

IN THE SUPREME COURT OF THE STATE OF NEVADA

Nos. 83598, 84971, and 85358

IN RE PARAMETRIC SOUND CORPORATION
SHAREHOLDERS' LITIGATION.

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Elizabeth A. Brown
Clerk of Supreme Court

PAMTP, LLC,

Appellant,

v.

KENNETH F. POTASHNER; VTB HOLDINGS, INC.;
STRIPE GROUP, LLC; SG VTB HOLDINGS, LLC;
JUERGEN STARK; and KENNETH FOX,

Respondents.

Consolidated Appeals from Final Judgment and Fees and Costs Awards
Eighth Judicial District Court Case No. A-13-686890-B

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	Trial Exhibit 1052	16	AA 2818- AA 2862

AFFIRMATION

Pursuant to NRS 239B.030, the undersigned does hereby affirm that the preceding document does not contain the social security number of any person.

Respectfully submitted this 12th day of January, 2023.

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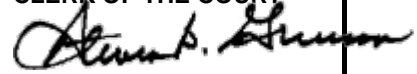
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CERTIFICATE OF SERVICE

I hereby certify that I am an employee of McDonald Carano LLP, and on January 12, 2023, a true and correct copy of the foregoing was e-filed and e-served on all registered parties to the Supreme Court's electronic filing system.

/s/ CaraMia Gerard
An Employee of McDonald Carano LLP



TRAN

DISTRICT COURT
CLARK COUNTY, NEVADA
* * * * *

IN RE PARAMETRIC SOUND)
CORPORATION SHAREHOLDERS')
LITIGATION)

CASE NO. A-13-686890-B
DEPT NO. XI

This Document Relates to:)

ALL ACTIONS)

**TRANSCRIPT OF
PROCEEDINGS**

BEFORE THE HONORABLE ELIZABETH GONZALEZ, DISTRICT COURT JUDGE

WEDNESDAY, AUGUST 18, 2021

BENCH TRIAL - DAY 3 - VOLUME I

APPEARANCES:

FOR PAMPT LLC:

GEORGE F. OGILVIE, III, ESQ.
ADAM M. APTON, ESQ.

FOR KENNETH POTASHNER,
NORRIS, PUTTERMAN,
KAPLAN, & WOLFE:

J. STEPHEN PEEK, ESQ.
ROBERT J. CASSITY, ESQ.
JOHN P. STIGI, III, ESQ.
ALEJANDRO E. MORENO, ESQ.

FOR VTB HOLDINGS, STRIPES
GROUP, SG VTB HOLDINGS,
KENNETH FOX & JUERGEN STARK:

RICHARD C. GORDON, ESQ.
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RECORDED BY: JILL HAWKINS, COURT RECORDER
TRANSCRIBED BY: JD REPORTING, INC.

I N D E X
W I T N E S S E S

WITNESSES FOR THE PLAINTIFF:

KENNETH POTASHNER

Direct Examination by Mr. Apton	7
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1 **LAS VEGAS, CLARK COUNTY, NEVADA, AUGUST 18, 2021, 9:06 A.M.**

2 * * * * *

3 THE COURT: Are we ready to go? Is everything okay
4 with proceeding this morning?

5 MR. OGILVIE: Yes, Your Honor.

6 THE COURT: Or are we still having a technical
7 problem?

8 MR. OGILVIE: We have technical issues, but we're
9 going to proceed, Your Honor.

10 THE COURT: Okay. Who is our next witness on Day 3
11 of our proceedings?

12 MR. APTON: Your Honor, we're going to call Mr. Ken
13 Potashner now.

14 THE COURT: Okay. Sir, if you'd come up, please.
15 Come up to the witness stand, remain standing. You have your
16 water, I see. Did you need your glasses or anything?

17 MR. POTASHNER: I have them here.

18 THE COURT: Okay.

19 **KENNETH POTASHNER**

20 [having been called as a witness and being first duly sworn,
21 testified as follows:]

22 THE CLERK: Please state and spell your first and
23 last name for the record.

24 THE WITNESS: Kenneth Potashner.

25 THE COURT: Sir, you can be seated. And you remember

1 from the last time you were here that because of the masks it's
2 a little hard for us to all understand each other. If you need
3 us to repeat, let us know. If we need you to repeat, we'll let
4 you know. And if you need a break anytime, you let us know.

5 THE WITNESS: Thank you.

6 THE COURT: Okay. You're up.

7 MR. APTON: Thank you, Your Honor. Your Honor, we
8 prepared a legal brief relating to the matter of effective
9 control. And if Your Honor would take it, we would hand it up
10 now.

11 THE COURT: Did you serve it on everybody?

12 MR. APTON: We are prepared to, yes.

13 MR. STIGI: I'm sorry, I didn't hear. What is this?

14 MR. APTON: It's a legal brief.

15 MR. STIGI: Regarding?

16 MR. APTON: Effective control.

17 THE COURT: We used to call these pocket briefs in
18 the old days. You'd pull it out of your pocket and hand it to
19 the other side and walk up to the judge. Once you've served
20 it, I'll take it, but until you serve it I don't take it.
21 Mr. Ogilvie, is it being e-filed?

22 MR. OGILVIE: It has not been e-filed.

23 THE COURT: Is it going to be e-filed?

24 MR. OGILVIE: Yes, Your Honor.

25 THE COURT: Thank you. Great. Okay, so I will be

1 happy to take it. Mr. Hess has his hand up.

2 MR. PEEK: Your Honor, is there either a hearing or
3 an opposition allowed?

4 THE COURT: Mr. Peek, I haven't even seen it yet. I
5 have no idea.

6 MR. PEEK: No, I haven't either.

7 THE COURT: Okay.

8 MR. PEEK: I don't see an OST on it, but...

9 THE COURT: Remember, pocket briefs didn't have OST.
10 They just handed them to the judge.

11 MR. PEEK: I remember that, Your Honor.

12 THE COURT: And we didn't have to even serve them in
13 the old days. You just handed them to the judge and the other
14 side would look at you like you were crazy. Mr. Ogilvie is
15 nodding. He's not as old as me, but he remembers. Okay, so I
16 have it.

17 MR. APTON: Your Honor, I'd also like to give this
18 binder of exhibits to the witness, if that's okay.

19 THE COURT: Does anyone object to him handing the
20 binder to the witness?

21 MR. STIGI: No, Your Honor.

22 THE COURT: Okay. And, sir, remember, you can look
23 at anything you'd like that's in the binder. If you need to
24 read above or below to give yourself context, please feel free
25 to take the time you need to read it.

1 THE WITNESS: Thank you.

2 THE COURT: This is not a memory test. Okay. I am
3 not reading the brief because I'm listening to the witness. At
4 some point in time you may want me to read the brief. You'll
5 have to then alert me that you want me to read it and think
6 about something. So let's start, please.

7 DIRECT EXAMINATION

8 BY MR. APTON:

9 Q Mr. Potashner, good morning. What is the Newport
10 Corporation?

11 A Newport Corporation is a -- or was, we sold it -- a
12 public company that was the country's second largest laser
13 provider.

14 Q Laser provider. And what was your involvement with
15 Newport Corporation?

16 A Chairman of the Board.

17 Q And when did you become Chairman of the Board?

18 A I don't know exactly. Probably in the order of seven
19 or eight years ago. And I exited that role as we sold the
20 company at a very significant gain probably three years ago.

21 Q What was the gain?

22 A From the time that I got there to the time that I
23 left it would have been a triple digit gain.

24 Q Approximate amount?

25 A I don't want to guess, but it's hundreds of millions

1 of increased value.

