2.16. "Incentive Stock Option" means an Option or a portion thereof intended to meet the requirements of an incentive stock option as defined in Section 422 of the Code and designated as an Incentive Stock Option in the applicable Award Agreement.

2.17. "1934 Act" means the Securities Exchange Act of 1934, as amended, and the rules promulgated thereunder. A reference to any provision of the 1934 Act or rule promulgated under the 1934 Act shall include reference to any successor provision or rule.

2.18. "Non-Employee Director" means a member of the Board who meets the definition of a "non-employee director" under Rule 16b-3(b)(3) promulgated by the Securities and Exchange Commission under the 1934 Act.

Table of Contents

2.19. "Non-Qualified Option" means an Option or a portion thereof not intended to be an Incentive Stock Option and designated as a Non-Qualified Option in the applicable Award Agreement.

2.20. "Option" means a right to purchase a specified number of shares of Common Stock at a specified price awarded by the Committee under Section 10 of the Plan.

2.21. "Participant" means any Employee, Consultant or Non-Employee Director who receives an Award.

2.22. "Performance Cycle" means the period selected by the Committee during which the performance of the Company, any Subsidiary, any Affiliate or any business unit thereof, or any individual is measured for the purpose of determining the extent to which a Performance Goal has been achieved.

2.23. "Performance Goal" means a goal that must be met by the end of a period specified by the Committee (but that is substantially uncertain of being met before the grant of the Award) and that, in the case of Qualified Performance-Based Awards, must be based upon any one or more of the following as they relate to the Company, its Subsidiaries or Affiliates (or any business unit or department thereof): (i) stock price, (ii) market share, (iii) sales, (iv) earnings per share, (v) diluted earnings per share, (vi) diluted net income per share, (vii) return on stockholder equity, (viii) costs, (ix) cash flow, (x) return on total assets, (xi) return on capital or invested capital, (xii) return on net assets, (xiii) operating income, (xiv) net income, (xv) earnings (or net income) before interest, taxes, depreciation and amortization, (xvi) improvements in capital structure, (xvii) gross, operating or other margins, (xviii) budget and expense management, (xix) productivity ratios, (xx) working capital targets, (xxi) enterprise value, (xxii) safety record, (xxiii) completion of acquisitions or business expansion of the company, our subsidiaries or affiliates (or any business unit or department thereof) (xxiv) economic value added or other value added measurements, (xxv) expense targets, (xxvi) operating efficiency, (xxvii) regulatory body approvals for commercialization of products (xxviii) implementation or completion of critical projects or related milestones, (xxix) quality control, (xxx) supply chain achievements and (xxxi) marketing and distribution of products, in all cases, whether measured absolutely or relative to an index or peer group. The Committee shall have discretion to determine the specific targets with respect to each of these categories of Performance Goals. Performance Goals with respect to Awards that are not intended to be Qualified Performance-Based Awards may be based on one or more of the preceding measures or any other measure that the Committee may determine in its sole discretion. If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances render the Performance Goals unsuitable, the Committee may modify such Performance Goals or the related minimum acceptable level of achievement, in whole or in part, as the Committee deems appropriate and equitable.

2.24. "Plan" means the Parametric Sound Corporation 2013 Stock-Based Incentive Compensation Plan herein set forth, as amended from time to time.

2.25. "Prior Plans" means the 2010 Stock Option Plan of Parametric Sound Corporation and the 2012 Stock Option Plan of Parametric Sound Corporation, in each case as amended.

2.26. "Prior Plan Award" means an "Option" as defined in the applicable Prior Plan.

2.27. "Qualified Performance-Based Award" means an Award or portion of an Award that is intended to satisfy the requirements for "qualified performance-based compensation" under Section 162(m) of the Code.

2.28. "Restricted Stock" means Common Stock awarded by the Committee under Section 8 of the Plan.

2.29. "Restricted Stock Unit" means the right to a payment in Common Stock or in cash, or in a combination thereof, awarded by the Committee under Section 9 of the Plan.

Table of Contents

2.30. "Restriction Period" means the period during which Restricted Stock awarded under Section 8 of the Plan and Restricted Stock Units awarded under Section 9 of the Plan are subject to forfeiture.

2.31. "SAR" means a stock appreciation right awarded by the Committee under Section 11 of the Plan.

2.32. "Subsidiary" means any corporation (other than the Company), partnership, joint venture or other business entity of which 50% or more of the outstanding voting power is beneficially owned, directly or indirectly, by the Company.

2.33. "Ten Percent Stockholder" means a person who on any given date owns, either directly or indirectly (taking into account the attribution rules contained in Section 424(d) of the Code), stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or a Subsidiary.

3. Eligibility

Any Employee, Consultant or Non-Employee Director is eligible to receive an Award.

4. Administration and Implementation of Plan

4.1. The Plan shall be administered by the Committee. Any action of the Committee in administering the Plan shall be final, conclusive and binding on all persons, including the Company, its Subsidiaries and Affiliates, their Employees, Consultants and directors, Participants, persons claiming rights from or through Participants and stockholders of the Company. No member of the Committee shall be personally liable for any action, determination, or interpretation taken or made in good faith by the Committee with respect to the Plan, any Awards granted hereunder or any Prior Plan Awards, and all members of the Committee shall be fully indemnified and protected by the Company in respect of any such action, determination or interpretation.

4.2. Subject to the provisions of the Plan, the Committee shall have full and final authority in its discretion (a) to select the Employees, Consultants and Non-Employee Directors who will receive Awards pursuant to the Plan, (b) to determine the type or types of Awards to be granted to each Participant, (c) to determine the number of shares of Common Stock to which an Award will relate, the terms and conditions of any Award granted under the Plan (including, but not limited to, restrictions as to vesting, transferability or forfeiture, exercisability or settlement of an Award and waivers or accelerations thereof, and waivers of or modifications to performance conditions relating to an Award, based in each case on such considerations as the Committee shall determine) and all other matters to be determined in connection with an Award; (d) to determine whether, to what extent, and under what circumstances an Award may be canceled, forfeited, or surrendered; (e) to determine whether, and to certify that, Performance Goals to which the settlement of an Award is subject are satisfied; (f) to correct any defect or supply any omission or reconcile any inconsistency in the Plan, and to adopt, amend and rescind such rules and regulations as, in its opinion, may be advisable in the administration of the Plan; and (g) to construe and interpret the Plan and to make all other determinations as it may deem necessary or advisable for the administration of the Plan.

4.3. The Committee's powers shall also include responsibility to determine the effect, if any, of a Change in Control of the Company upon outstanding Awards. Upon a Change in Control, the Committee may, at its discretion, (i) fully vest any or all Awards made under the Plan, (ii) determine whether all applicable Performance Goals have been achieved and the applicable level of performance, (iii) cancel any outstanding Awards in exchange for a cash payment of an amount (including zero) equal to the difference between the then Fair Market Value of the Award less the option or base price of the Award, (iv) after having given the Participant a reasonable chance to exercise any vested outstanding Options or SARs, terminate any or all of the Participant's unexercised Options or SARs, (v) where the Company is not the surviving corporation, cause the surviving corporation to assume all outstanding Awards or replace all outstanding Awards with comparable awards or (vi) take such other action as the Committee shall determine to be appropriate.

Table of Contents

4.4. The Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter, such terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including terms requiring forfeiture of Awards in the event of the Participant's termination of employment or service with the Company or any Subsidiary or Affiliate; provided, however, that the Committee shall retain full power to accelerate or waive any such term or condition as it may have previously imposed, including, without limitation, any vesting period. All Awards shall be evidenced by an Award Agreement. The right of a Participant to exercise or receive a grant or settlement of any Award, and the timing thereof, may be subject to such Performance Goals as may be specified by the Committee.

4.5. To the extent permitted by applicable law, the Committee may delegate some or all of its authority with respect to the Plan and Awards to any executive officer of the Company or any other person or persons designated by the Committee, in each case, acting individually or as a committee, provided that the Committee may not delegate its authority hereunder to make awards to Employees who are (i) "officers" as defined in Rule 16a-1(f) under the 1934 Act, (ii) "covered employees" within the meaning of Section 162(m) of the Code or (iii) officers or other Employees who are delegated authority by the Committee pursuant to this Section. Any delegation hereunder shall be subject to the restrictions and limits that the Committee specifies at the time of such delegation or thereafter. The Committee may at any time rescind the authority delegated to any person pursuant to this Section. Any action undertaken by any such person or persons in accordance with the Committee's delegation of authority pursuant to this Section shall have the same force and effect as if undertaken directly by the Committee.

5. Shares of Stock Subject to the Plan

5.1. Subject to adjustment as provided in Section 13, the total number of shares of Common Stock available for Awards and Prior Plan Awards under the Plan shall be 2,250,000 plus the number of shares that were authorized but unissued under the Prior Plans.

5.2. Subject to adjustment as provided in Section 13, (i) the maximum number of shares of Common Stock available for Awards that are intended to be Incentive Stock Options shall not exceed 2,250,000 and (ii) the maximum number of shares of Common Stock available for Awards that may be granted to any individual Participant shall not exceed 450,000 during any calendar year.

5.3. If any shares subject to an Award or Prior Plan Award are forfeited or such Award otherwise terminates, any shares counted against the number of shares available for issuance pursuant to the Plan with respect to such Award or Prior Plan Award shall, to the extent of any such forfeiture or termination, again be available for Awards under the Plan; provided, however, that the Committee may adopt procedures for the counting of shares relating to any Award to ensure appropriate counting, avoid double counting, and provide for adjustments in any case in which the number of shares actually distributed differs from the number of shares previously counted in connection with such Award. SARs or Restricted Stock Units to be settled in shares of Common Stock shall be counted in full against the number of shares available for award under the Plan, regardless of the number of shares of Common Stock issued upon settlement of the SAR or Restricted Stock Unit. If any shares subject to an Award or Prior Plan Award are retained or reacquired by the Company in payment of an exercise price or satisfaction of a withholding or other tax obligation in connection with any Award, such shares shall not be made available for future Awards under the Plan.

5.4. Any shares issued hereunder may consist, in whole or in part, of authorized and unissued shares or treasury shares. Any shares issued by the Company through the assumption or substitution of outstanding grants in connection with the acquisition of another entity shall not reduce the maximum number of shares available for delivery under the Plan.

6. Common Stock

An Award of Common Stock is a grant by the Company of a specified number of shares of Common Stock to the Participant, which shares are not subject to forfeiture except as set forth in Section 21. Upon the Award of

Table of Contents

Common Stock, the Committee may direct the number of shares of Common Stock subject to such Award be issued to the Participant, designating the Participant as the registered owner. The Participant shall have all of the customary rights of a stockholder with respect to the Award of Common Stock, including the right to vote shares of the Common Stock and receive dividends with respect to the Common Stock.

7. Deferred Stock

An Award of Deferred Stock is an agreement by the Company to deliver to the Participant a specified number of shares of Common Stock at the end of a specified Deferral Period or Periods. Such an Award shall be subject to the following terms and conditions:

7.1. Upon the Award of Deferred Stock, the Committee shall direct that the number of shares subject to such Award be credited to the Participant's account on the books of the Company but that issuance and delivery of the same shall be deferred until the date or dates provided in the Award Agreement. Prior to issuance and delivery of the Deferred Stock, the Participant shall have no rights as a stockholder with respect to any shares of Deferred Stock credited to the Participant's account.

7.2. During the Deferral Period, no dividend shall be paid with respect to shares covered by a Deferred Stock Award and the Participant shall have no future right to any dividend paid during the Deferral Period.

7.3. The Deferral Period may consist of one or more installments. Provided that the Deferred Stock has not been previously forfeited, at the end of the Deferral Period or any installment thereof, the shares of Deferred Stock applicable to such installment, shall be issued and delivered to the Participant (or, where appropriate, the Participant's legal representative) in accordance with the terms of the Award Agreement.

8. Restricted Stock

An Award of Restricted Stock is a grant by the Company of a specified number of shares of Common Stock to the Participant, which shares are subject to forfeiture upon the happening of specified events. Such an Award shall be subject to the following terms and conditions:

8.1. Upon the Award of Restricted Stock, the Committee may direct the number of shares of Common Stock subject to such Award be issued to the Participant or placed in a restricted stock account (including an electronic account) with the transfer agent and in either case designating the Participant as the registered owner. The certificate(s), if any, representing such shares shall be physically or electronically legended, as applicable, as to sale, transfer, assignment, pledge or other encumbrances during the Restriction Period and, if issued to the Participant, returned to the Company to be held in escrow during the Restriction Period. In all cases, the Participant shall sign a stock power endorsed in blank to the Company to be held in escrow during the Restriction Period.

8.2. During the Restriction Period, the Participant shall have the right to vote shares of Restricted Stock. During the Restriction Period, no dividend shall be paid with respect to the number of shares covered by a Restricted Stock Award and the Participant shall have no future right to any dividend paid during the Restriction Period.

8.3. Provided that the Restricted Stock has not been previously forfeited, at the end of the Restriction Period the restrictions imposed under the Award Agreement shall lapse with respect to the number of shares specified thereunder, and the legend, if any, imposed hereunder shall be removed and such number of shares delivered to the Participant (or, where appropriate, the Participant's legal representative).