2 Q And what was your share of Newport Corporation?

3 A Small. Less than 1 percent.

4 Q And during your time at Newport, how many board
5 meetings did you attend?

6 MR. STIGI: Objection, Your Honor.

7 THE COURT: Sustained. Counsel, this isn't relevant
8 to this. Let's go.

9 BY MR. APTON:

10 Q Mr. Potashner, do you have any other experience
11 serving on boards of companies?

12 A Yes, I do.

13 Q And what is that experience?

14 A I've served on probably half a dozen or so public
15 companies.

16 Q That includes Maxwell Technologies?

17 A Yeah, Maxwell Technologies, where we again went
18 through -- I think we were one of the top performing companies
19 in the country, bought by Tesla. I can go through the list,
20 but I've been involved with at least a half a dozen public
21 companies as a board member or chairman.

22 Q Okay. So you would agree you have a sufficient
23 amount of experience serving as a director of a company?

24 A I agree.

25 Q Okay. And if you can tell me, what is S3?

1 A S3 was a graphics company.

2 Q And it changed its name to Sonicblue; is that
3 correct?

4 A That's correct.

5 Q And while you were at Sonicblue, you worked with
6 Mr. Andy Wolfe and John Todd; right?

7 A That's correct.

8 Q And what was Mr. Wolfe's position there?

9 A Mr. Wolfe was possibly CTO, but clearly a technology
10 vice-president.

11 Q Okay. And Mr. Todd?

12 A And Mr. Todd was a financial officer.

13 Q And how long did you work with them at Sonicblue?

14 A I don't recall. It would have been -- Andy Wolfe, I
15 believe, was there longer term, so probably a couple years --

16 Q Okay.

17 A -- or more.

18 Q Oh, I'm sorry. Continue.

19 A Possibly a little more. I don't recall.

20 Q And when did you first join Parametric?

21 A And I joined -- I don't know exactly, but it would
22 have been most likely a couple years before the transaction
23 with Turtle Beach.

24 Q Does December 2011 sound correct?

25 A That would be in the range.

1 Q And did you resign from the Parametric Board at some
2 point?

3 A I resigned after the Turtle -- after the acquisition
4 by Turtle Beach.

5 Q Approximately May of 2014?

6 A Correct.

7 Q Now, Parametric had a subsidiary named HyperSound,
8 Co. Do you remember that?

9 A Yes.

10 Q And when did Parametric establish HHI? I'm sorry,
11 I'm going to refer to HyperSound Health as HHI.

12 A Right.

13 Q Is that okay with you?

14 A Correct.

15 Q All right. When did Parametric establish HHI?

16 A I don't recall exactly when it was established.

17 Q Does October of 2012 sound correct?

18 A That would be reasonable.

19 Q And did there come a point in time when you expressed
20 a desire to transition from your role at Parametric to focus
21 primarily on HHI?

22 A Yes. I saw the potential of HHI being substantial
23 and thought my time would be best used to focus on that.

24 Q And was that discussed at a board meeting?

25 A It was discussed at several board meetings.

1 Q Okay. If I could turn your attention to what's in
2 the binder as Exhibit 1.

3 THE COURT: Any objection to 1?

4 MR. STIGI: No, Your Honor.

5 THE COURT: 1 will be admitted.

6 (Plaintiff's Exhibit Number(s) 1 admitted.)

7 BY MR. APTON:

8 Q Now, did you also have a desire to create an equity
9 incentive plan for HHI?

10 A I had a desire or a belief that HHI had the potential
11 to be of significant value and so it could be spun off to
12 shareholders at some future date, and also if we didn't have
13 HHI as a stand-alone entity, given it required FDA approval
14 processes, we would have had to expose the entire company to
15 FDA procedures, which are extreme. So there were several
16 reasons to establish HHI and with the establishment of HHI, I
17 wanted to create incentives around HHI.

18 Q And did the board at some point approve an equity
19 incentive plan for HHI?

20 A They did.

21 Q And was that at a board meeting, too?

22 A Correct.

23 Q Okay. Can I turn your attention to Exhibit 2,
24 please.

25 THE COURT: Any objection to 2?

1 MR. STIGI: Let me find 2.

2 Okay. No objection, Your Honor.

3 THE COURT: See why it's so nice to stipulate to
4 exhibits ahead of time? It will be admitted.

5 MR. STIGI: No objection.

6 (Plaintiff's Exhibit Number(s) 2 admitted.)

7 THE COURT: That's why Mr. Gordon wanted me to have
8 the pretrial hearing, so I could sit there and yell at you and
9 make you go in the hall and stipulate to exhibits, and he
10 really wanted me to do it because he knew how bad it was going
11 to be. Thank you, Mr. Gordon.

12 BY MR. APTON:

13 Q So, Mr. Potashner, the HHI equity incentive plan was
14 your suggestion, for the reasons you explained; correct?

15 A Right.

16 Q And the board approved it subsequently thereafter;
17 correct?

18 A Correct.

19 Q So you mentioned a couple times that you thought HHI
20 was of significant value. Tell me, what was the value that you
21 thought HHI had?

22 A I said it had significant potential value, right. So
23 having an idea is interesting; trying to get into something is
24 more challenging. So if it was executed upon successfully with
25 a whole bunch of potential things happening, like FDA approval,

1 doctors' acceptance, all those sort of things, I saw that it
2 could have had substantial value.

3 Q And substantial value is what in terms of dollars?

4 A Unknown.

5 Q Did you tell board members or colleagues that it was
6 valued at 1 billion, with a B, dollars?

7 A I likely would have told doctors that. We were
8 bringing doctors into the equation and instead of compensating
9 them with cash, predominantly we gave them options in HHI. And
10 I would have marketed this has the potential to be a billion
11 dollar entity. So in that context, it's a number I would have
12 thrown around as a potential if everything went right way
13 downstream, et cetera.

14 Q Can I --

15 A But -- let me add an important, but -- we brought
16 experts in to value the company and that number was far from a
17 billion. It was 1 million. So at the time it was established,
18 an expert did come in, do an analysis and say this is a
19 million-dollar entity.

20 Q But at the time you thought it was worth 1 billion?

21 A No. I thought it was worth 1 million, but I thought
22 it had the potential, if a whole bunch of things went right
23 over a decade or so, that it could get there.

24 Q Can I turn your attention to Exhibit 120.

25 THE COURT: Any objection to 120?

1 MR. STIGI: Yes. Absolutely, Your Honor.

2 THE COURT: Okay. So can you lay some foundation,
3 please?

4 BY MR. APTON:

5 Q Mr. Potashner, what's before you in Exhibit 120, is
6 that an email or does it contain emails between you and
7 Mr. Seth Putterman?

8 A Yes.

9 Q And did you send or receive those emails, as the
10 document portrays?

11 A I assume I did.

12 MR. APTON: Move to admit Exhibit 120.

13 MR. STIGI: Your Honor, this document -- Exhibit 120
14 also contains in the string emails that Mr. Potashner was not
15 on. So much like yesterday, we need to create a new exhibit.
16 Thank you. And, Your Honor, if I might, I will stipulate to
17 the admission of all board minutes.

18 THE COURT: Thank you. That's lovely.

19 MR. STIGI: So we can just go through that.

20 THE COURT: I appreciate that, Mr. Stigi.

21 MR. STIGI: I thought Your Honor would like to hear
22 that and I thought I would take this opportunity. Thank you so
23 much.

24 THE COURT: Thank you. All right. So, he's right.
25 The ones that are involving Mr. Potashner and Mr. Putterman we

1 need to admit, but I need to admit them as a separate document,
2 given the issues related to the other emails that are being
3 forwarded, unless you want to establish a separate foundation
4 before you admit it.