9. Restricted Stock Units

An Award of Restricted Stock Units is a grant by the Company of the right to receive a payment in Common Stock or in cash, or in a combination thereof, that is equal to the Fair Market Value of a share of

Table of Contents

Common Stock as of the date of vesting or payment, as set forth in the applicable Award Agreement, which right is subject to forfeiture upon the happening of specified events. Such an Award shall be subject to the following terms and conditions:

9.1. Any amount payable upon the end of the Restriction Period with respect to a Restricted Stock Unit shall be paid by the Company in shares of Common Stock, in cash or in a combination of shares of Common Stock and cash, as determined by the Committee in its sole discretion or as set forth in the Award Agreement.

9.2. Provided that the Restricted Stock Units have not been previously forfeited, at the end of the Restriction Period the restrictions imposed under the Award Agreement shall lapse with respect to the number of Restricted Stock Units specified thereunder, and shares of Common Stock or cash with a value equal to the Fair Market Value of the shares of Common Stock underlying such Restricted Stock Units shall be delivered to the Participant (or, where appropriate, the Participant's legal representative).

10. Options

Options give a Participant the right to purchase a specified number of shares of Common Stock from the Company for a specified time period at a fixed price. Options may be either Incentive Stock Options or Non-Qualified Stock Options. The grant of Options shall be subject to the following terms and conditions:

10.1. Option Price: The price per share at which Common Stock may be purchased upon exercise of an Option shall be determined by the Committee, but shall be not less than 100% of the Fair Market Value of a share of Common Stock on the date of grant (or 110% of such Fair Market Value in the case of an Incentive Stock Option granted to a Ten Percent Stockholder), unless the Option was granted through the assumption of, or in substitution for, outstanding awards previously granted by an entity acquired by the Company or any Subsidiary or Affiliate or with which the Company or any Subsidiary or Affiliate combines.

10.2. Term of Options: The term of an Option shall in no event be greater than ten years (five years in the case of an Incentive Stock Option granted to a Ten Percent Stockholder).

10.3. Incentive Stock Options: Each provision of the Plan and each Award Agreement relating to an Incentive Stock Option shall be construed so that each Incentive Stock Option shall be an incentive stock option as defined in Section 422 of the Code, and any provisions of an Award Agreement that cannot be so construed shall be disregarded. In no event may a Participant be granted an Incentive Stock Option which does not comply with the grant and vesting limitations prescribed by Section 422(b) of the Code. Incentive Stock Options may not be granted to Employees of Affiliates or to Consultants or Non-Employee Directors.

10.4. Payment of Option Price: The option price of the shares of Common Stock received upon the exercise of an Option shall be paid within three days of the date of exercise: (i) in cash, or (ii) with the proceeds received from a broker-dealer whom the Participant has authorized to sell all or a portion of the Common Stock covered by the Option, or (iii) with the consent of the Committee, in whole or in part in Common Stock held by the Participant and valued at Fair Market Value on the date of exercise. With the consent of the Committee, payment upon the exercise of a Non-Qualified Option may be made in whole or in part by Restricted Stock held by the Participant and valued at Fair Market Value on the date the Option is exercised. In such case, the Common Stock to which the Option relates shall be subject to the same forfeiture restrictions originally imposed on the Restricted Stock exchanged therefor. An Option may be exercised only for a whole number of shares of Common Stock.

Table of Contents

11. Stock Appreciation Rights

SARs give the Participant the right to receive, upon exercise of the SAR, the excess of (i) the Fair Market Value of one share of Common Stock on the date of exercise over (ii) the grant price of the SAR as determined by the Committee, but which may never be less than 100% of the Fair Market Value of a share of Common Stock on the date of grant. The grant of SARs shall be subject to the following terms and conditions:

11.1. The term of a SAR shall in no event be greater than ten years.

11.2. The Committee shall determine the time or times at which a SAR may be exercised in whole or in part, the method of exercise, the method of settlement, form of consideration payable in settlement, method by which Common Stock will be delivered or deemed to be delivered to Participants, whether or not a SAR shall be in tandem with any other Award, and any other terms and conditions of any SAR.

11.3. The Committee may provide that a SAR shall be deemed to be exercised at the close of business on the scheduled expiration date of such SAR.

12. Qualified Performance-Based Awards.

To the extent the Committee determines, in its sole discretion, that it is necessary or advisable in order to comply with the deductibility limitations of Section 162(m) of the Code applicable to Qualified Performance-Based Awards, the following rules shall apply:

12.1. Only an Employee who is a "covered employee" within the meaning of Section 162(m) of the Code shall be eligible to receive Qualified Performance-Based Awards. The Committee shall designate in its sole discretion which covered employees will be Participants for a Performance Cycle within the earlier of (i) the first 90 days of a Performance Cycle and (ii) the lapse of 25% of the Performance Cycle.

12.2. The Committee shall establish in writing within the earlier of (i) the first 90 days of a Performance Cycle and (ii) the lapse of 25% of the Performance Cycle, and in any event, while the outcome is substantially uncertain, (A) Performance Goals for the Performance Cycle, and (B) in respect of such Performance Goals, a minimum acceptable level of achievement below which no payment will be made or no Award shall vest or become exercisable, and an objective formula or other method for determining the amount of any payment to be made or the extent to which an Award hereunder shall vest or become exercisable if performance is at or above such minimum acceptable level but falls short of the maximum achievement of the specified Performance Goals.

12.3. Following the completion of a Performance Cycle, the Committee shall review and certify in writing whether, and to what extent, the Performance Goals for the Performance Cycle have been achieved and, if so, to also calculate and certify in writing the amount of the Qualified Performance-Based Awards earned for the Performance Cycle based upon the Performance Goals and the related formulas or methods as determined pursuant to Section 12.2. The Committee shall then determine the actual amount payable or the extent to which an Award is vested or exercisable as a result of attainment of such Performance Goals under each Participant's Award for the Performance Cycle, and, in doing so, may reduce or eliminate, except as otherwise provided in the Award Agreement, the amount of the Award. In no event shall the Committee have the authority to increase Award amounts to any covered employee under a Qualified Performance-Based Award.

12.4. A Qualified Performance-Based Award granted, vesting or becoming exercisable with respect to a Performance Cycle shall be paid (unless such Award is subject to the Participant's exercise, which exercise such Participant has not effectuated) as soon as practicable following completion of the certification described in Section 12.3 but in no event later than December 31 of the year following the year in which the applicable Performance Cycle ends.

IN THE SUPREME COURT OF THE STATE OF NEVADA

PARAMETRIC SOUND CORPORATION, VTB HOLDINGS, INC., KENNETH POTASHNER; ELWOOD NORRIS; SETH PUTTERMAN; ROBERT KAPLAN; ANDREW WOLFE; and JAMES HONORE Petitioners, v. THE EIGHTH JUDICIAL DISTRICT COURT, in and for the County of Clark, State of Nevada, and THE ELIZABETH GONZALEZ, District Judge Respondents, and VITIE RAKAUSKAS, individually and on behalf of all others similary situated, and Intervening Plaintiffs RAYMOND BOYTIM and GRANT OAKES, Real parties in interest.	Case No. 66689 Electronically Filed Dec 08 2014 02:53 p.m. Tracie K. Lindeman Clerk of Supreme Court District Court No. A-13-686890-B Dept. No. XI

PETITION
From the Eighth Judicial District Court
The Honorable Elizabeth Gonzalez

PETITIONERS' APPENDIX

VOLUME II (PART 2 OF 2)

Docket 66689 Document 2014-39891

RICHARD C. GORDON, ESQ.
Nevada Bar No. 9036
KELLY H. DOVE, ESQ.
Nevada Bar No. 10569
SNELL & WILMER L.L.P.
3883 Howard Hughes Parkway, Suite 1100
Las Vegas, Nevada 89169
Telephone: (702) 784-5200
E-mail: rgordon@swlaw.com
kdove@swlaw.com

NEIL A. STEINER, ESQ. (*Admitted Pro Hac Vice*)
DECHERT L.L.P.
1095 Avenue of the Americas
New York, NY 10036
Telephone: (212) 698-3822
E-mail: Neil.steiner@dechert.com
JOSHUA D. N. HESS, ESQ. (*Admitted Pro Hac Vice*)
DECHERT L.L.P.
One Bush Street, Suite 1600
San Francisco, CA 94104
Telephone: (415) 262-4583
E-mail: Joshua.Hess@dechert.com

Attorneys for Petitioners Turtle Beach Corporation and VTB Holdings Inc.

J. STEPHEN PEEK, ESQ.
Nevada Bar No. 1758
ROBERT J. CASSITY, ESQ.
Nevada Bar No. 9779
HOLLAND & HART L.L.P.
955 Hillwood Drive, 2nd Floor
Las Vegas, Nevada 89134
Telephone: (702) 669-4600
E-mail: speek@hollandhart.com
bcassity@hollandhart.com

JOHN P. STIGI III, ESQ. (*Admitted Pro Hac Vice*)
SHEPPARD, MULLIN, RICHTER, & HAMILTON LLP
1901 Avenue of the Stars, Suite 1600
Los Angeles, CA 90067
Telephone: (310) 228-3700
E-mail: jstigi@sheppardmullin.com

Attorneys for Petitioners Kenneth Potashner, Elwood Norris, Seth Putterman, Robert Kaplan, Andrew Wolfe, James Honore

ALPHABETICAL INDEX

Order Denying Motions to Dismiss	09/11/2014	III	PA624 – PA625
Plaintiff's Ex Parte Application for Leave to File a Single 45 Page "Omnibus" Brief in Response to Two Motions to Dismiss	07/16/2014	III	PA524 – PA528
Plaintiffs' Omnibus Opposition to Defendants' Motions to Dismiss	07/22/2014	III	PA529 – PA576
The Director Defendants' Answer to Plaintiffs' Class Action Complaint in Intervention	09/26/2014	III	PA633 – PA653
The Director Defendants' Motion to Dismiss the First Cause of Action in Plaintiff's Class Action Complaint in Intervention (Redacted)	06/20/2014	I	PA050 - PA079
The Director Defendants' Reply in Support of Their Motion to Dismiss the First Cause of Action in Plaintiff's Class Action Complaint in Intervention (Redacted)	0801/2014	III	PA677 – PA706
Transcript of Proceedings: Hearing on Motions to Dismiss Thursday, August 28, 2014	09/08/2014	III	PA587 – PA623

CERTIFICATE OF SERVICE

I, the undersigned, declare under penalty of perjury, that I am over the age of eighteen (18) years, and I am not a party to, nor interested in, this action. On December 5, 2014, I caused to be served a true and correct copy of the foregoing **PETITIONERS' APPENDIX VOLUME I** by the method indicated:

☐ **BY FAX:** by transmitting via facsimile the document(s) listed above to the fax number(s) set forth below on this date before 5:00 p.m. pursuant to EDCR Rule 7.26(a). A printed transmission record is attached to the file copy of this document(s).

☒ **BY EMAIL:** by emailing a PDF of the document(s) listed above to the email addresses of the individual(s) listed below:

Name	Party	E-mail Address
David C. O'Mara, Esq.	Plaintiffs	david@omaralaw.net
Valerie Weis (assistant)	Plaintiffs	val@omaralaw.net
David Knotts	Plaintiffs	DKnotts@rgrdlaw.com
Randall Baron	Plaintiffs	RandyB@rgrdlaw.com
Jamie Meske (paralegal)	Plaintiffs	JaimeM@rgrdlaw.com
Adam Warden	Plaintiffs	awarden@saxenawhite.com
Jonathan Stein	Plaintiffs	jstein@saxenawhite.com
Mark Albright	Plaintiffs	gma@albrightstoddard.com
Loren Ryan (paralegal)	Plaintiffs	e-file@saxenawhite.com
Steve Peek	Defendants	speek@hollandhart.com
Bob Cassity	Defendants	bcassity@hollandhart.com
Alejandro Moreno	Defendants	amoreno@sheppardmullin.com
John P. Stigi III	Defendants	JStigi@sheppardmullin.com
Tina Jakus (assistant)	Defendants	tjakus@sheppardmullin.com
Valerie Larsen (assistant)	Defendants	VLLarsen@hollandhart.com
Neil Steiner	Defendants	neil.steiner@dechert.com
Joshua Hess	Defendants	Joshua.Hess@dechert.com
Brian Raphel	Defendants	Brian.Raphel@dechert.com
Reginald Zeigler (assistant)	Defendants	Reginald.Zeigler@dechert.com

☐ **BY OVERNIGHT MAIL:** by causing document(s) to be picked up by an overnight delivery service company for delivery to the addressee(s) on the next business day.