5 MR. APTON: No. Is it possible provisionally to
6 admit this so we can discuss it?

7 THE COURT: No. I cannot admit 120.

8 MR. APTON: Okay. So we will redact that portion and
9 produce it for admission after that.

10 THE COURT: Okay.

11 MR. APTON: Thank you.

12 THE COURT: Yep.

13 BY MR. APTON:

14 Q Mr. Potashner, can I turn your attention to page 142.
15 I'm sorry, Exhibit 142.

16 THE COURT: 142?

17 MR. APTON: 142.

18 THE COURT: Any objection to 142?

19 MR. STIGI: No, Your Honor.

20 THE COURT: 142 will be admitted.

21 (Plaintiff's Exhibit Number(s) 142 admitted.)

22 BY MR. APTON:

23 Q Mr. Potashner, I just asked you -- you, not the
24 experts -- but you thought HHI was worth 1 billion. You said
25 no, you thought it was worth 1 million. But this email, dated

1 April 27, 2013, between you and Mr. Stark, says otherwise;
2 correct?

3 A No. This is consistent. I believed it had the
4 potential. I guess the key word here is the potential. When
5 Elon Musk started Tesla, it was not worth a trillion, but he
6 believed it had the potential to get there. And it's the same
7 concept. I believed this had the potential to be worth a
8 billion. If it was worth a billion today, then Parametric
9 wouldn't be trading at a substantial 90 percent or more off, a
10 discount to that billion. So, no.

11 Q Okay. Mr. Musk is also not so careful with his words
12 sometimes, though, so --

13 A I'm fine with you faulting me for my words.

14 THE COURT: Luckily he's in Delaware. So let's keep
15 going.

16 MR. APTON: And northern district of California, Your
17 Honor.

18 THE COURT: Yeah, but mostly in Delaware lately.

19 BY MR. APTON:

20 Q Okay. Mr. Potashner, let's move on. So if I could
21 turn your attention to Exhibit 3. These are board minutes
22 which --

23 THE COURT: So we got a stipulation to the board
24 minutes. So Number 3 was admitted.

25 (Plaintiff's Exhibit Number(s) 3 admitted.)

1 THE COURT: Thank you so much, Mr. Stigi.

2 MR. STIGI: I try, Your Honor.

3 THE COURT: I appreciate it. The first one to listen
4 to me this time.

5 MR. STIGI: Is that on the record?

6 THE COURT: Uh-huh.

7 MR. STIGI: Thank you.

8 BY MR. APTON:

9 Q So, Mr. Potashner, at this board meeting I believe
10 that you again discussed your intent to transition to HHI, but
11 this time along with your colleague, Mr. Todd; is that correct?
12 And take your time to review it.

13 A I recall a discussion which was along the lines of I
14 would initiate a recruiting exercise for a CEO to replace me at
15 Parametric that would enable this transition to occur. This
16 was not an I'm going to walk away from Parametric and begin
17 focusing on HHI. This was a process with a timeline.

18 Q But that was the end goal of the search; correct?

19 A The end goal would have got us there, but we did not
20 execute this.

21 Q And on page 4, you, in fact, talk about relinquishing
22 some of your performance options in exchange for that
23 transition; is that right?

24 A Yes. I wanted to avoid the appearance that, hey, I'm
25 double dipping, I'm going to take my Parametric compensation

1 and add a new level of compensation. So this was -- my intent
2 was to relinquish what I would have got as the Parametric CEO
3 and replace that with something of value on the HHI side.

4 Q But those performance options also had performance
5 targets; right?

6 A I think everything was performance based.

7 Q And those performance targets were unlikely to be met
8 for the year; correct?

9 A Unknown.

10 Q I'm sorry?

11 A The year didn't -- so which year are you talking
12 about?

13 Q We're in 2013.

14 A And are you talking about HHI options or are you
15 talking about --

16 Q The Parametric options.

17 A Yeah. Again, nothing is done until the year is done,
18 so I can't comment on whether we would have achieved them or
19 not.

20 Q The board ultimately approved your request for HHI
21 options; is that right?

22 A That's correct.

23 Q And if I could show you Exhibit 194, the board
24 minutes for March 4, 2013.

25 THE COURT: Any objection?

1 MR. PEEK: They're board minutes, Your Honor.

2 THE COURT: Are they board minutes? Okay, it will be
3 admitted.

4 (Plaintiff's Exhibit Number(s) 194 admitted.)

5 BY MR. APTON:

6 Q On pages 10 and 11, Mr. Potashner. So in the bottom
7 right-hand corner it's 194-10 and 194-11.

8 A Okay.

9 Q So the board did, in fact, approve by unanimous vote
10 50 shares of HH options in HHI to you; is that correct?

11 A Correct.

12 Q And as well as Mr. Todd. Yes?

13 A Correct.

14 Q Did you want more equity in HHI?

15 A No.

16 Q I'm sorry?

17 A I believe they approved what I requested, what I
18 thought was fair.

19 Q Right. But after that point did you want more equity
20 in HHI?

21 MR. STIGI: Objection, Your Honor.

22 We're not talking about equity. You're talking about
23 options. So is the question more options or more equity?

24 THE COURT: I understand.

25 So can you ask him, Did he want other equity,

1 additional equity?

2 BY MR. APTON:

3 Q Did you want additional equity in HHI?

4 A I have no recollection of requesting or desiring
5 additional equity.

6 Q Did you want to control HHI?

7 A No.

8 Q Did you want to spin out HHI?

9 A I wanted to have the ability for the company to spin
10 out HHI at a subsequent date.

11 Q And who would run HHI after it was spun out?

12 A Well, it would be spun out to the shareholders, but
13 my anticipation was that I would run it probably for a brief
14 time and then I would likely look for somebody that was an
15 expert in that domain to run it. I don't have a medical
16 instrument background. So I would not be the best candidate to
17 run it post spin-out, but I did have the ability to get it to
18 the point where it could get spun out.

19 Q Okay. Let me turn your attention to Exhibit 356.

20 THE COURT: Any objection to 356?

21 MR. STIGI: I'm looking for it now. No, Your Honor.

22 THE COURT: It will be admitted.

23 (Plaintiff's Exhibit Number(s) 356 admitted.)

24 BY MR. APTON:

25 Q Now, Mr. Potashner, this email talks about a few

1 things, but it does at the end say, "Also, if we sell PMT and
2 spin out HHI commercial, I only want Seth and Andy to continue
3 as board members."

4 Do you see that?

5 A Correct.

6 Q So this email would evidence your intent to control
7 HHI post spin-out. Would you agree with that?

8 A No.

9 Q Why not?

10 A I don't see where you imply control out of me saying
11 here's the likely board candidates who would be relevant to HHI
12 if it was spun out.

13 Q But that decision would inherently require some
14 control over the HHI entity; right?

15 A No. It would be a shareholder vote.

16 I mean, shareholders appoint the board of directors
17 for a company, the board doesn't appoint itself. So this
18 was -- this would be my anticipation of a downstream event in
19 terms of who the likely continuing board members would be for
20 that entity. It's not different than what happened with the
21 Turtle Beach transaction, that we proposed to Turtle Beach Andy
22 Wolfe and myself as ongoing board members, right? So it's a
23 process. But this was my declaration of who I thought would be
24 relevant to HHI going forward.

25 Q If I could turn --

1 A I'm sorry, just to be real clear.

2 Q Certainly.

3 A I mean, this is a downstream event. We were nowhere
4 near doing anything relative to spinning out HHI.

5 Q This email was March 31, 2013. Yes?

6 A Yes. But the spin out of HHI would have -- if
7 everything went right it would have been years into the future.

8 Q Oh. You didn't want -- did you want to spin it out
9 in the course of the merger negotiations?

10 A Yeah. Well, in the course of the merger discussions,
11 I went with the -- I didn't get support for this. I went with
12 the assumption that Turtle Beach's sincere interest was in
13 gaming, and they wanted to deploy the technology for gaming.
14 They had no -- zero medical presence or footprint. And I
15 thought I could negotiate a deal which is, hey, we'll give you
16 our gaming assets or our technology to deploy for gaming, but I
17 will be holding back, you know, this entity, HHI, and that is
18 not relevant to you, and I think it has relevance to my
19 shareholders.

20 So that was my strategy, clearly, day one and early
21 on until the board of Parametric decided that I'm creating a
22 friction point on the transaction, instructed me not to try to
23 segregate HHI.

24 And as you know, ultimately, I folded that argument
25 and supported whatever it took. The Turtle Beach CEO, Juergen,

1 clearly did say, Hey, I am interested in this piece, right. So
2 my argument for segregating and spinning it off to the
3 shareholders was blown up, right, and I accordingly folded my
4 hand on this, and Turtle Beach acquired all of the assets of
5 Parametric, including HHI.

6 Q You just used the words from "day one." So it was
7 your intent from day one to spin out HHI in the course of the
8 merger; correct?

9 A Yeah. So let me divide this into two halves. So --

10 Q That's a yes or no question, Mr. Potashner.

11 MR. PEEK: Your Honor, he gets to answer.

12 THE COURT: Not necessarily. He can answer the
13 question.

14 MR. STIGI: Thank you, Your Honor.

15 THE WITNESS: So premerger discussions with Turtle
16 Beach I had zero anticipation of spinning HHI off for a long
17 period of time, right. I did envision that I would begin
18 bringing into the investment community progress we're making on
19 HHI, hey, we've got FDA approval. If that were to occur and it
20 could be an instrument to increase the value of Parametric
21 stock by showing progress on HHI and saying, hey, there's a
22 possibility downstream that this could be spun off as a
23 separate entity.

24 But, quite frankly, the FDA process, performing all
25 those things -- so this was a multi-year playbook that I

1 anticipated executing -- that all changed when all of a sudden
2 now we're in discussions with merger with Turtle Beach, at
3 which point I pivoted to, gee, I'd like to hold this asset back
4 for my shareholders and exclude this from the transaction. And
5 I put energy into excluding it until I was clearly told to not
6 exert that energy.

7 BY MR. APTON:

8 Q When did merger negotiations start?

9 A I don't know the exact date.

10 Q How soon after merger negotiations started did you
11 form this strategy?

12 A Yeah, well, immediately upon merger discussions I
13 began lobbying both my board, as well as Juergen, to exclude
14 this asset from the transaction. That would have been
15 something early on in the merger discussions.

16 Q If I could turn your attention to --

17 THE COURT: Before we go there, can I admit through
18 Exhibit 9, which I believe is the board minutes, given the
19 stipulation?

20 MR. STIGI: Your Honor, yes, it appears that 1
21 through 9 are the board minutes.

22 THE COURT: Okay. All right. They're admitted. So
23 that way you guys don't have to go through that step.

24 (Plaintiff's Exhibit Number(s) 4-9 admitted.)

25 MR. APTON: Okay. Thank you.

1 THE COURT: Thank you again for the stipulation.
2 Let's keep going.

3 BY MR. APTON:

4 Q Mr. Potashner, Exhibit 301, please.

5 A Excuse me?

6 Q If you could turn to tab 301, please.

7 A 301.

8 THE COURT: Any objection to 301?

9 MR. STIGI: No, Your Honor.

10 THE COURT: It will be admitted.

11 (Plaintiff's Exhibit Number(s) 301 admitted.)

12 BY MR. APTON:

13 Q Mr. Potashner, this is another email in which you
14 discuss your interest in spinning out HHI; correct?

15 A Let me read it, please.

16 Q Yes, sir.

17 A Okay.

18 Q This is another email in which you discuss your
19 interest or intent to spin out HHI; correct?

20 A Correct.

21 Q And it's dated April 19th, 2013?

22 A Correct.

23 Q If I could turn your attention to tab 152.

24 THE COURT: Any objection to 152?

25 MR. STIGI: No, Your Honor.

1 THE COURT: It will be admitted.

2 (Plaintiff's Exhibit Number(s) 152 admitted.)

3 BY MR. APTON:

4 Q Now you write an email. This is an email chain, so
5 the initial email is on the bottom and subsequent responses or
6 replies are above. If you could focus your attention on the
7 underlying or initial email. The third -- sorry, the second
8 paragraph from the bottom is the one that I would like to draw
9 your attention to, and the one above that, the third from the
10 bottom.

11 A Go ahead.

12 Q In your email you write that HHI was the whole reason
13 -- quote, "the whole reason" that you entered into the deal in
14 the first place. Is that right?

15 A No. Where do you see that?

16 Q The third paragraph from the top -- from the bottom.
17 Excuse me. Staring with, "For what it's worth."

18 A I'm saying here that if it weren't for my fiduciary
19 responsibility and my commitment to the shareholders, I would
20 have a different personal view because of what I personally
21 thought HHI could be worth downstream. But I'm doing what I
22 think is right for the shareholders. I'm exercising my
23 fiduciary duties and moving forward with you.

24 Q Moving forward with it in spite of losing HHI; is
25 that right?

1 A Yeah. This is -- this is -- the context from this, I
2 believe, is that there was a desire to dismantle HHI as an
3 entity and just move it into operations, which would blow up
4 the concept of, hey, this is a valuable asset that should
5 achieve its own stand-alone value. And that stand-alone value
6 could be significant and would benefit the shareholders in
7 achieving a stand-alone value. So this -- and I was also
8 making statements here that, hey, this isn't about me. I'm
9 willing to give up my stuff. I'm not looking for you to
10 replace it and convert it to something else. I sincerely
11 believe the right thing to do by the shareholders is keep HHI
12 as a stand-alone asset.

13 Q But you were looking for something else, weren't you?
14 A gentleman's agreement?

15 A Yeah. I was saying I would like to -- you know, so
16 the expectation was that, as you can imagine when one company
17 buys another company there's one CEO and it's going to be
18 Turtle Beach's CEO, Juergen. And I had a desire to stay
19 involved and perhaps in a consulting capacity to help this
20 entity realize its potential.

21 Q And you write in this email that you were looking for
22 a gentleman agreement to give you a consulting deal, if I can't
23 talk you into keeping HHI. Right? So -- I'm sorry, answer the
24 question. Right?

25 A Like I just stated, that I was looking for a

1 consulting deal. My preference would have been keep HHI as an
2 entity and let me run it. You know, buy the company, keep HHI
3 as an entity, let me run it. And if you're not willing to do
4 that, at least give me a consulting arrangement to assist in
5 that entity.

6 Q A consulting arrangement that was, quote, "equal to
7 what you think my stake was worth," close quotes, in HHI;
8 right?

9 A Yeah, which is -- again, as we said earlier, options
10 on five percent of something currently valued at 1 million
11 dollars, so a \$50,000 current valuation.

12 Q But you thought it was worth 1 billion, or at least
13 had the potential to be worth 1 billion?

14 A Anything has got the potential to be worth a billion
15 downstream if you do it right. Yeah, sure.

16 Q But you said that, so presumably you meant it;
17 correct?

18 A Yeah. The proximity of this to -- and I don't know
19 the exact dates when the valuations occurred, but this is a 1
20 million dollar asset, still, at this point.