☒ **BY U.S. MAIL:** by placing the document(s) listed above in a sealed envelope with postage thereon fully prepaid, in the United States mail at Las Vegas, Nevada addressed as set forth below:

Honorable Elizabeth Gonzalez
Eight Judicial District Court
Regional Justice Center
200 Lewis Avenue
Las Vegas, NV 89155

☒ **BY ELECTRONIC SUBMISSION:** submitted to the above-entitled Court for electronic filing and service upon the Court's Service List for the above-referenced case and the following list:

ALBRIGHT STODDARD WARNICK & ALBRIGHT G. Mark Albright, Esq. 801 South Rancho Drive, Suite D-4 Las Vegas, NV 89106 Email: gma@albrightstoddard.com SAXENA WHITE P.A. Jonathan M. Stein, Esq. Adam Warden, Esq. 5200 Town Center Circle, Suite 601 Boca Raton, FL 33486 (*Pro Hac Vice* pending) Email: jstein@saxenawhite.com awarden@saxenawhite.com e-file@saxenawhite.com *Attorneys for Kearney IRRV Trust*	HOLLAND & HART LLP J. Stephen Peek, Esq. Robert J. Cassity, Esq. 9555 Hillwood Drive, 2nd Floor Las Vegas, NV 89134 Email: speek@hollandhart.com bcassity@hollandhart.com VLLarsen@hollandhart.com SHEPPARD MULLIN RICHTER & HAMPTON LLP John P. Stigi III, Esq. Alejandro Moreno, Esq. 1901 Avenue of the Stars, Suite 1600 Los Angeles, CA 90067 (*Pro Hac Vice* pending) Email: jstigi@sheppardmullin.com amoreno@sheppardmullin.com tjackus@sheppardmullin.com *Attorneys for Kenneth Potashner, Elwood Norris, Seth Putterman, Robert Kaplan, Andrew Wolfe and James Honore*
O'MARA LAW FIRM, P.C. David C. O'Mara, Esq. 311 E. Liberty Street Reno, NV 89501 Email: david@omaralaw.net val@omaralaw.net ROBBINS GELLER RUDMAN & DOWD LLP Randall Baron, Esq. David Knotts, Esq. 655 West Broadway, Suite 1900 San Diego, CA 92101 Email: DKnotts@rgrdlaw.com randyb@rgrdlaw.com JamieM@rgrdlaw.com *Counsel for Intervening Plaintiffs/California Plaintiffs*	DECHERT L.L.P. Neil A. Steiner, Esq 1095 Avenue of the Americas New York, NY 10036 Email: neil.steiner@dechert.com Joshua D. N. Hess, Esq Brian Raphel, Esq. One Bush Street, Suite 1600 San Francisco, CA 94104 Email: Joshua.hess@dechert.com Brian.Raphel@dechert.com Reginald.Zeigler@dechert.com *Attorneys for Defendants Parametric Sound Corporation, VTB Holdings, Inc. and Paris Acquisition Corp*

/s/ Ruby Lengsavath
An Employee of Snell & Wilmer L.L.P.

20194373.2

Table of Contents

shipping such Product. For the avoidance of doubt, the sale of a Product between Licensee and any of its Affiliates shall not be a sale for purpose of this definition and shall not be subject to Royalties.

(b) A Product shall be considered "sold" on the date payment is received for such Product. Licensee or its Affiliates, as applicable, shall invoice each Product sold and shall sell the Products only on a cash or credit basis (with credit being deemed the same as cash for purposes of defining and computing the Net Sales).

5.1.2 The Royalties shall be paid without offset or deduction, free and clear of any taxes, duties, levies, fees or charges of any kind (except that Licensee shall make any applicable withholding payments due on behalf of Licensor and shall provide Licensor upon request with such written documentation regarding any such payment as available to Licensee relating to an application by Licensor for a foreign tax credit for such payment with the United States Internal Revenue Service), via wire transfer of immediately available funds in U.S. Dollars on or before thirty (30) days after the end of each calendar quarter. Licensee shall accompany each royalty payment with a reasonably detailed statement reflecting Net Sales of Products and the determination of the amount of the Royalties during the applicable reporting period. Such statements shall specify: the gross sales (if available) and Net Sales in each country's currency; the applicable royalty rate; the royalties payable in each country's currency, including accounting deductions taken in the calculation of Net Sales; the applicable exchange rate of convert from each country's currency to U.S. Dollars; and the royalties payable in U.S. Dollars. Conversion of foreign currency shall be converted to U.S. Dollars at the conversion rate existing in the United States (as reported in *The Wall Street Journal*) on the last business day of the quarter immediately preceding the applicable calendar quarter. If *The Wall Street Journal* ceases to be published, then the rate of exchange to be used shall be that reported in such other business publication of national circulation in the United States as the Parties reasonably agree.

5.1.3 Minimum. To maintain its exclusive license hereunder, during the Term Licensee shall pay to Licensor at least two million U.S. dollars ($2,000,000) in Royalties during the first five (5) years of the Term, and at least one million U.S. dollars ($1,000,000) in Royalties in each year of the Agreement thereafter (the "Minimum Royalty"). In the event Licensee has not paid at least two million U.S. dollars ($2,000,000) in Royalties by the fourth anniversary of the Effective Date and it does not appear in Licensor's reasonable judgment likely based on a reasonable projection of Licensee's sales that Licensee will pay the full amount of the Minimum Royalty due to Licensor before the end of the fifth (5th) year of the Term, at Licensor's option upon thirty (30) days prior written notice to Licensee, Licensee's license to the Licensed Patents and Licensed Technology and Materials under Section 2.1.1 shall become non-exclusive until the termination or expiration of the Agreement, provided, however, Licensee shall have the option to pay the difference between the Royalties actually paid to Licensor as of such date and the Minimum Royalty within thirty (30) days of such notice from Licensor in order to retain its exclusive license to the Licensed Patents and Licensed Technology and Materials under Section 2.1.1 through the end of the fifth (5th) year of the Agreement. At the end of each successive year of the Agreement, upon written notice to Licensee, Licensor shall have the right to convert the exclusive license under Section 2.1.1 to a non-exclusive license if Licensor has not paid at least one million U.S. dollars ($1,000,000) in Royalties in the prior year of the Agreement, but Licensee shall have the right to retain the exclusive license under Section 2.1.1 by paying any balance of the applicable Minimum Royalty for that year within thirty (30) days of Licensor's notice. For the avoidance of doubt Licensor's right to convert the exclusive license under Section 2.1.1 to a non-exclusive license is Licensor's sole remedy in the event that Licensee has not paid the Minimum Royalty as set forth in this Section 5.1.3. At any time during the Term, upon written notice to Licensor, Licensee can elect to convert the license granted under Section 2.1.1 to a non-exclusive license for the balance of the Term.

5.2 Late Payments. Any amount not timely paid shall bear interest at the rate of 1.5% per month (or such lesser amount as may be the maximum permitted by law) for each month or portion thereof during which it shall remain unpaid.

5.3 Audit of Royalty Payments. No more than once in any calendar year, and upon prior written notice, Licensor shall have the right request an audit of the books and records that form the basis of Licensee's Net Sales and the calculation of the Royalties by an independent auditor designated by Licensor. Licensee agrees to give such independent auditor full and unfettered access to such books and records during normal business hours at a time mutually agreeable to the Parties. Licensee will have the right to require the independent auditor to sign appropriate non-disclosure agreements with Licensee prior to receiving any information, and the independent auditor may disclose only the final results of such audit to Licensor (*i.e.*, whether the royalties actually paid were the correct amount). Licensor shall pay the entire costs and fees for such audit unless such audit reveals a discrepancy in the amount owed to Licensor greater than three percent (3%), in which case the reasonable costs of the audit shall be paid by Licensee. If it is determined during such audit that the amount of Royalties calculated and paid to Licensor was less than the correct amount of Royalties owed during the reviewed period, Licensee shall pay any outstanding Royalties due within five (5) days of such audit determination. If it is determined during such audit that the amount of Royalties calculated and paid to Licensor was greater than the amount owed, then Licensee may take a credit for the overpayment on the next Royalties payment, and shall reflect the credit in the statement accompanying the Royalties payment.

ARTICLE 6
CONFIDENTIALITY

6.1 Confidential Information. For purposes of this Agreement, "Confidential Information" means any and all confidential and/or proprietary knowledge, data or information of a Party (the "Disclosing Party"), its principals or Affiliates and any and all confidential and/or proprietary knowledge, data or information which the Disclosing Party has obtained or obtains from another party and which the Disclosing Party designates (whether or not in writing) as Confidential Information, or is reasonably understood to be treated a Confidential Information based upon the nature or disclosure of such information or materials, including methods, techniques, processes, know-how, formulas, potential new or supplemental formulas, designs, drawings, specifications, models, data, source code, object code, documentation, diagrams, flow charts, research, development, processes, procedures, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators and customers, trademarks, copyrights, patents, trade secrets, copyrightable material, trademarkable material, patentable material, databases and any other information or material considered proprietary by the Disclosing Party, not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with the Disclosing Party and which is subject of efforts by the Disclosing Party that are reasonable under the circumstances to maintain its secrecy, and any other information, know-how, techniques, material and data imparted or made available by the Disclosing Party which is known by other Party (the "Receiving Party") to be considered confidential by the Disclosing Party, or by its nature is inherently or reasonably considered confidential. "Confidential Information" of Licensor includes tangible and intangible information relating to the Licensed Patents or Licensed Technology and Materials.

6.2 Nondisclosure. During the term of this Agreement and thereafter, a Receiving Party, its managers, officers, agents, employees and Affiliates shall hold in confidence and will not directly or indirectly disclose, use, make available, sell, transfer or otherwise use or exploit or permit the use or exploitation of the Confidential Information of the Disclosing Party or its principals or Affiliates disclosed hereunder. The foregoing obligations shall not apply to Confidential Information that the Receiving Party can demonstrate by tangible evidence: (a) is or becomes generally available to the public through no fault of the Receiving Party; (b) can be demonstrated in writing to have been known by the Receiving Party or its Affiliates at the time of its disclosure without the application or use of the Confidential Information; or (c) becomes known from a source other than the Disclosing Party without breach of this Agreement, provided that such other source has the right to disclose such Confidential Information. A Party may disclose the other Party's Confidential Information pursuant to a final, binding non-appealable order or requirement of a court, administrative agency or other government body only if such Party, if legally permitted, provides the other Party with prompt written notice of such requirement sufficient to give the other Party the opportunity to seek a protective order, injunction or other measure to limit or prevent the disclosure of its Confidential Information. Any such disclosure shall be limited to such portions of the Confidential Information that the Party's legal counsel advises is required under the applicable law, subpoena

Table of Contents

or order or process. Further, either Party may make such a disclosure to the extent required by securities laws or by the requirements of any nationally recognized securities exchange, quotation system or over-the-counter market on which such Party has its securities listed or traded. In the event that such disclosure is required as aforesaid, the Disclosing Party shall make reasonable efforts to provide the other Party with notice beforehand and to coordinate with the other Party with respect to the wording and timing of any such disclosure.

6.3 Limitations on Use and Rights. A Party may directly and indirectly use the Confidential Information of the Disclosing Party only for the purposes set forth in this Agreement and for no other purpose. This Agreement does not grant the Receiving Party any ownership or other proprietary right in the Confidential Information of the Disclosing Party, or other rights, except those provided in this Agreement, and the Receiving Party shall not at any time do or allow any act or thing contesting or in any way impairing or tending to impair, any part of the Disclosing Party's ownership, right, title and interest in an to the Confidential Information. These rights are not transferable or subject to division or sublicense without Licensor's prior written consent. In the event of any disclosure required to be made to either party's legal or financial advisors, the Receiving Party agrees to secure an agreement in writing from the recipient accepting obligations of confidentiality at least as stringent as those set forth herein, or ensuring that such party is legally bound to keep such information confidential.

6.4 Protection of Confidential Information. Each Party shall keep the Confidential Information of the other Party in the strictest of confidence and treat it with the utmost care and highest good faith, disclosing it only to such of its employees as necessary to carry out the transactions contemplated herein. Each Party shall advise each such employee of the confidential or proprietary nature of the Confidential Information and of the existence and importance of this Agreement, and shall use its best efforts to ensure that each of its employees who are given access to Confidential Information will protect its secrecy.

6.5 Return of All Confidential Information. Upon termination or expiration of this Agreement under any of the provisions hereof, each Party shall immediately cease any and all use of the other Party's Confidential Information or information derived from such Confidential Information, and any tangible records or memorializations of such Confidential Information shall thereupon be returned to the Disclosing Party or, if so requested in writing by the Disclosing Party, be destroyed by the Receiving Party. Each Party agrees to make a thorough search of its business premises and to use commercially reasonable efforts to contact all its agents, employees, or independent contractors, past, present, or future, who had any access to any Confidential Information of the Disclosing Party to assure its return to the Disclosing Party. Should any such agent, employee, or independent contractor of the Receiving Party fail or refuse to return any Confidential Information of the other party, or any tangible records or memorialization thereof, the Receiving Party shall promptly notify the Disclosing Party of the same and shall assist the Disclosing Party in its recovery.

6.6 Injunctive Relief. Each Party understands and acknowledges that the Confidential Information, as well as customer, employee and consultant relationships of the other Party, have been developed or obtained by such Party by the investment of significant time, effort and expense and provide such Party with a significant competitive advantage in its business. If a Party fails to comply with any obligations set forth in this Article 6, the other Party will suffer immediate, irreparable harm that could not be adequately remedied by an action at law. Accordingly, each Party agrees that the other Party shall be entitled to injunctive relief without the requirement of notice or a bond to enforce this Section 6, in addition to any other remedies at law or in equity.

ARTICLE 7
WARRANTIES, REPRESENTATIONS, AND COVENANTS

7.1 Mutual Representations. Each Party represents and warrants to the other Party as follows: (a) it is not a party to any restrictions, agreements or understandings which would prevent or make unlawful such Party's acceptance of the terms set forth in this Agreement or such Party's performance hereunder; (b) its acceptance of the terms of this Agreement and the performance of its obligations hereunder does not and will not (with or

Table of Contents

without the passage of time) conflict with or constitute a breach or default of any contract, agreement or understanding, oral or written, to which such Party is a party or by which such Party is bound; (c) it has the right and authority to enter into this Agreement, to perform all of its respective obligations hereunder and to transfer and grant the rights transferred and granted herein; and (d) the persons executing this Agreement on behalf of such party have the authority from their respective governing bodies to enter into this Agreement and to bind their respective company to all the terms and conditions of this Agreement.