21 Q But in your correspondence with, for example, Mr.
22 Putterman, you valued it at 1 billion at a particular point in
23 time, at that present point in time; right?

24 A No. I've always been consistent that this has the
25 potential to be a billion dollar business.

1 Q If I could turn your attention to Exhibit 95.

2 MR. STIGI: Which one, Adam?

3 MR. APTON: 95.

4 THE COURT: Any objection to 95?

5 MR. STIGI: No, Your Honor.

6 THE COURT: 95 will be admitted.

7 (Plaintiff's Exhibit Number(s) 95 admitted.)

8 BY MR. APTON:

9 Q Mr. Potashner, this is an email from you to Ron
10 Doornink, cc'ing Juergen Stark; correct?

11 A Yes.

12 Q And who is Ron Doornink?

13 A Ron was the chairman of Turtle Beach.

14 Q And Mr. Stark was who?

15 A CEO of Turtle Beach.

16 Q I'd like to focus your attention to the second
17 paragraph.

18 A Let me read it, please.

19 Q Uh-huh.

20 A Okay.

21 Q So earlier you testified that HHI was established in
22 October of 2012; right?

23 A Correct.

24 Q And so here in this email you're saying that, "As we
25 established HHI, my intention was to hire a new CEO for PMT and

1 commit my full energies to developing HHI." Right?

2 A Correct.

3 Q So your intent to transition from Parametric to HHI
4 actually predated merger negotiations. Yes?

5 A My intention to transition over time, yes.

6 Q Okay.

7 A But, also, here we are in July, which is -- using
8 your math, I guess since October eight or nine months later,
9 and, gee, I'm just now starting to do interviews with potential
10 candidates. So this was not -- you know, this is a process.

11 Q Okay.

12 A And I turned down this guy based on Juergen's input,
13 so clearly I didn't have desperate -- I'm not moving in a
14 desperate fashion to make this happen by any means.

15 Q Well, I'm not -- okay. You also say later in the
16 paragraph that your "intent was to seel PAMT at the right time
17 and keep HHI as the foundation of a new company." That
18 elaborates on what you intended to do at HHI when it was
19 founded. Yes?

20 A No. No, my -- as I mentioned earlier, my intent
21 would have been to spin out HHI at some future date, which
22 doesn't necessarily necessitate the selling of Parametric.

23 Q So, in any event, you had 50 options in HHI as of
24 February 2013; correct?

25 A Correct.

1 Q And now during the course of the merger negotiations,
2 did you take steps to protect or keep your equity interest in
3 HHI?

4 THE COURT: You mean the options?

5 MR. APTON: I'm sorry, yes, the options. Thank you.

6 THE WITNESS: Yeah. I would have argued to protect
7 the options, to keep the options, all the way until the point
8 that it looked like there was a stress level that would impact
9 getting the transaction done, at which case I said, you know,
10 okay, take them, let's go get the deal done. So I did give up,
11 relinquish my options.

12 BY MR. APTON:

13 Q And what measures did you take to protect your
14 options in HHI prior to relinquishing them?

15 A Arduous --

16 MR. STIGI: Your Honor, I would -- I sense where this
17 is going and I'd object to the whole line of questioning
18 regarding, dare I say it, the sausage making between here and
19 when Mr. Potashner ultimately gave up.

20 THE COURT: I understand.

21 MR. STIGI: That's an attempted breach of fiduciary
22 duty derivative claim, having nothing to do with the bona fides
23 and the good faith of the merger.

24 THE COURT: I understand your position.

25 MR. STIGI: I make that objection for the record,

1 Your Honor.

2 THE COURT: Overruled. Thank you.

3 MR. APTON: Your Honor, at this point I would --

4 THE COURT: Wait. I just overruled it. Can we keep
5 going?

6 MR. APTON: I was just going to suggest, Your Honor,
7 the legal brief might be a good -- relevant to this issue.

8 THE COURT: What?

9 MR. APTON: The legal brief that we submitted might
10 be relevant to this issue.

11 THE COURT: It might be, but I'm in the middle of a
12 witness, so let's keep going.

13 MR. APTON: Absolutely.

14 BY MR. APTON:

15 Q So, Mr. Potashner, what steps did you take to protect
16 your options in HHI during the negotiations?

17 A So to make -- to be really clear, the protection of
18 the options in HHI was the same as the protection of the entity
19 of HHI, all right. So at no point did I say, hey, let's reduce
20 the shareholders' potential in HHI while I get options in it;
21 right. So those, in my mind, were totally aligned, right, so
22 the only reason holding HHI options would have relevance is if
23 the existence of HHI would go forward with the plan that I had.
24 So that argument was made aggressively to the board of
25 Parametric, as well as to Juergen, to the CEO of Turtle Beach.

1 Q Did you enter into any sort of side arrangements with
2 your co-directors for their assistance?

3 A No.

4 Q Okay. Can I turn your attention to tab 281.

5 MR. STIGI: Two eight one?

6 MR. APTON: Yeah, 281.

7 THE COURT: Any objection to 281?

8 MR. STIGI: No, Your Honor.

9 THE COURT: It will be admitted.

10 (Plaintiff's Exhibit Number(s) 281 admitted.)

11 THE WITNESS: Okay.

12 BY MR. APTON:

13 Q This is an e-mail from you to Mr. Putterman, and the
14 subject is HHI; correct?

15 A Correct.

16 Q Dated Feb. 17, 2013?

17 A Correct.

18 Q And was this before merger negotiations started or
19 right afterwards?

20 A Seth had an ongoing -- for quite some time, actually,
21 from the early establishment of HHI, a sleeves-rolled-up
22 involvement well beyond a board capacity. So he was letting us
23 use UCLA -- I believe it was UCLA lab space, the resources
24 there. So the company set up a consulting arrangement beyond
25 the board fees to compensate him for his extra time and

1 commitment, and that's what this is about. This is not in
2 exchange for anything. This is me saying that, regardless of
3 where this goes, I anticipate to continue to compensate you for
4 your time.

5 Q Six days prior to this, on February 11th, the board
6 had just approved the HHI equity incentive plan; correct? In
7 Exhibit 2?

8 A So the question I would have is when did we begin
9 paying staff, and my --

10 Q Well --

11 A -- strong anticipation, it was well before the merger
12 dialogues even started.

13 Q My question was, six days prior to this e-mail, the
14 board had just approved the HHI incentive plan; correct?

15 A Okay.

16 Q Yes?

17 THE COURT: Well, no, that's a yes or a no.

18 THE WITNESS: I don't recall the exact dates, but --

19 BY MR. APTON:

20 Q You can check Exhibit 2.

21 A -- I'll assume that they're correct.

22 Q Okay. Thank you. And shortly after this, on March
23 4th, the board actually went on to approve the 50 -- the 50
24 option awards -- options in HHI to you; correct?

25 A Correct.

1 Q And in this e-mail in between, you say, "I intend to
2 follow through with you per our discussions relative to your
3 substantial involvement."

4 Right?

5 A Correct.

6 Q And the subject of that e-mail is HHI; correct?

7 A That's what he was doing his consulting on, yes.

8 Q Now, did you also threaten board members when they
9 discussed making you relinquish your options?

10 A I don't know if threaten's the right word. I -- we
11 had a significant heated discussion on the HHA (phonetic) topic
12 at large. And again, I don't segregate the HHI options from
13 the whole strategy beyond -- around HHI. I aggressively
14 believed that Turtle Beach would have accepted the deal at the
15 end of the day, with an HHI exclusion, which would have been to
16 the benefit of the shareholders in my -- my mind. The board
17 felt that tough negotiation with Turtle Beach could compromise
18 the transaction, and, you know, so we had significant heated
19 discussions relative to that.