7.2 Licensor's Warranties.

7.2.1 Licensor represents and warrants that: (a) it has all rights necessary to grant the license rights granted under this Agreement, (b) to its actual knowledge without investigation, the Licensed Patents and Licensed Technology and Materials do not infringe upon the Intellectual Property Rights of any person or entity and (c) no third party has been granted any rights under the Licensed Patents or Licensed Technology and Materials in the Console Audio Products Field.

7.2.2 Except as specifically set forth in this Section 7, Licensor does not make any express, implied or statutory representation or warranty with respect to any part of the Licensed Patents or Licensed Technology and Materials, including any warranty of design, any implied warranty of merchantability or fitness for a particular purpose (or safety for use) or any warranty arising from a course of dealing, trade usage or trade practice of any kind or nature. Except as specifically set forth in this Section 7, the Licensed Technology and Materials are being provided on an "as is, as available" basis. Licensor has not made and does not make any representation or guaranty as to the amount of revenues, profits or compensation of any type whatsoever that Licensee may realize in connection with the Licensee's commercial exploitation of the rights granted to it under this Agreement or relative to the Licensed Technology and Materials. Licensor is not responsible for manufacture of the Products and therefore makes no warranty or representation whatsoever, to any party, as to the quality, safety or effectiveness of the Products.

7.3 Licensee's Covenants. Licensee covenants that: (a) it will use commercially reasonable efforts to promote, market, distribute, honor warranties, provide customer service and coordinate servicing of the Products; (b) it will conduct business in a manner that does not reflect adversely on the Products and on Licensor's goodwill and reputation; and (c) it will not register nor apply to register, any Intellectual Property Rights in the Licensed Patents or Licensed Technology and Materials, without the written consent of Licensor. The Parties acknowledge and agree that any failure of Licensee to comply with the covenants set forth in this Section 7.3 shall be deemed to be a material breach of this Agreement and entitle Licensor to terminate this Agreement, in addition to other remedies.

ARTICLE 8
ALLOCATION OF RISKS

8.1 Licensee's Indemnity. Licensee hereby indemnifies, defends and holds harmless Licensor, its directors, officers, employees, representatives, consultants, Affiliates, successors, assigns and agents (each a "Licensor Indemnitee") against all damages, claims, liabilities, losses and other expenses, including reasonable attorneys' fees and costs, whether or not a lawsuit or other proceeding is filed, that arise out of or relate to a third party claim ("Claim") alleging or arising out of: (a) Licensee's use of the Licensed Patents and/or Licensed Technology and Materials; (b) claims relating to the Products developed by Licensee, including damages for personal injury, death or tangible property damage; (c) a breach or misrepresentation of any of Licensee's representations or warranties set forth in Section 7.1; (d) Licensee's transactions with third parties and/or the operation of its business; and/or (e) Licensee's fraudulent acts or willful misconduct, except that in each case Licensee shall have no obligations under this Section 8.1 for any Claim alleging or arising out of (i) any design defect that was present in any Licensed Technology and Materials or any Licensed Patent at the time it was provided by Licensor to Licensee hereunder or (ii) a claim that use of the Licensed Patents and/or Licensed

Table of Contents

Technology and Materials in accordance with this Agreement infringes upon or misappropriates the Intellectual Property Rights of any person or entity, except to the extent a claim arises from (A) the use of any version of the Licensed Technology and Materials other than a current, unaltered release, if such infringement would have been avoided by the use of a current, unaltered release (provided that Licensor informed Licensee that the new version should be used to avoid infringement); (B) a modification made by Licensee that was not approved by Licensor or specified in the specifications, designs or instructions supplied by Licensor, if such infringement or design defect would have been avoided in the absence of such modification; (C) the combination, operation or use of the Licensed Patents or Licensed Technology and Materials with materials not provided or approved by Licensor, or specified in the specifications, designs or instructions supplied by Licensor, if such infringement or design defect would have been avoided in the absence of such combination, operation or use; or (D) the use of the Licensed Patents or Licensed Technology and Materials in breach of this Agreement.

8.2 Licensor's Indemnity. Licensor hereby indemnifies and holds harmless Licensee, its directors, officers, employees, representatives, consultants, Affiliates, successors, assigns and agents (each a "Licensee Indemnitee") against all damages, claims, liabilities, losses and other expenses, including reasonable attorneys' fees and costs, whether or not a lawsuit or other proceeding is filed, that arise out of or relate to a Claim alleging or arising out of (a) a breach or misrepresentation of any of Licensor's representations or warranties set forth in Section 7.1 or 7.2, (b) Licensor's fraudulent acts or willful misconduct, or (c) any design defect that was present in any Licensed Technology and Materials or Licensed Patent at the time it was provided by Licensor to Licensee hereunder; or (d) a claim that use of the Licensed Patents and/or Licensed Technology and Materials in accordance with this Agreement infringes upon or misappropriates the Intellectual Property Rights of any person or entity. In the defense or settlement of a Claim relative to the Licensed Patents or Licensed Technology and Materials, Licensor may at its option: (i) obtain for Licensee the right to continue to use the Licensed Patents or Licensed Technology and Materials, or (ii) replace or modify the Licensed Patents or Licensed Technology and Materials with substantially similar technology so that they avoid such claim while retaining the material usefulness to Licensee of the original Licensed Patents or Licensed Technology and Materials. Licensor shall have no obligations under this Section 8.2 to the extent a claim arises from (A) the use of any version of the Licensed Technology and Materials other than a current, unaltered release, if such infringement would have been avoided by the use of a current, unaltered release (provided that Licensor informed Licensee that the new version should be used to avoid infringement); (B) a modification made by Licensee that was not approved by Licensor or specified in the specifications, designs or instructions supplied by Licensor, if such infringement or design defect would have been avoided in the absence of such modification; (C) the combination, operation or use of the Licensed Patents or Licensed Technology and Materials with materials not provided or approved by Licensor, or specified in the specifications, designs or instructions supplied by Licensor, if such infringement or design defect would have been avoided in the absence of such combination, operation or use; or (D) the use of the Licensed Patents or Licensed Technology and Materials in breach of this Agreement. The foregoing and Sections 2.9, 2.10 and 7.2 state the entire obligation of Licensor with respect to the infringement of intellectual property rights.

8.3 Limitations on Indemnities.

8.3.1 To the extent that any Claims falling within Licensor's indemnification obligations under Section 8.2(d) arise out of patent infringement claims arising under non-U.S. law, then Licensor's liability under Section 8.2(d) for such Claim(s) shall in no event exceed an amount equal to the greater of (a) one million U.S, dollars ($1,000,000) and (b) the total Royalties paid by Licensee to Licensor hereunder. To the extent that any Claims falling within Licensee's indemnification obligations under Sections 8.1(a), (b) or (d) arise out of patent infringement claims arising under non-U.S. law, then Licensor's liability under Sections 8.1(a), (b) or (d) for such Claim(s) shall in no event exceed an amount equal to the greater of (i) one million U.S, dollars ($1,000,000) and (ii) the total Royalties paid by Licensee to Licensor hereunder.

8.3.2 Licensor's liability for indemnification obligations under Section 8.2(c) shall in no event exceed an amount equal to the total Royalties paid by Licensee to Licensor hereunder.

Table of Contents

8.4 Indemnification Procedures. In the event a Party is entitled to indemnification under this Article 8 (the "Indemnified Party"), written notice thereof shall be given to the Party that is obliged to give the indemnification (the "Indemnifying Party") as soon as reasonably possible. If, after such notice, the Indemnifying Party acknowledges without reservation that Section 8.1 or 8.2, as applicable, applies with respect to such claim, the Indemnifying Party shall be entitled, if it so elects, in a written notice promptly delivered to the Indemnified Party, but in no event less than thirty (30) days prior to the date on which a response to such Claim is due, to immediately take control of the defense and investigation of such claim. The Indemnified Party shall cooperate, at the Indemnifying Party's cost, in all reasonable respects with the Indemnifying Party and its attorneys in the investigation, trial and defense of such claim and any appeal arising therefrom; provided, however, that the Indemnified Party may, at its own cost and expense, participate, through its attorneys or otherwise, in such investigation, trial and defense of such claim and any appeal arising therefrom. No settlement of a Claim shall be entered into without the consent of the Indemnified Party (not to be unreasonably withheld or delayed), except where such settlement provides a full release of liability of the Indemnified Party and does not place any restrictions or monetary obligations upon the Indemnified Party. If after investigation of the facts known at the time, the Indemnifying Party disputes its obligation to indemnify the Indemnified Party: (a) the Parties shall cooperate to ensure that timely and adequate defense of the claim is provided, (b) all defense costs shall initially be shared equally, and (c) the dispute between the Parties regarding the Indemnifying Party's obligation to indemnify shall be resolved in accordance with the provisions of Section 11.7; provided that if such dispute between the Parties is finally resolved in favor of the Indemnifying Party, all such defense costs shall be borne by the Indemnified Party, and if the matter is finally resolved in favor of the Indemnified Party, all such defense costs shall be borne by the Indemnifying Party.

8.5 Limitation of Liability.

8.5.1 EXCEPT FOR A BREACH OF THE CONFIDENTIALITY OBLIGATIONS HEREUNDER, OR FOR WILLFUL MISCONDUCT OR FRAUD, AND WITHOUT LIMITING A PARTY'S INDEMNITY OBLIGATIONS, NEITHER PARTY SHALL BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE, CONSEQUENTIAL OR EXEMPLARY DAMAGES, WHETHER FORESEEABLE OR NOT, THAT ARE IN ANY WAY RELATED TO THIS AGREEMENT, THE BREACH HEREOF, LOSS OF GOODWILL OR PROFITS, LOST BUSINESS HOWEVER CHARACTERIZED AND/OR FROM ANY OTHER CAUSE WHATSOEVER.

8.5.2 Each Party agrees that, notwithstanding any other term or condition of this Agreement, except with respect to a Party's indemnity obligations, confidentiality obligations, or obligations to pay Royalties, or a Party's willful misconduct, or fraud, a Party's maximum aggregate liability under this Agreement for any and all claims and causes whatsoever, regardless of the form of action, whether in contract or in tort (including negligence), shall not exceed the aggregate of the total amount of Royalties paid to Licensor by Licensee hereunder during the six (6) month period immediately preceding the date of the cause of action giving rise to such claim. The existence of more than one claim shall not enlarge or extend said maximum limitation. Each Party hereby waives any and all rights, obligations, liability, claims or demands related to the Licensed Technology and Materials and this Agreement in excess of said maximum limitation

8.6 Insurance. During the Term, Licensee shall obtain and maintain at its sole expense commercial general liability, products liability, and other types of insurance in such amounts as Licensee deems appropriate in its reasonable business judgment.

ARTICLE 9
RESTRICTIVE COVENANTS

9.1 Employees. During the Term of this Agreement and, for a period of two (2) years after termination or expiration of this Agreement, Licensee shall not, either directly or indirectly use any Confidential Information to solicit or encourage any employee, independent contractor or consultant of Licensor to leave the employ, consultancy or services of Licensor.

Table of Contents

ARTICLE 10
TERM AND TERMINATION

10.1 Term

10.1.1 The initial term of this Agreement shall be ten (10) years from the Effective Date. At the end of such initial term, this Agreement shall automatically renew for successive two (2) year renewal terms, unless one Party sends a written notice of non-renewal at least ninety (90) days prior to the end of the then-current term (such initial term and all renewal terms, the "Term").

10.2 Termination.

10.2.1 By either Party. This Agreement may be terminated prior to expiration at any time by either Party upon written notice to the other: (a) in the event that a Party materially breaches any of its obligations hereunder and, except as set forth in subsection (b) below, fails to cure such breach within thirty (30) days after receiving written notice of such breach or any other applicable cure period set forth herein; or (b) immediately upon (i) the material breach by a Party of its confidentiality obligations hereunder, (ii) the insolvency or bankruptcy of a Party, or (iii) a Party's commission of an act of fraud, whether prior to or subsequent to the date hereof.

10.2.2 By Licensee. This Agreement may be terminated at any time by Licensee upon written notice to Licensor.

10.3 Effect of Termination.

10.3.1 Upon termination or expiration of this Agreement: (a) the license to the Licensed Patents and Licensed Technology and Materials shall terminate and Licensee shall cease to use, subject to Section 10.3.3, the Licensed Technology and Materials in any way; and (b) Licensee shall return to Licensor or destroy all Licensor Confidential Information, the Licensed Technology and Materials delivered and all other written materials (whether tangible or intangible and whether or not in electronic form) that utilize or reference the Licensed Technology and Materials. All sublicenses granted by Licensee shall automatically terminate upon termination or expiration of this Agreement; provided, however, that any sublicenses of software to end users in accordance with this Agreement shall continue in accordance with the terms of the applicable end user license agreement.

10.3.2 Termination or expiration of this Agreement will not terminate any obligations listed in this Agreement that are incurred prior to termination or expiration. Notwithstanding any termination or expiration, the provisions of Sections 2.3, 2.6, 2.12, 10.3 and Articles 5 (for payments accruing prior to termination or expiration and during any sell-off period pursuant to Section 10.3.3), 6, 7, 8, 9 and 11 shall survive expiration or termination of this Agreement.