20 So I'll stop there, but yes, heated discussions
21 relative to HHI, big topic, of which HHI options would have
22 been a small subset of that topic.

23 Q Well, if I could turn your attention to Exhibit 121.

24 THE COURT: Any objection to 121?

25 MR. STIGI: Yeah. Same as --

1 THE COURT: Okay. That's fine.

2 MR. STIGI: Okay.

3 MR. APTON: Your Honor, this is going to be tricky
4 because it's e-mail -- an e-mail chain with people on the
5 board, so the exhibit's going to be coming into evidence,
6 presumably.

7 THE COURT: That would be nice if you had stipulated
8 to exhibits because you all knew what was going to come in and
9 what wasn't going to come in --

10 MR. APTON: Uh-huh.

11 THE COURT: -- based upon your discovery. But we
12 didn't do that. So that means you get to lay a foundation.

13 MR. APTON: Understood, Your Honor. Your Honor, one
14 moment.

15 THE COURT: Yes.

16 BY MR. APTON:

17 Q All right. Mr. Potashner, did -- you had a board
18 member named Bob Kaplan; correct?

19 A Correct.

20 Q Did he ever accuse you of cheating the company in
21 connection with your HHI options?

22 A I'm not aware of -- again, heated discussions back
23 and forth, but --

24 Q Okay. But would you please refresh your recollection
25 by looking at 121-3? And the dash 3 is page 3. That's what

1 I'm referring to.

2 A Yeah, I got it.

3 THE COURT: And when you refresh your recollection,
4 that means you read the document to yourself, not out loud.
5 After you've had a chance to read it, you then let us know
6 whether that refreshes your recollection or not.

7 THE WITNESS: Okay. I've read it.

8 BY MR. APTON:

9 Q So, did Mr. Kaplan ever --

10 THE COURT: Sir, did that refresh your recollection?

11 MR. APTON: Oh.

12 THE WITNESS: I know the tone of the relationships.

13 So --

14 THE COURT: So that -- I asked you a yes or no
15 question.

16 THE WITNESS: Well -- well --

17 THE COURT: Did reading that document refresh your
18 memory?

19 THE WITNESS: Yes.

20 THE COURT: Great.

21 Now you can proceed.

22 MR. APTON: Thank you, Your Honor.

23 BY MR. APTON:

24 Q Did Mr. Kaplan ever accuse you of cheating the
25 company in connection with your HHI options?

1 A The word in here says effectively accusing me. So I
2 still don't see anything or have any recollection of him
3 accusing me of cheating the company.

4 Q Okay. Let's move to Tab 260.

5 MR. APTON: And Your Honor, we'll figure out how to
6 get 121 into evidence later.

7 THE COURT: Okay.

8 THE WITNESS: I'm sorry, what number?

9 THE COURT: You said 260?

10 MR. APTON: Yes, 260, please.

11 THE COURT: I assume there's the same objection to
12 260?

13 MR. STIGI: No, actually, a different one.

14 THE COURT: Oh.

15 MR. STIGI: It was not on the plaintiff's witness
16 list -- exhibit list.

17 THE WITNESS: Yeah, I don't have it.

18 THE COURT: What?

19 MR. STIGI: It's not on the exhibit list that was
20 provided to us.

21 THE COURT: Really?

22 MR. STIGI: I'm looking here. Let's see.

23 THE COURT: Now, I'm on the exhibit list that I have,
24 and mine shows --

25 MR. PEEK: No, Your Honor, it wasn't the disclosure

1 within 24 hours is what he's talking about.

2 THE COURT: Oh.

3 MR. PEEK: Right. Pursuant to the protocol.

4 THE COURT: I understand.

5 MR. PEEK: Yeah.

6 THE COURT: So did you disclose that you were going
7 to use 260 with this witness today?

8 MR. APTON: Your Honor, I believe I did.

9 THE COURT: All right. S, so you know what that
10 means. That means you give me a copy of whatever your disclose
11 was so I can look at it and see if 260 is on it.

12 MR. APTON: But it did not appear to be on it. So I
13 made a mistake.

14 THE COURT: Darn.

15 MR. APTON: Yeah.

16 THE COURT: Okay. So let's not go to 260. You're
17 always welcome to question witnesses about content without
18 offering the document, but that's a different issue.

19 MR. APTON: Thank you. Apologies for that.

20 THE COURT: There's always ways to get around it.

21 BY MR. APTON:

22 Q Mr. Potashner, did you ever ask Mr. Norris --

23 Well, who's Mr. Norris?

24 A The founder.

25 THE COURT: The inventor.

1 BY MR. APTON:

2 Q He was a co-director, yes?

3 A Co-director and inventor. Exactly.

4 Q And so following this exchange you had with
5 Mr. Kaplan where he effectively accused you of cheating the
6 company in connection with your HHI options, did you ask
7 Mr. Norris for his support in removing Bob Kaplan from the
8 board?

9 MR. HESS: Objection.

10 THE COURT: Overruled.

11 THE WITNESS: I don't recall.

12 MR. APTON: Okay.

13 BY MR. APTON:

14 Q And did you ever threaten Seth Putterman in
15 connection with your HHI options?

16 A I have no recollection of threatening Seth.

17 Q I'm sorry. Were you done?

18 A Yeah.

19 Q Could I turn your attention to Exhibit 355?

20 THE COURT: Any objection to 355?

21 MR. APTON: I'm sorry.

22 MR. STIGI: No, Your Honor.

23 THE COURT: Okay. It will be admitted.

24 (Plaintiff's Exhibit Number(s) 355 admitted.)

25 / / /

1 BY MR. APTON:

2 Q So again, Mr. Potashner, the last e-mails, the
3 underlying e-mail, the original message, and that's actually
4 what I'd like you to turn your attention to.

5 A I'm sorry. So do you want me to read the very last
6 one?

7 Q That's right.

8 A Okay.

9 Q All right. So does this refresh your recollection as
10 to whether or not you threatened Mr. Putterman with legal
11 action?

12 A I don't see I'm threatening anyone here. What I'm
13 saying is that, hey, directors, I believe you're making a
14 decision that's inconsistent with what's of most value to
15 Parametric shareholders, and -- and I'm reminding you it's your
16 role to operate in the best interest of the shareholders.

17 Q So this was in connection with amending the license
18 between HHI and Parametric; yes?

19 A Yes.

20 Q And had that license been amended, HHI's value would
21 have been substantially affected; right?

22 A That's correct.

23 Q And so here you're telling Mr. Putterman not to
24 renegotiate the license because you say, quote, "It would be
25 violating their fiduciary responsibilities."

1 Is that right?

2 A Yeah. As I've just mentioned, that there was a
3 discussion on limiting the license to HHI, and my assessment of
4 that was it diminished the value of HHI, which therefore
5 diminishes the shareholder potential for long-term spin out and
6 I took a position to the other directors that it's our
7 fiduciary role to maximize shareholder value and this is a move
8 that would -- that would not achieve that.

9 Q So, Seth Putterman then responds, and you respond
10 back. And now I'm referring to the middle of the first page.
11 And it's the e-mail at 2137, military time.

12 A Okay.

13 Q And the last line of that e-mail says, "It will be a
14 shame if we need to use the money, but I would like to have --
15 I would have liked to use to start staffing HHI, to spend on
16 lawyers instead."