10.3.3 Existing Obligations and Inventory. Upon termination or expiration of this Agreement for any reason, Licensee shall have the right to fulfill any outstanding agreements or orders for Products existing as of the date of termination or expiration. Subject to the foregoing, Licensor shall have the right, but not the obligation, to purchase all inventory of finished Products, work-in-process and raw materials relative to the Products in Licensee's possession or control. In the event that Licensor does not exercise its foregoing purchase right by issuing written notice to Licensee within five (5) days of expiration or termination of the Agreement, Licensee shall have a sell-off period of nine (9) months for all inventory of finished Products in existence on the date of termination or expiration. Any such items remaining in inventory and not purchased by Licensor at the end of such period shall be destroyed at Licensee's expenses and Licensee shall confirm such destruction in writing to Licensor.

10.4 Cumulative Remedies. All rights and remedies conferred herein shall be cumulative and in addition to all of the rights and remedies available to each Party at law, equity or otherwise.

Table of Contents

ARTICLE 11
GENERAL PROVISIONS

11.1 Rules of Interpretation and Construction.

11.1.1 The definitions of the terms herein shall apply equally to the singular and plural forms of the terms defined. Neutral pronouns and any variations thereof shall be deemed to include the feminine and masculine and all terms used in the singular shall be deemed to include the plural, and vice versa, as the context may require. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". The word "any" shall mean "any and all" unless otherwise clearly indicated by context. Where either Party's consent is required hereunder, except as otherwise specified herein, such Party's consent may be granted or withheld in such Party's sole discretion. Derivative forms of any capitalized term defined herein shall have meanings correlative to the meaning specified herein.

11.1.2 Unless the context requires otherwise: (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or therein), (b) any reference to any laws herein shall be construed as referring to such laws as from time to time enacted, repealed or amended, (c) any reference herein to any person shall be construed to include the person's successors and assigns, (d) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, and (e) all references herein to Articles, Sections, or Schedules, unless otherwise specifically provided, shall be construed to refer to Articles, Sections or Schedules of this Agreement.

11.2 Costs. Each party shall pay its own respective fees and expenses incurred in connection with the negotiation, preparation, execution and delivery of this Agreement and any other documents or instruments contemplated by this Agreement including , fees and expenses of legal counsel, accountants, brokers or finders, consultants or other representatives for the services used, hired or connected with the transactions contemplated hereby.

11.3 Publicity. Licensor and Licensee shall not issue any press release or other announcement whether written or oral, with respect to the transactions contemplated hereby without first providing the other party a copy of such proposed release or announcement and an opportunity to comment thereon. Any party hereto may make any announcements required by applicable law as long as the party making the disclosure or announcement notifies the other party promptly upon learning such requirement and in good faith attempts to comply with this section.

11.4 Relationship of Parties. With respect to this Agreement and the transactions contemplated hereby, the relationship between the Parties is only that of a licensor and licensee. Neither Licensor nor Licensee is the agent, partner, joint venturer or legal representative of the other Party, and neither Party has the right or authority to bind the other Party in any way.

11.5 Governing Law. This Agreement shall be interpreted and enforced according to the substantive laws of the State of California without application of its conflicts or choice of law rules.

11.6 Dispute Resolution. In the event of a dispute arising out of or relating to this Agreement either Party shall provide written notice of the dispute to the other, in which event the dispute shall be referred to the executive officers designated by each Party for attempted resolution by good faith negotiations within thirty (30) days after such notice is received. In the event the designated executive officers do not resolve such dispute within the allotted thirty (30) days, either Party may, after the expiration of the thirty (30) day period, seek to resolve the dispute pursuant to Section 11.7.

Table of Contents

11.7 Arbitration of Disputes. In the event of any dispute between, any claim or controversy between the Parties arising out of, relating to or concerning this Agreement, the breach of this Agreement, including any statutory claims (including, the arbitrability of any claim or controversy), shall be settled by final, confidential and binding arbitration conducted by the Judicial Arbitration Mediation Service ("JAMS") before a three person arbitration panel in Los Angeles County, California, in accordance with the JAMS expedited rules and procedures in effect at the time of such claim, which shall specifically include the right to discovery and the rules of evidence set forth in the California Evidence Code. Each Party shall select an independent neutral arbitrator and such arbitrators shall select a third arbitrator to complete the arbitration panel. The arbitration panel shall issue a written finding of fact and conclusions of law, which may be enforced in any court of competent jurisdiction. The arbitrator shall have the authority to grant all monetary or equitable relief, including, costs to the prevailing party where authorized by law. Adherence to this paragraph regarding arbitration shall not limit the rights of the parties hereto to obtain any provisional remedy including injunctive or similar relief, from a court of competent jurisdiction as may be necessary to protect their respective rights and interests pending arbitration, particularly if necessary to avoid irreparable harm. Any party also shall have the right to bring an action in a court of competent jurisdiction to compel arbitration hereunder or to otherwise enforce this arbitration provision. The Federal Arbitration Act shall govern the terms of this arbitration provision, and California Code of Civil Procedure section 1280 et seq. shall govern the terms of this arbitration provision to the extent not inconsistent with the Federal Arbitration Act.

11.8 Entire Agreement. This Agreement, including the Schedules hereto, constitutes the entire agreement between the Parties regarding the subject matter hereof and as of the date hereof supersedes all prior oral or written agreements or understandings regarding this subject matter, including any letter of intent or confidentiality agreement. This Agreement and the schedules thereto can only be amended by a writing signed by both Parties.

11.9 Assignment. Licensee shall not assign this Agreement or any of its rights or obligations hereunder, without the express prior written consent of Licensor, such consent not to be unreasonably withheld, conditioned or delayed; provided that Licensee may assign this Agreement or any of its rights or obligations hereunder without prior written consent to a third party in connection with a merger of Licensee, a sale of all or substantially all of the assets of the business of Licensee that relate to the subject matter of this Agreement, or to an Affiliate in any internal reorganization that does not involve any third party (whether such transaction is effected through one or a series of transactions). Subject to the forgoing, this Agreement shall be binding on and inure to the benefit of the parties and their respective successors and permitted assigns, transferees and delegates.

11.10 Export Restrictions. The Parties acknowledge that the Products may be subject to export controls under the U.S. Export Administration Regulations. Licensor and Licensee shall (a) comply strictly with all legal requirements established under these regulations, (b) cooperate fully with the each other in any official or unofficial audit or inspection that relates to these controls and (c) not export, re-export, divert, transfer or disclose, directly or indirectly, any Products to any of the following countries or to any national or resident of these countries, unless the other Party has obtained prior written authorization of the Party and the United States Commerce Department: Cuba, Iran, Iraq, Libya, North Korea, Sudan or Syria. Upon notice by the U.S. Government, this list of countries can be modified to conform to changes in the United States Export Administration Regulations.

11.11 Severability. If any provision of this Agreement is judicially determined to be invalid, void or unenforceable, the remaining provisions shall remain in full force and effect.

11.12 Notice. All notices, requests or other communications under this Agreement shall be in writing, and shall be sent to the designated representatives of the Parties at the addresses set forth on Page 1 of this Agreement, and shall be deemed to have been duly given on the date of service if sent by facsimile (provided a hard copy is sent in one of the manners specified herein), or on the day following service if sent by overnight air courier service with next day delivery with written confirmation of delivery, or five (5) calendar days after

Table of Contents

mailing if sent by prepaid first class, registered or certified mail, return receipt requested. Each Party is required to notify the other Party in the above manner of any change of address.

11.13 Counterparts/Facsimile. This Agreement may be executed in several counterparts and by facsimile or PDF attached to an email that together shall be originals and constitute one and the same instrument. Each Party shall send originals to the other Party following execution.

11.14 Waiver. The failure of any Party to enforce any of its rights hereunder or at law or in equity shall not be deemed a waiver or a continuing waiver of any of its rights or remedies against another Party, unless such waiver is in writing and signed by the Party to be charged.

11.15 Further Assurances. Both Parties agree to execute such additional documents and perform such acts as are reasonably necessary to effectuate the intent of this Agreement.

11.16 Drafting Presumption, Advice of Counsel. No presumption shall be applied in any interpretation of this Agreement to the effect that the terms hereof shall be more strictly construed against one party by reason of any rule or construction that a document is to be construed more strictly against the party who prepared it. Each party has been advised of its right to seek independent legal counsel and has done so to the extent it deems necessary.

11.17 Captions. The captions of the Articles and Sections in this Agreement are for convenience only and shall not be used to interpret the provisions of this Agreement.

Table of Contents

IN WITNESS WHEREOF, the Parties have executed this License Agreement as of the Effective Date.

LICENSOR:	**LICENSEE:**
PSC LICENSING CORP.	**VTB HOLDINGS, INC.**
BY: ______________________	By: ______________________
Name: James Barnes	Name: ______________________
Title: President	Title: ______________________

Table of Contents

ANNEX B
CRAIG-HALLUM FAIRNESS OPINION

CRAIG-HALLUM

August 2, 2013

Personal and Confidential

Board of Directors
Parametric Sound Corporation
13771 Danielson St, Suite I
Poway, CA 92064
Members of the Board of Directors:

You have requested our opinion as to the fairness, from a financial point of view, to Parametric Sound Corporation (the "Company") of the Per Share Exchange Ratio (as defined in the Agreement, defined below) set forth in the Agreement and Plan of Merger (the "Agreement"), to be entered into among the Company, Paris Acquisition Corp. (the "Merger Sub"), a wholly owned subsidiary of the Company, and VTB Holdings, Inc., a Delaware corporation ("VTB"). The Agreement provides for the merger (the "Merger") of the Merger Sub with and into VTB pursuant to which, among other things, each share of common stock and Series A Preferred Stock of VTB, will be converted into common stock of the Company based on the Per Share Exchange Ratio. The terms and conditions of the Merger are more fully set forth in the Agreement. Capitalized terms not otherwise defined will have the same meaning as in the Agreement.

We, as a customary part of our investment banking business, engage in the valuation of businesses and their securities in connection with mergers and acquisitions, underwriting and secondary distributions of securities, private placements and valuations for estate, corporate and other purposes. We have been engaged by the Company to render an opinion to its Board of Directors and we will receive a fee from the Company for rendering this opinion. This opinion fee is not contingent upon the consummation of the Merger or the conclusions reached in our opinion. Further the Company has agreed to reimburse our expenses and indemnify us against certain liabilities that may arise in relation to our engagement. We have not been requested to, and did not, (i) participate in negotiations with respect to the Agreement, (ii) solicit any expressions of interest from any other parties with respect to any business combination with the Company or any other alternative transaction or (iii) advise the Board of Directors or any other party with respect to alternatives to the Merger. In addition, we were not requested to and did not provide advice regarding the structure, the Per Share Exchange Ratio, any other aspect of the Merger, or to provide services other than the delivery of this opinion. We have not otherwise acted as financial advisor to any party to the Merger.

In the ordinary course of our business, we and our affiliates may actively trade securities of the Company for our own account or the account of our customers and, accordingly, we may at any time hold a long or short position in such securities. We have not received compensation in the past two years from the Company or VTB , but we may seek to be engaged for compensation in the future to perform investment banking services for the Company or VTB.

In connection with our review of the Merger, and in arriving at our opinion, we have: (i) reviewed the financial terms of the draft of the Agreement dated August 2, 2013; (ii) reviewed certain business, financial and other information and data with respect to the Company and VTB publicly available or made available to us from internal records of the Company and VTB, respectively; (iii) reviewed certain internal financial projections for

Table of Contents

the Company and VTB on a stand-alone basis prepared for financial planning purposes and furnished to us by management of the Company and VTB, respectively, including but not limited to forecasts prepared by Company management of future utilization of the Company's net operating losses; (v) conducted discussions with members of the senior management of the Company and VTB with respect to the business and prospects of the Company and VTB, respectively, on a stand-alone basis and on a combined basis; (vi) reviewed the reported prices and trading activity of Company common stock and similar information for certain other companies deemed by us to be comparable to the Company; (vii) compared the financial performance of the Company and VTB with that of certain other publicly traded companies deemed by us to be comparable to the Company and VTB, respectively; (viii) reviewed the financial terms, to the extent publicly available, of certain comparable merger transactions; and (ix) performed a discounted cash flows analysis for the Company and VTB, each on a stand-alone basis. In addition, we have conducted such other analyses, examinations and inquiries and considered such other financial, economic and market criteria as we have deemed necessary and appropriate in arriving at our opinion.

In conducting our review and in rendering our opinion, we have relied upon and assumed the accuracy, completeness and fairness of the financial, accounting and other information discussed with us, reviewed by us, provided to us or otherwise made available to us, and have not attempted to independently verify, and have not assumed responsibility for the independent verification, of such information. We have further relied upon the assurances of the Company's and VTB's management that the information provided has been prepared on a reasonable basis in accordance with industry practice, and that they are not aware of any information or facts that would make the information provided to us incomplete or misleading. We have assumed that there have been no material changes in either the Company's or VTB's assets, financial condition, results of operations, business or prospects since the date of the last financial statements made available to us. Without limiting the generality of the foregoing, for the purpose of this opinion, we have assumed that neither the Company nor VTB is a party to any material pending transaction, including any external financing, recapitalization, acquisition or merger, other than the Merger. With respect to financial forecasts, estimates of net operating loss tax benefits and other estimates and forward-looking information relating to the Company, VTB and the Merger reviewed by us, we have assumed that such information reflects the best currently available estimates and judgments of the Company's and VTB's management, respectively. We express no opinion as to any financial forecasts, net operating loss or other estimates or forward-looking information of the Company or VTB or the assumptions on which they were based. We have relied, with your consent, on advice of the outside counsel and the independent accountants to the Company and VTB, and on the assumptions of the management of the Company and VTB, as to all accounting, legal, tax and financial reporting matters with respect to the Company, VTB and the Agreement.

We have assumed that the final form of the Agreement will be substantially similar to the draft, dated August 1, 2013, reviewed by us, without modification of material terms or conditions. We have assumed that the representations and warranties contained in the Agreement are true and correct, that each party will perform all of the covenants and agreements required to be performed by it under the Agreement, and that the Merger will be consummated pursuant to the terms of the Agreement without amendments thereto and without waiver by any party of any conditions or obligations thereunder. In arriving at our opinion, we have assumed that all the necessary regulatory approvals and consents required for the Merger will be obtained in a manner that will not adversely affect the Company or VTB or alter the terms of the Merger. In rendering our opinion, we assumed that there would be no Qualified Offering on or prior to the Closing Date.

In arriving at our opinion, we have not performed any appraisals or valuations of any specific assets or liabilities (fixed, contingent or other) of the Company or VTB or concerning the solvency or appraised or fair value of the Company or VTB, and have not been furnished with any such appraisals or valuations, and we have made no physical inspection of the property or assets of the Company or VTB. We express no opinion regarding the liquidation value of any entity. The analyses we performed in connection with this opinion were going concern analyses of an entity. We were not requested to opine, and no opinion is hereby rendered, as to whether any analyses of an entity, other than as a going concern, is appropriate in the circumstances and, accordingly, we have performed no such analyses.

Table of Contents

We have undertaken no independent analysis of any pending or threatened litigation, governmental proceedings or investigations, possible unasserted claims or other contingent liabilities, to which any of the Company, VTB or their respective affiliates is a party or may be subject and at the Company's direction and with its consent, our opinion makes no assumption concerning and therefore does not consider, the possible assertion of claims, outcomes, damages or recoveries arising out of any such matters. No company or transaction used in any analysis for purposes of comparison is identical to the Company, VTB or the Merger. Accordingly, an analysis of the results of the comparisons is not mathematical; rather, it involves complex considerations and judgments about differences in the companies and transactions to which the Company, VTB and the Merger were compared and other factors that could affect the public trading value or transaction value of the companies.

This opinion is necessarily based upon the information available to us, facts and circumstances and economic, market and other conditions as they exist and are subject to evaluation on the date hereof; events occurring after the date hereof could materially affect the assumptions used in preparing this opinion. We are not expressing any opinion herein as to the price at which shares of common stock of the Company have traded or such stock may trade following announcement of the Merger or at any future time. We have not undertaken to reaffirm or revise this opinion or otherwise comment upon any events occurring after the date hereof and do not have any obligation to update, revise or reaffirm this opinion.

This opinion is furnished pursuant to our engagement letter dated April 24, 2013. This opinion is directed to the Board of Directors of the Company in connection with its consideration of the Merger. This opinion is not intended to be and does not constitute a recommendation to any stockholder of the Company as to how such stockholder should vote with respect to the Merger. Except with respect to the use of this opinion in connection with the proxy statement relating to the Merger in accordance with our engagement letter with the Company, this opinion shall not be published or otherwise used, nor shall any public references to us be made, without our prior written approval. This opinion has been approved by the Craig-Hallum Fairness Opinion Committee.

This opinion addresses solely the fairness, from a financial point of view, to the Company of the Per Share Exchange Ratio set forth in the Agreement and does not address any other terms or agreement relating to the Merger. We were not requested to opine as to, and this opinion does not address, the decision to undertake or the terms of any Qualified Offering, the basic business decision to proceed with or effect the Merger, or any solvency or fraudulent conveyance consideration relating to the Merger. We express no opinion as to whether any alternative transaction might produce consideration in excess of the amount contemplated in the Merger. We express no opinion as to the relative merits of the Merger as compared to any alternative business strategies or transactions that might exist for the Company or any other party or the effect of any other transaction in which the Company or any other party might engage. We express no opinion as to the amount, nature or fairness of the consideration or compensation to be received in or as a result of the Merger by preferred stock holders, warrant holders, option holders, officers, directors or employees of the Company or VTB, or any other class of such persons, or relative to or in comparison with the Per Share Exchange Ratio.

Based upon and subject to the foregoing and based upon such other factors as we consider relevant, it is our opinion that, as of the date hereof, the Per Share Exchange Ratio is fair, from a financial point of view, to the Company.

Sincerely,

Craig-Hallum Capital Group LLC

Craig-Hallum Capital Group, LLC

Table of Contents

ANNEX C

PARAMETRIC SOUND CORPORATION

PARAMETRIC SOUND CORP
13771 DANIELSON STREET, STE. L
POWAY, CA 92064

VOTE BY INTERNET – www.proxyvote.com
Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS
If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE – 1-800-690-6903
Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL
Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: KEEP THIS PORTION FOR YOUR RECORDS
DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" PROPOSALS 1, 2, 3, 4 AND 5.	For	Against	Abstain
1 To approve the issuance of common stock, par value $0.001 per share, of Parametric Sound Corporation (Parametric) in connection with the merger contemplated by the Agreement and Plan of Merger dated as of August 5, 2013, among Parametric, VTB Holdings, Inc., a Delaware corporation, and Paris Acquisition Corp., a Delaware corporation, and the corresponding change of control of Parametric (the merger proposal).	☐	☐	☐
2 To approve, on an advisory (non-binding) basis, specified compensation that may become payable to the named executive officers of Parametric in connection with the merger.	☐	☐	☐
3 To approve the adjournment of the special meeting to a later date, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger proposal.	☐	☐	☐
4 To approve the Parametric Sound Corporation 2013 Stock-Based Incentive Compensation Plan.	☐	☐	☐
5 To approve the Parametric Sound Corporation Annual Incentive Bonus Plan.	☐	☐	☐

NOTE: In their discretion, the Proxies are authorized to consider and transact such other business as may properly come before the special meeting or any adjournment thereof. The undersigned revokes any prior proxies to vote the shares covered by this proxy. PROPERLY EXECUTED PROXIES WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED. IF NO SUCH DIRECTIONS ARE GIVEN, SUCH PROXIES WILL BE VOTED "FOR" PROPOSALS 1, 2, 3, 4 AND 5.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]	Date	Signature (Joint Owners)	Date

Table of Contents

Important Notice Regarding the Availability of Proxy Materials for the Special Meeting: The Notice & Proxy Statement is/are available at www.proxyvote.com.

PARAMETRIC SOUND CORPORATION
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF
DIRECTORS OF PARAMETRIC SOUND CORPORATION

PARAMETRIC SOUND CORPORATION (THE "COMPANY")

FOR USE AT THE SPECIAL MEETING OF STOCKHOLDERS OF THE COMPANY

TO BE HELD AT HAMPTON INN & SUITES, 14068 STOWE DRIVE, POWAY, CA 92064,
1:00 PM PACIFIC TIME, ON DECEMBER 27, 2013

The undersigned hereby appoints James A. Barnes and Kenneth F. Potashner, and each of them, as the true and lawful attorneys-in-fact, agents and proxies with full power of substitution to vote in the name of and as proxy for the undersigned all the shares of common stock of the Company held of record by the undersigned on November 11, 2013 at the Special Meeting of Stockholders of the Company to be held on December 27, 2013 at 1:00 p.m. Pacific Time, at Hampton Inn & Suites, 14068 Stowe Drive, Poway, CA 92064, and at any adjournment thereof.

Continued and to be signed on reverse side

Table of Contents

ANNEX D

VTB Holdings, Inc.

Index to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 and the Years Ended December 31, 2012, 2011 and 2010

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
VTB Holdings, Inc.

We have audited the accompanying consolidated balance sheet of VTB Holdings, Inc. as of December 31, 2012 and the related consolidated statements of operations, comprehensive income, convertible preferred stock and stockholders' deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of VTB Holdings, Inc. as of December 31, 2012, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ FREED MAXICK CPAs, P.C.
Buffalo, New York
November 4, 2013

Table of Contents

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
VTB Holdings, Inc.
Valhalla, New York

We have audited the accompanying consolidated balance sheet of VTB Holdings, Inc. as of December 31, 2011 and the related consolidated statements of operations and comprehensive income, convertible preferred stock and stockholders' (deficit) equity, and cash flows for each of the two years in the period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of VTB Holdings, Inc. at December 31, 2011, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3, certain restatements have been made to the previously issued consolidated financial statements for the year ended December 31, 2010.

/s/ BDO USA, LLP
New York, New York
November 4, 2013

Table of Contents

VTB HOLDINGS, INC.

Consolidated Balance Sheets
(In thousands, except share and per share data)

	As of September 28, 2013 (Unaudited)	As of December 31, 2012	As of December 31, 2011
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 5,062	$ 5,219	$ 15,942
Accounts receivable, net of allowances of $3,033, $14,404 and $10,934 as of September 28, 2013 (unaudited) and December 31, 2012 and 2011	32,810	65,586	48,994
Inventories, net	62,270	40,706	30,480
Deferred tax assets	8,148	4,452	2,672
Prepaid expenses and other current assets	6,897	3,130	1,591
Total current assets	115,187	119,093	99,679
Property and equipment, net	6,798	5,732	1,680
Deferred tax assets, long term portion	3,794	2,266	3,197
Intangible assets, net	4,243	4,955	—
Other assets, net	2,025	2,149	609
TOTAL ASSETS	$ 132,047	$134,195	$105,165
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT			
CURRENT LIABILITIES:			
Revolving line of credit	$ 30,186	$ 33,000	$ 12,000
Term loan, current portion	18,750	15,000	16,200
Accounts payable	50,480	24,190	19,886
Accrued liabilities	9,545	12,496	9,588
Due to shareholders, current portion	3,125	3,125	3,125
Income taxes payable	—	8,106	9,207
Other current liabilities	878	470	60
Total current liabilities	112,964	96,387	70,066
Term loan, long-term portion	5,000	26,250	9,000
Due to shareholders, long-term portion	—	3,125	6,250
Series B redeemable preferred stock	13,448	12,703	13,648
Income tax payable, long term portion	1,934	1,933	1,385
Deferred tax liabilities	1,174	1,174	536
Subordinated loan	10,000	—	—
TOTAL LIABILITIES	144,520	141,572	100,885
Commitments and Contingencies (Note 9)			
Series A convertible preferred stock, $0.01 par value – 50,000,000 shares authorized; 48,689,555 shares issued and outstanding as of September 28, 2013 (unaudited), December 31, 2012 and 2011	24,345	24,345	24,345
STOCKHOLDERS' DEFICIT:			
Common stock, $0.01 par value – 100,000,000 shares authorized; 35,282,286 shares issued and outstanding as of September 28, 2013 (unaudited), December 31, 2012 and 2011	353	353	353
Additional paid-in capital	(55,015)	(56,934)	(57,919)
Retained earnings	17,894	24,938	37,501
Accumulated other comprehensive loss	(50)	(79)	—
TOTAL STOCKHOLDERS' DEFICIT	(36,818)	(31,722)	(20,065)
TOTAL LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT	$ 132,047	$134,195	$105,165

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

VTB HOLDINGS, INC.

Consolidated Statements of Operations
(In thousands, except per share data)

	Nine Months Ended		Years Ended December 31,		
	September 28, 2013	September 29, 2012	2012	2011	2010 As Restated
	(Unaudited)				
Net revenue	$ 92,352	$ 97,099	$207,136	$166,121	$ 91,870
Cost of revenue	68,759	62,890	132,795	96,536	50,556
Gross profit	23,593	34,209	74,341	69,585	41,314
Operating expenses:					
Selling and marketing	21,783	12,193	22,837	13,009	5,641
Product development	3,239	1,538	2,099	1,839	825
General and administrative	5,678	3,359	6,153	7,094	2,128
Business transaction	2,287	—	342	9,375	14,433
Total operating expenses	32,987	17,090	31,431	31,317	23,027
Operating (loss) income	(9,394)	17,119	42,910	38,268	18,287
Other expense (income), net:					
Interest expense, net	4,580	2,873	4,738	2,932	581
Other expense, net	256	—	7	—	—
Gain on bargain purchase from acquisition	—	—	(2,303)	—	—
Total other expense, net	4,836	2,873	2,442	2,932	581
(Loss) income before (benefit) provision for income taxes	(14,230)	14,246	40,468	35,336	17,706
(Benefit) provision for income taxes	(7,186)	4,957	14,008	13,782	7,584
Net (loss) income	$ (7,044)	$ 9,289	$ 26,460	$ 21,554	$ 10,122
Net (loss) income attributable to common stockholders:					
Basic	$ (7,044)	$ (13,338)	$ 1,611	$ 8,855	$ 9,339
Diluted	$ (7,044)	$ (13,338)	$ 1,611	$ 8,855	$ 9,339
Net (loss) income per share attributable to common stockholders:					
Basic	$ (0.20)	$ (0.38)	$ 0.05	$ 0.26	$ 0.07
Diluted	$ (0.20)	$ (0.38)	$ 0.04	$ 0.25	$ 0.07
Weighted-average shares used in computing net (loss) income per share attributable to common stockholders:					
Basic	35,282	35,282	35,282	33,952	127,356
Diluted	35,282	35,282	36,265	34,924	127,356

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

VTB HOLDINGS, INC.

Consolidated Statements of Comprehensive (Loss) Income
(In thousands)

	Nine Months Ended		Years Ended December 31,		
	September 28, 2013	September 29, 2012	2012	2011	2010 As Restated
	(Unaudited)				
Net (loss) income	$ (7,044)	$ 9,289	$26,460	$21,554	$ 10,122
Other comprehensive gain (loss), net of tax:					
Foreign currency translation adjustments	29	—	(79)	—	—
Other comprehensive gain (loss), net of tax	29	—	(79)	—	—
Comprehensive (loss) income	$ (7,015)	$ 9,289	$26,381	$21,554	$ 10,122

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

VTB HOLDINGS, INC.