17 Right?

18 A Okay.

19 Q That was yes?

20 A Well, I'm not -- I'm not sure what your question is.

21 Q Well, I guess my question is, I characterize this as
22 you threatening Mr. Putterman, and you said it was just
23 reminding him of his fiduciary responsibility.

24 Is there a difference between those two?

25 MR. STIGI: Objection.

1 THE COURT: Basis.

2 MR. STIGI: Mr. Atkins --

3 THE COURT: I just need a basis.

4 MR. STIGI: And I -- yes. I'm sorry. I want -- I
5 want to be respectful of not to overdo the objection.

6 THE COURT: I know. I'm just -- I was just --

7 MR. STIGI: Mr. Atkins's belief as to what this
8 e-mail means is not really relevant to the case. And asking
9 the witness to compare his belief against what's in the --

10 THE COURT: Okay.

11 MR. STIGI: -- it just doesn't --

12 THE COURT: Overruled.

13 MR. STIGI: -- make any sense.

14 THE COURT: Okay. Okay.

15 MR. STIGI: That's I can do with that objection.

16 THE COURT: How about --

17 MR. STIGI: Form.

18 THE COURT: I was trying to figure out what it was.

19 MR. STIGI: Form.

20 THE COURT: So, all right.

21 MR. STIGI: It's just --

22 THE COURT: Usually I can figure out the objection.

23 So...

24 BY MR. APTON:

25 Q So, Mr. Potashner, explain to the difference between

1 what you did and what I said you were doing.

2 A Yeah. So I -- again, my assumption is if -- if a
3 board operates in any capacity that's not in the best interests
4 of the shareholders, they're opening themselves for legal
5 exposure. And I was saying I'd rather not go down that path,
6 guys. Let's, you know, let's make good decisions relative to
7 maximizing shareholder value. And I don't believe this was
8 addressed to Seth personally. This is my message to the board
9 that, hey, guys, let's make decisions consistent with -- with
10 our fiduciary responsibilities.

11 Q If I could turn your attention Exhibit 16 now.

12 THE COURT: 16?

13 MR. APTON: Yes.

14 THE COURT: Any objection to 16?

15 MR. STIGI: Yes, Your Honor.

16 THE COURT: Okay. You don't have to look at him when
17 he objects. Just go ask him questions and lay a foundation.
18 There was a process you guys could have gone through.

19 BY MR. APTON:

20 Q Mr. Potashner, did you e-mail Mr. Elwood Norris on
21 March 29, 2013?

22 A So I'm sorry. This is Seth to Elwood?

23 Q No. This is --

24 A E-mail at the top. So is this an issue or not?

25 Q No, there's a -- there's an e-mail right below that

1 from you to Mr. Norris, dated March 29, 2013; correct?

2 A Well, I --

3 THE COURT: We're only on the question, is though --

4 MR. STIGI: If it's refreshing recollection, okay.

5 THE COURT: And asking him if the first e-mail in the
6 chain is one he sent.

7 MR. STIGI: Fair enough.

8 THE WITNESS: Okay. Which -- which e-mail are we
9 talking about? 16 dash what?

10 BY MR. APTON:

11 Q On 16-1.

12 A Okay.

13 Q Maybe three inches down from the bottom of the page
14 it says, from Ken.Potashner@gmail.com. Dated Friday, March
15 29th, 2013. Do you see that?

16 A I see one to Ken Potashner from Juergen Stark. I do
17 not see what you're referencing.

18 Q Are you on 16-1?

19 A Yep.

20 Q And you're looking at three inches down?

21 A Oh, I see. From the top. I thought you said from
22 the bottom. Okay. Now, I see it.

23 Q Now --

24 A Let me read it, please.

25 THE COURT: Read it to yourself, please.

1 MR. APTON: Your Honor, can I take just a one-minute
2 break while Mr. Potashner refreshes his recollection?

3 THE COURT: Uh-huh. It's not really a break. He's
4 consulting with George.

5 THE WITNESS: Your Honor, could I stand up and
6 stretch my legs?

7 THE COURT: Absolutely.

8 THE WITNESS: Thank you.

9 THE COURT: And if you want to keep standing when
10 he's asking you questions, you are welcome to.

11 THE WITNESS: Okay. Thank you.

12 THE COURT: As long as you keep your voice up.

13 (Pause in the proceedings.)

14 MR. APTON: Your Honor, I'd like to renew my request
15 to admit this, as well as 120 and 121. These are e-mails
16 between parties in this action.

17 THE COURT: You know what, I got it counsel. And
18 there was a really good way for you to handle that before we
19 started. There's still a good way --

20 MR. APTON: But --

21 THE COURT: -- for you guys to handle it before
22 trial.

23 MR. APTON: Your Honor --

24 THE COURT: At some point, you're going to make the
25 offer after establishing a foundation for the document. Each

1 document, if it's not stipulated to, will have to have its own
2 foundation laid. There are many ways to lay a foundation. I
3 assume that you will get there on many of the documents that
4 are objected to, because the objections relate to the
5 particular witness you're trying to lay the foundation with.

6 MR. PEEK: Your Honor, I would suggest if Karen can
7 do the same thing Brian did, which is --

8 THE COURT: Well, I know, Mr. Peek. And I think --

9 MR. PEEK: But I don't know if she can.

10 THE COURT: -- she said she could. She and Jill and
11 doing signals.

12 MR. APTON: Your Honor, the issue is, is that --

13 THE COURT: Counsel, I understand exactly what the
14 issue is. I am well aware that this document is probably
15 communications between a bunch of parties and at some point
16 you're going to get the document into evidence.

17 MR. APTON: So are they not party --

18 THE COURT: But you would have stipulated to it
19 before, and we wouldn't be in this position. That requires a
20 give and take by both sides. That didn't happen. Nobody did
21 their job before we start trial, related to the exhibit.

22 We're going to take a ten-minute recess.

23 (Proceedings recessed at 10:04 a.m., until 10:07 a.m.)

24 (Pause in the proceedings.)

25 THE COURT: So while you guys were out of the room, I

1 took the opportunity to read the pocket brief that was filed
2 this morning. I'm not taking action on it, but I did get the
3 opportunity to read it.

4 And, Mr. Ogilvie, this is really good paper. It's
5 been a long time since I've seen paper this good.

6 MR. OGILVIE: I'm glad you appreciate that, Your
7 Honor, because it caused a fight between my wife and I this
8 morning.

9 (Pause in proceedings.)

10 MR. STIGI: Does the Court request or need a response
11 to that --

12 THE COURT: I don't.

13 MR. STIGI: -- pocket brief?

14 THE COURT: No. I am familiar with the issue that is
15 addressed in that brief --

16 MR. STIGI: I thought you would be.

17 THE COURT: -- after being around for a long time.
18 Not as long as Mr. Peek.

19 MR. HESS: Your Honor, we could have something on
20 file very quickly on that, if you want.

21 THE COURT: If you want to file something, I'm never
22 going to say no to you. But I am familiar with the issue.
23 How's that?

24 MR. HESS: Thank you.

25 THE COURT: And hopefully whoever they assign my

1 docket to will have a fast learning curve.

2 You ready to resume?

3 MR. PEEK: Yes, Your Honor.

4 THE COURT: Did we come up with a solution to your
5 exhibit issues? I know that Karen was working on a
6 next-in-order exhibit to address some of those.

7 (Pause in proceedings.)

8 THE COURT: Okay. So we are going to proceed with
9 examining the witness.

10 MR. APTON: So, Your Honor, with respect to the
11 exhibits, for those that need to be reformatted, I'll put them
12 to the side and come back to them later.

13 THE COURT: Okay. Are you guys going to do it over
14 the lunch hour? I know that Karen's been working on them over
15 there, but she'll probably have a stack of them that she'll
16 have to deliver to the clerk.