Consolidated Statements of Convertible Preferred Stock and of Stockholders' (Deficit) Equity
(In thousands, except share data)

	Series A Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' (Deficit) Equity
	Shares	Amount	Shares	Amount				
Balance – December 31, 2009	—	$ —	153,993,675	$ 1,540	$ 309	$ 5,825	$ —	$ 7,674
Net income As Restated	—	—	—	—	—	10,122	—	10,122
Cancellation of common stock	—	—	(153,993,675)	(1,540)	1,540	—	—	—
Issuance of common stock	—	—	32,459,434	325	(325)	—	—	—
Issuance of Series A convertible preferred stock	48,689,555	24,345	—	—	—	—	—	—
Issuance of Series B redeemable preferred stock (liability)	—	—	—	—	(12,425)	—	—	(12,425)
Distributions to former shareholders related to recapitalization	—	—	—	—	(48,866)	—	—	(48,866)
Purchase price adjustment	—	—	—	—	(1,145)	—	—	(1,145)
Balance – December 31, 2010 As Restated	48,689,555	24,345	32,459,434	325	(60,912)	15,947	—	(44,640)
Net income	—	—	—	—	—	21,554	—	21,554
Restricted stock grant	—	—	2,822,852	28	(28)	—	—	—
Purchase price adjustment to prior shareholders	—	—	—	—	(728)	—	—	(728)
Stock-based compensation	—	—	—	—	3,749	—	—	3,749
Balance – December 31, 2011	48,689,555	24,345	35,282,286	353	(57,919)	37,501	—	(20,065)
Net income	—	—	—	—	—	26,460	—	26,460
Other comprehensive loss, net of tax	—	—	—	—	—	—	(79)	(79)
Stock-based compensation	—	—	—	—	985	—	—	985
Cash dividends	—	—	—	—	—	(39,023)	—	(39,023)
Balance – December 31, 2012	48,689,555	24,345	35,282,286	353	(56,934)	24,938	(79)	(31,722)
Net loss (unaudited)	—	—	—	—	—	(7,044)	—	(7,044)

Other comprehensive gain, net of tax (unaudited)	—	—	—	—	—	—	29	29
Stock-based compensation (unaudited)	—	—	—	—	1,919	—	—	1,919
Balance – September 28, 2013 (unaudited)	48,689,555	$24,345	35,282,286	$ 353	$(55,015)	$ 17,894	$ (50)	$ (36,818)

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

VTB HOLDINGS, INC.

Consolidated Statements of Cash Flows
(In thousands)

	Nine Months Ended September 28, 2013 (Unaudited)	Nine Months Ended September 29, 2012 (Unaudited)	Years Ended December 31, 2012	Years Ended December 31, 2011	Years Ended December 31, 2010 As Restated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net (loss) income	$ (7,044)	$ 9,289	$ 26,460	$ 21,554	$ 10,122
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:					
Depreciation and amortization of property and equipment	3,051	1,127	1,858	700	211
Amortization of intangible assets	712	—	748	—	29
Amortization of debt financing costs	1,209	638	835	207	—
Stock-based compensation	1,919	402	985	3,749	—
Accrued interest on Series B redeemable preferred stock	745	(1,189)	(945)	1,011	212
Gain on bargain purchase from acquisition			(2,303)	—	—
Deferred income taxes	(5,224)	(60)	(1,598)	(1,388)	(3,311)
Sales returns reserve	(5,756)	(2,571)	1,596	2,046	(2,000)
Provision for (reversal of) doubtful accounts	(350)	35	358	(705)	570
Provision for obsolete inventory	(347)	2,283	588	219	334
(Gain) loss on disposal of property and equipment	(9)	—	47	—	—
Changes in operating assets and liabilities, net of effect of acquisition:					
Accounts receivable, net	38,882	23,845	(23,461)	(25,724)	(16,392)
Inventories	(21,217)	(34,100)	(857)	(11,530)	(17,047)
Accounts payable	26,290	13,014	4,123	14,442	11,015
Accrued liabilities	(2,951)	(3,378)	1,081	(2,197)	(85)
Due to shareholders	(3,125)	(3,125)	(3,125)	—	9,375
Prepaid expenses and other current assets	(3,832)	(1,034)	(1,203)	(1,543)	3
Income taxes payable	(8,105)	(7,629)	(534)	1,558	8,064
Other liabilities	411	240	347	2	6
Net cash provided by (used in) operating activities	15,259	(2,213)	5,000	2,401	1,106
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property and equipment	(4,109)	(5,305)	(5,945)	(1,634)	(822)
Acquisition of business, net of cash acquired	—	—	(5,335)	—	—
Net cash used in investing activities	(4,109)	(5,305)	(11,280)	(1,634)	(822)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Borrowings on revolving line of credit	30,250	37,000	48,000	12,000	—
Borrowings on term loan	—	45,000	45,000	—	28,000
Repayment of revolving line of credit	(33,064)	(22,000)	(27,000)	—	—
Repayment of term loan	(17,500)	(25,200)	(28,950)	(2,800)	—
Debt financing costs	(1,021)	(2,391)	(2,391)	(143)	(666)
Proceeds from subordinated notes	10,000	—	—	—	—
Cash dividends on Series A preferred and common stock	—	(39,023)	(39,023)	—	—
Distributions to former shareholders related to recapitalization	—	—	—	—	(48,866)
Payments to former shareholders	—	—	—	(1,872)	—
Proceeds from issuance of Series A convertible preferred stock, net of issuance costs	—	—	—	—	24,345
Net cash (used in) provided by financing activities	(11,335)	(6,614)	(4,364)	7,185	2,813
Effect of exchange rate changes on cash and cash equivalents	28	—	(79)	—	—
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(157)	(14,132)	(10,723)	7,952	3,097
CASH AND CASH EQUIVALENTS — Beginning of period	5,219	15,942	15,942	7,990	4,893
CASH AND CASH EQUIVALENTS — End of period	$ 5,062	$ 1,810	$ 5,219	$ 15,942	$ 7,990
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:					
Cash paid for interest	$ 2,349	$ 3,115	$ 4,716	$ 1,682	$ 207
Cash paid for income taxes	$ 8,224	$ 12,838	$ 16,749	$ 14,669	$ 2,708
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES:					
Issuance of Series B preferred stock upon recapitalization	$ —	$ —	$ —	$ —	$ 12,425
Settlement of accounts receivable related to acquisition	$ —	$ —	$ 8,920	$ —	$ —

Recapitalization purchase price adjustment	$ —	$ —	$ —	$ —	$ 1,145

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

1. Organization and Description of Business

Organization

VTB Holdings, Inc. ("VTBH" or the "Company") was incorporated in the State of Delaware in 2010 and is headquartered in Valhalla, New York. In January 2011, a reorganization of the business was effected whereby VTBH became the parent holding company of the historical business of Voyetra Turtle Beach and Subsidiary ("VTB"). Subsequent to the reorganization, VTB is a wholly-owned subsidiary of VTBH.

VTB was incorporated in the State of Delaware in 1975 and is headquartered in Valhalla, New York with warehouse distribution centers in New York, New Jersey, Texas and California. VTB is a designer and marketer of stereo video gaming headsets and audio accessories for the Microsoft Xbox 360 console, Sony PlayStation 3 console and personal computer. Sales of gaming headsets represented the majority of VTB's gross sales, with the remaining gross sales derived from accessories, including replacement parts for gaming headsets and audio cables and sound cards. The Company currently derives the majority of revenue from headsets for the Xbox 360 and PS 3. The majority of VTB's products are distributed domestically to specialty retailers of consumer electronics and wholesalers, and internationally to wholesalers. Products are also sold directly to consumers through VTB's website. International sales are generally shipped directly from VTB's supplier in China to the international wholesalers.

In October 2012, VTB acquired Lygo International Limited ("Lygo"), which is a corporation established in the United Kingdom. As a result of the acquisition, Lygo become a wholly-owned subsidiary of VTB. Lygo's results are included prospectively in the accompanying consolidated financial statements after the acquisition date.

Recapitalization

In October 2010, VTB effected a transaction that allowed Stripes Group to acquire an equity ownership interest in VTB. The transaction was effected by having SG VTB Merger Sub, an inactive nonpublic shell incorporated in Delaware, merge with and into VTB, the surviving corporation. As a result of this merger, VTB cancelled 153,993,675 shares of its $0.01 par value common stock that it had outstanding. VTB then issued 32,459,434 shares of its $0.01 par value common stock to certain former shareholders, 48,689,555 shares of its $0.01 par value Series A convertible preferred stock to Stripes Group and 1,000,000 shares of Series B redeemable preferred stock to one of the former shareholders. Concurrent with this transaction, VTB also entered into a long-term debt financing arrangement for $28.0 million.

As a result of this transaction, Stripes Group acquired the ownership interest in VTB for $66.2 million, including a final purchase price adjustment. The transaction value of $66.2 million was allocated as follows: $48.9 million for acquiring the equity interests of the former shareholders, $12.4 million for incurring liabilities associated with the issuance of the Series B redeemable preferred stock and the purchase price adjustment payable to certain former shareholders of $1.2 million with the remaining balance of $3.7 million used for transaction-related expenses. During 2011, an additional payment of $0.7 million was made to the former shareholders towards a purchase price adjustment, which was recorded as a distribution to the former shareholders in additional paid-in capital in the accompanying consolidated statements of stockholders' (deficit) equity. Additionally, performance bonuses of $9.4 million were paid to certain members of management for the year ended December 31, 2011, which is included as a business transaction expense in the accompanying consolidated statements of operations.

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

The transaction was treated as a recapitalization for accounting purposes rather than a business combination since SG VTB Merger Sub is not substantive and does not meet the definition of a business. SG VTB Merger was formed to facilitate the transaction, did not have any prior operations and the debt financing was incurred by VTB. Accordingly, the consolidated financial statements of VTB subsequent to the recapitalization have been prepared based upon the historical cost and operations of VTB.

Reorganization

In January 2011, VTB effected a reorganization whereby VTBH became the holding company of VTB. This resulted in VTB becoming a wholly-owned subsidiary of VTBH.

Prior to the reorganization, VTB executed a reverse stock split of its common stock by issuing 1 share for each 6,890.7 shares of common stock held by its former shareholders. VTBH also executed a stock split of its Series A convertible preferred stock and common stock by issuing 47.1 shares for each 1 share of Series A convertible preferred stock and common stock held by its former shareholders. The stock split has been recorded retroactively in the consolidated financial statements for all periods presented.

In the reorganization, all of VTB's equity interests in the form of shares of common stock and preferred stock were contributed and transferred to VTBH. VTBH then issued its $0.01 par value common stock, Series A $0.01 par value convertible preferred stock and Series B redeemable preferred stock, as applicable, to VTB's existing shareholders. There were no changes in the Company's equity structure as a result of the reorganization.

The reorganization was accounted for as a recapitalization because VTBH did not have any prior operations. Accordingly, the consolidated financial statements of VTBH subsequent to the reorganization have been prepared based upon the historical cost and operations of VTB.

Merger Agreement

On August 5, 2013, the company entered into an Agreement and Plan of Merger ("Merger Agreement") with Parametric Sound Corporation ("Parametric"). Subject to the terms and conditions of the Merger Agreement, Parametric will issue shares of its common stock to the former VTBH stockholders which, together with options to purchase shares of VTBH common stock that will be converted into options to purchase shares of Parametric common stock (and will be assumed by Parametric at the effective time of the merger), will represent approximately 80 percent of the shares of Parametric common stock on a fully-diluted basis after the merger, subject to adjustment as provided in the Merger Agreement.

The acquisition will be effected by VTBH's issued and outstanding common stock being cancelled and converted into shares of Parametric's common stock upon the consummation of the merger, based on the formula set forth in the Merger Agreement. VTBH's issued and outstanding Series A convertible preferred stock will also be cancelled and converted into shares of Parametric's common stock upon the consummation of the merger, based on the same formula. VTBH's issued and outstanding Series B redeemable preferred stock and the phantom units issued under the 2011 Phantom Equity Appreciation Plan will remain outstanding following the merger.

The consummation of the Merger is subject to a number of conditions, including, but not limited to, (i) adoption and approval of the Merger Agreement by Parametric stockholders in accordance with NASDAQ rules, (ii) the approval of the continued listing application by NASDAQ, (iii) the completion of a qualifying capital-raising transaction through the occurrence of debt or the issuance of equity by Parametric, with net proceeds to

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

Parametric of at least $5.0 million, and (iv) certain other closing conditions. On November 15, 2013 Parametric completed the sale of 364,286 shares of its common stock in a registered direct offering, with net proceeds to Parametric of $5.1 million.

The Merger Agreement may be terminated by either Parametric or the Company if the Merger has not occurred on or prior to February 28, 2014. In addition, the Merger Agreement contains certain termination rights by each party under special circumstances. If the Company were to terminate the Merger Agreement under special circumstances, it may be required to pay Parametric a termination fee of $1.0 million.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Subsequent to the reorganization in 2011, the accompanying consolidated financial statements include the accounts of VTBH and its wholly-owned subsidiaries. Prior to the reorganization in 2011, the accompanying consolidated financial statements include the accounts of VTB and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

The Company historically records its results on a four-four-five week basis such that its fiscal quarters end on the last Saturday of each calendar quarter. For the fourth quarter of each year, the Company uses December 31 as both its fiscal and calendar quarter ending date.

Unaudited Interim Financial Information

The accompanying interim consolidated balance sheet as of September 28, 2013, the interim consolidated statements of operations, comprehensive (loss) income and statements of cash flows for the nine months ended September 28, 2013 and September 29, 2012 and the interim consolidated statement of convertible preferred stock and stockholders' deficit for the nine months ended September 28, 2013 are unaudited. The unaudited interim consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements, and, in the opinion of management, reflect all adjustments, which only include normal recurring adjustments, necessary to present fairly the consolidated balance sheet as of September 28, 2013 and the consolidated statements of operations, comprehensive (loss) income and statements of cash flows for the nine months ended September 28, 2013 and September 29, 2012 and convertible preferred stock and stockholders' deficit for the nine months ended September 28, 2013. The consolidated financial data disclosed in these notes to the consolidated financial statements related to the nine months ended September 28, 2013 and September 29, 2012 are also unaudited. The consolidated results of operations for the nine months ended September 28, 2013 are not necessarily indicative of the results to be expected for the entire year ending December 31, 2013, or for any other future annual or interim period.

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires the Company to make estimates, judgments and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and accompanying notes. Those management estimates include, but are not limited to: revenue recognition and sales return reserves; determination of the fair value of net assets acquired in

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

a business combination; valuation of inventories; useful lives of property and equipment; determination of fair value of stock-based awards; income taxes and various other contingencies. The Company evaluates estimates and assumptions on an ongoing basis using historical experience and other factors and adjusts those estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ from these estimates, and those differences could be material to the consolidated financial statements.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and receivables. The Company places its cash and cash equivalents with various domestic and foreign financial institutions of high credit quality. Periodic evaluations of the relative credit standing of all of the institutions are performed. From time to time, cash balances with domestic financial institutions may exceed Federal Deposit Insurance Corporation insurance limits.

Accounts receivable are unsecured and represent amounts due based on contractual obligations of customers. Concentrations of credit risk with respect to accounts receivable are mitigated due to the Company's large number of customers. Credit risk is also mitigated by performing ongoing credit evaluations of customers to assess the probability of accounts receivable collection based on a number of factors, including past transaction experience with the customer, evaluation of their credit history, limiting the credit extended, and review of the invoicing terms of the contract. The Company generally does not require customers to provide collateral to support accounts receivable. The Company has recorded an allowance for doubtful accounts for those receivables that were determined not to be collectible.

Business Concentrations

The Company relies on foreign third parties to manufacture its products. For the nine months ended September 28, 2013, two suppliers accounted for 57% of the Company's purchases and 72% of the accounts payable outstanding. For the year ended December 31, 2012, two suppliers accounted for 54% of the Company's purchases and 90% of the accounts payable outstanding. For the year ended December 31, 2011, two suppliers accounted for 67% of the Company's purchases and 92% of the accounts payable outstanding. Quality or performance failures of the Company's products or changes in the manufacturers' or vendors' financial or business condition could disrupt the Company's ability to supply quality products to customers, and thereby have a material adverse effect on the Company's business and consolidated financial statements.

Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, derivative instruments, revolving line of credit and long-term debt. Cash equivalents are stated at amortized cost, which approximated fair value as of the balance sheet dates, due to the short period of time to maturity. Accounts receivable and accounts payable are stated at their carrying value, which approximates fair value due to the short time to the expected receipt or payment. The revolving line of credit and long-term debt are stated at the carrying value as the stated interest rate approximates market rates currently available to the Company. As of September 28, 2013 and December 31, 2012 and 2011, the Company has not elected the fair value option for any financial assets and liabilities for which such an election would have been permitted.

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

Assets and liabilities recorded at fair value on a recurring basis in the consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Fair value is defined as the exchange price that would be received for an asset or an exit price that would be paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The authoritative guidance on fair value measurements establishes a three-tier fair value hierarchy for disclosure of fair value measurements as follows:

Level I – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level II – Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities; and

Level III – Unobservable inputs that are supported by little or no market data for the related assets or liabilities.

The categorization of a financial instrument within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Financial instruments consist of Level I and Level II assets and liabilities. Level I assets include highly liquid money market funds that are included in cash and cash equivalents. Level II liabilities include derivative instruments. The Company does not have any Level III assets or liabilities.

Cash and Cash Equivalents

All highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents. Cash and cash equivalents consist of cash on hand and money market accounts. Interest is accrued as earned.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at their invoiced amount, net of any allowance for doubtful accounts and reserve for sales returns, and do not bear interest. Accounts receivable from wholesale transactions are recorded at their outstanding unpaid principal balances. Accounts receivable from e-commerce transactions consist of amounts from credit cards billed for which payment has not been received. The Company maintains an allowance for doubtful accounts to reserve for potentially uncollectible accounts, which is recorded based upon a detailed review of all outstanding invoices, including the number of days that receivables are outstanding, historical and expected loss patterns and an evaluation of the potential risk associated with delinquent accounts.

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

Concentrations of Revenue and Accounts Receivable

Significant customers are those which represent 10% or more of the revenues for each period presented or gross accounts receivable balance at each balance sheet date. For each significant customer, revenue as a percentage of total revenues and accounts receivable as a percentage of gross accounts receivable are as follows:

	Percentage of Revenues				
	Nine Months Ended		Year Ended December 31,		
	September 28, 2013	September 29, 2012	2012	2011	2010 As Restated
	(Unaudited)				
Customers					
Customer A	11%	14%	18%	16%	11%
Customer B	10%	14%	16%	24%	34%
Customer C	12%	13%	12%	12%	*
Customer D	*	*	*	*	19%
Customer E	*	12%	*	*	*

* Less than 10%

	Percentage of Accounts Receivable		
	As of September 28,	As of December 31,	
	2013	2012	2011
	(Unaudited)		
Customers			
Customer A	14%	28%	19%
Customer B	23%	27%	35%

* Less than 10%

Derivative Instruments

The Company uses derivatives to partially offset its business exposure to foreign currency exchange risk. The Company may enter into foreign currency forward and option contracts to offset some of the foreign exchange risk on expected future cash flows on certain operating expenses. These instruments are not entered into for speculative purposes and the Company does not seek to qualify for hedge accounting.

All derivative instruments are recorded at fair value on the accompanying consolidated balance sheets. The notional amounts of the Company's outstanding derivative instruments associated with outstanding or unsettled derivative instruments as of September 28, 2013 and December 31, 2012 were $10.0 million and $8.8 million and the fair value of the derivative liabilities was $0.6 million and $0.2 million. Derivative liabilities include foreign currency forward and option contracts which are measured using observable quoted prices for similar instruments. There were no derivative instruments for the year ended and as of December 31, 2011 and for the nine months ended and as of September 29, 2012. The gain/loss recognized in other expense, net for foreign currency forward and option contracts instruments was not significant during the year ended December 31, 2012. For the nine months ended September 28, 2013, the loss recognized in other expense net for foreign currency forward and option contracts was $0.4 million. These amounts represent the net gain or loss on the derivative instruments and do not include changes in the related exposures, which generally offset a portion of the gain or

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

loss on the derivative contracts. Counterparties to these instruments are major banking institutions with credit ratings of investment grade or better and no collateral is required. Management believes the risk of incurring any losses on these derivative instruments related to credit risk is remote.

Inventories, net

Inventories consist primarily of finished goods and related component parts, and are stated at the lower of standard cost (which approximates actual cost on a first-in, first-out basis) or market value (estimated net realizable value). The Company maintains an inventory allowance for returned goods, slow-moving and unused inventories based on the historical trend and estimates. Inventory write-downs, once established, are not reversed as they establish a new cost basis for the inventory. Inventory write-downs are included as a component of cost of revenues in the accompanying consolidated statements of operations. Inventory write-downs for the periods presented had been insignificant.

Property and Equipment, net

Property and equipment, net including leasehold improvements, are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from two to five years. Repairs and maintenance expenditures are expensed as incurred.

Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful lives of the respective assets or the property lease terms, which range up to five years. Upon the retirement or disposition of property and equipment, the related costs and accumulated depreciation is removed and any related gain or loss is recorded in the consolidated statements of operations.

Intangible Assets

Intangible assets consist of identifiable intangible assets, including customer relationships and non-compete agreements, resulting from the Company's acquisition of Lygo in October 2012. Intangible assets are recorded at their initial fair value, net of accumulated amortization. The Company amortizes intangible assets that are subject to amortization over their estimated useful life based on economic benefit, which range from two to thirteen years.

Impairment of Long-Lived Assets

The carrying amounts of long-lived assets, including property and equipment and intangible assets subject to depreciation and amortization, are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Recoverability of these assets is measured by comparison of the carrying amount of each asset to the future undiscounted cash flows the asset is expected to generate. If the asset is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset. No impairment of long-lived assets was identified for any of the periods presented.

Revenue Recognition and Sales Return Reserves

Net revenue consists primarily of revenue from the sale of gaming headsets and accessories to wholesalers, retailers and to a lesser extent, on-line customers. The Company recognizes revenue when persuasive evidence of

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collection is reasonably assured. Product is considered delivered to the customer once it has been shipped and title and risk of loss have been transferred. Net revenue for on-line purchases are recognized when products are shipped from the Company's distribution facilities.

Provisions for sales discounts, product returns and price adjustments are recorded as a reduction of revenue. These revenue reductions are established by the Company based upon management's best estimates at the time of sale following the historical trend, adjusted to reflect known changes in the factors that impact such reserves and allowances, and the terms of agreements with customers.

Revenue is recognized net of sales taxes collected from customers and subsequently remitted to governmental authorities.

Cost of Revenues

Cost of revenues primarily consists of expenses from the manufacturing of the Company's products. Cost of revenues also consists of personnel costs and facility costs.

Shipping and Handling

Freight charges billed to customers are included in net revenue and the related freight costs are included in cost of revenues in the accompanying consolidated statements of operations.

Product Warranty Obligations

The Company provides for product warranties in accordance with the contract terms given to various customers by accruing estimated warranty costs at the time of revenue recognition. Warranties are generally fulfilled by replacing defective products with new products.

Advertising Costs

Advertising costs are expensed to selling and marketing expenses as incurred in the accompanying consolidated statements of operations. Advertising costs were $3.4 million, $1.7 million, $8.2 million, $4.3 million and $0.5 million for the nine months ended September 28, 2013 and September 29, 2012 and for the years ended December 31, 2012, 2011 and 2010.

Product Development

Development costs incurred in the research and development of new products and enhancements to existing products are charged to expense as incurred. Development costs include personnel costs and third-party development and programming costs, localization costs incurred to translate software for international markets and in-process research and development. Such costs related to product development are expensed as incurred until the point that technological feasibility is reached, which for the Company's products, is generally shortly before the products are released to manufacturing.

Table of Contents

VTB HOLDINGS, INC.

Notes to Consolidated Financial Statements

Nine Months Ended September 28, 2013 and September 29, 2012 (Unaudited) and the Years Ended December 31, 2012, 2011 and 2010

Software Development Costs

Software development costs not qualifying for capitalization are expensed as incurred. The Company capitalizes software development costs when the product is available for general release to customers. Capitalized costs are amortized on a product-by-product basis, as the greater of the ratio of current gross revenues for a product to the total of current and future gross revenues for the product or the straight-line amortization over the estimated useful life of the product (generally three years). Unamortized capitalized software development costs determined to be in excess of the net realizable value of the product is expensed immediately. The Company did not incur significant capitalized software development costs for any of the periods presented.

The Company capitalizes costs incurred during the application development stage relating to the development of its websites and computer software developed or purchased for internal use and has been insignificant to date. Costs related to preliminary project activities and post-implementation activities are expensed as incurred. Once placed into service, the Company anticipates amortizing these costs over a period of three years. Total costs incurred to date during the application development stage have been insignificant.

Business Transaction Costs

For the nine months ended September 28, 2013, the Company incurred business transaction costs associated with the proposed merger with Parametric in the amount of $2.3 million. For the year ended December 31, 2012, business transaction costs of $0.3 million consist of acquisition-related costs related to the Company's Lygo acquisition. For the year ended December 31, 2011, business transaction costs consists of performance bonuses related to the recapitalization. For the year ended December 31, 2010, business transaction costs consist of $4.0 million in legal and professional fees and $10.4 million in performance bonuses related to the recapitalization.

Stock-Based Compensation

Compensation costs related to stock options and restricted stock grants are calculated based on the fair value of the stock-based awards on the date of grant, net of estimated forfeitures. The grant date fair value of awards is determined using the Black-Scholes option-pricing model and the related stock-based compensation is recognized on a straight-line basis, over the period in which an employee is required to provide service in exchange for the award, which is generally four years.

For stock-based awards issued to non-employees, including consultants, compensation expense is based on the fair value of the awards calculated using the Black-Scholes option-pricing model over the service performance period. The fair value of options granted to non-employees for each reporting period is re-measured over the vesting period and recognized as an expense over the period the services are received.

Income Taxes

The Company accounts for income taxes using the asset and liability approach to record deferred taxes. Deferred income tax assets represent temporary differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities that will result in deductible amounts in future years. The measurement of current and deferred tax assets and liabilities is based on provisions of enacted tax laws; the effects of changes in tax laws are not anticipated. Based on estimates, the carrying value of the Company's deferred tax assets assumes