17 MR. APTON: Okay.

18 THE COURT: And you might just think of that as
19 you're going through the exhibits, if you don't have a
20 stipulation to the admission of them.

21 MR. APTON: I -- I'm sorry, Your Honor.

22 THE COURT: It's okay. It's all right. I'm not
23 blaming you. It is a group failing.

24 MR. APTON: Understood.

25 THE COURT: Stipulations require more than one side.

1 BY MR. APTON:

2 Q Mr. Potashner, if I could turn your attention to
3 Exhibit 296.

4 THE COURT: Any objection to 296?

5 MR. STIGI: Yes, Your Honor. Looks like we have
6 another one.

7 THE COURT: Okay.

8 BY MR. APTON:

9 Q Mr. Potashner, do you have 296 in front of you?

10 A I do.

11 Q And it's an e-mail from Andrew Wolfe to you; correct?

12 A Yes.

13 Q And in that e-mail was everything that appears below
14 it; correct?

15 A Repeat that?

16 Q That e-mail contains original messages underneath;
17 correct?

18 A Correct.

19 Q So you received this e-mail on March 30, 2013?

20 A Yes.

21 MR. APTON: Move to admit, Your Honor, Exhibit 296.

22 THE COURT: Without any changes?

23 MR. APTON: Is this -- without any changes. Right.

24 THE COURT: Okay. Is there a further objection to
25 296, given the limited foundation that's been laid?

1 MR. STIGI: We'll withdraw the objection.

2 THE COURT: It'll be admitted.

3 (Plaintiff's Exhibit Number(s) 296 admitted.)

4 BY MR. APTON:

5 Q Mr. Potashner, there's a lot of material in this, but
6 the Topline e-mail is from Andy Wolfe, who is one of your
7 co-directors; correct? Or was.

8 A Correct.

9 Q And he tells you to just get the deal that is best
10 for everyone with Turtle Beach; correct?

11 A Everyone -- not everyone with Turtle Beach, I view it
12 as everyone for Parametric, get the deal done with Turtle
13 Beach.

14 Q And he says, "Neither the BOD" -- board of
15 directors -- "nor the lawyers are going to get in the way of a
16 creative deal."

17 Correct?

18 A Correct.

19 Q So he's telling you to do what you think is best,
20 just get the deal; correct?

21 MR. STIGI: Objection. The document speaks for
22 itself.

23 THE COURT: Overruled. You can answer.

24 THE WITNESS: Yeah, I'm not sure whether this is --
25 you know, per the previous exhibits you brought up, there was

1 discussions on limiting the license that would have added
2 delays. So part of me feels this is likely the board saying
3 let's not put delays into the transaction. So it's -- I think
4 this was the signal that, okay, let's move the deal forward,
5 let's not put delays in it.

6 BY MR. APTON:

7 Q And Mr. Andy Wolfe was telling you to get whatever
8 deal you think is best; right?

9 A He's saying move forward and go get a good deal.

10 Q Yeah. Now, in response for that, did you try to
11 compensate him or benefit him in any way?

12 A No.

13 Q Can I please turn your attention to Exhibit 356.

14 THE COURT: 356?

15 MR. APTON: That's correct, Your Honor.

16 THE COURT: Thank you. Any objection to 356?

17 MR. STIGI: No, Your Honor.

18 THE COURT: 356 will be admitted.

19 (Plaintiff's Exhibit Number(s) 356 admitted.)

20 MR. APTON: 356 is already in evidence, Your Honor.

21 THE COURT: No, 355 was.

22 MR. APTON: Okay. My apology.

23 THE COURT: I may be wrong, but that's what my notes
24 show. The clerk said -- Do you have 355 in? Okay. The clerk
25 says you're right, Mr. Apton. She's the one who rules, not me.

1 I just have notes.

2 MR. APTON: I was told a broken clock is right twice
3 a day.

4 THE COURT: I've heard that before too. Okay.

5 BY MR. APTON:

6 Q Mr. Potashner, this e-mail is March 31st, 2013, the
7 day after Mr. Wolfe told you to just get the deal, yes?

8 A Yes.

9 Q And in this e-mail, you're telling John Todd to talk
10 to him and figure out a path to figure out how to pay ending;
11 is that a fair summary of the e-mail?

12 A The context on this is Andy was participating in the
13 technology due diligence. Andy ultimately played a key role in
14 the whole HHI negotiation. So Andy's role had been expanded
15 well beyond just the board role, analogous to what Seth
16 Putterman was doing. So this was me reaching out to see if we
17 should be treating him in the same capacity as we would treat
18 Seth.

19 No adjustments to the board compensation would occur
20 without board approval. So John Todd had no ability to make a
21 decision to increase Andy's tie, nor could I. This was talk to
22 Andy, get a sense for how much work he's doing and whether we
23 should compensate him for his work.

24 Q And you tell him to figure out a path; correct?

25 A Correct.

1 Q But Mr. Todd's not on the board; right?

2 A Correct.

3 Q So what business does John Todd have in determining
4 how to pay Andy?

5 A I didn't ask him to determine how to pay Andy. I
6 asked him to work with Andy to get a sense -- I said talk to
7 him, talk to Andy and see what his expectations might be. And
8 it was on time committed and possible compensation.

9 Q And is it your testimony that this e-mail, 356, has
10 nothing to do with what Andy told you the day prior?

11 A 100 percent unrelated.

12 Q Now, did you also nominate Andy Wolfe to serve on the
13 board --

14 A And -- I'm sorry.

15 Q -- of the post-merger company?

16 A So the previous e-mail you showed me was not Andy
17 giving me his position, it was Andy representing the position
18 of the board. So Andy didn't give me anything. Andy was
19 communicating to me that the board said move ahead. So Andy
20 didn't do anything more than communicate a message from the
21 board.

22 Q Did you nominate Mr. Wolfe to serve on the board of
23 the post-merger company?

24 A I did.

25 Q And when was that?

1 A That -- I don't know the exact date, but it would
2 have been late -- later in the process.

3 Q Can you please turn to Exhibit 283.

4 THE COURT: 283?

5 MR. APTON: That's correct.

6 MR. STIGI: No objection.

7 THE COURT: Be admitted.

8 (Plaintiff's Exhibit Number(s) 283 admitted.)

9 BY MR. APTON:

10 Q Now, Mr. Potashner, this is an e-mail chain between
11 you and Mr. Wolfe; correct?

12 A Correct.

13 Q And on April 23rd, 2013, you told him that you
14 proposed -- Mr. Wolfe, you proposed for the new board to
15 Juergen; correct?

16 A Correct.

17 Q Do you have authority from your current board to do
18 that when you spoke to Juergen?

19 A I would have talked to the Parametric board about my
20 thoughts on going forward, board members, yes.

21 Q So you're saying you had authority from the board to
22 propose Andy Wolfe for the NewCo board as of April 23rd, 2013?

23 A I believe -- I'm not certain, but I believe I did.
24 And proposing somebody, I clearly could not appoint somebody to
25 Juergen's board; right? So it was a -- here's who I think

1 would be the best guy. I also proposed myself.

2 Q Did you get board authority for proposing yourself
3 before doing so?

4 A I don't recall the discussions, but I would have told
5 the board that here's what I'm thinking. But, quite frankly,
6 I'm not -- I can't remember whether I suggested to Juergen,
7 here's the guys you might want, you know, me and Andy, or
8 whether I proposed it to the board. But it's irrelevant in
9 that the nominations to the new board would have been
10 determined by the Parametric board.

11 Q Can I turn your attention to Tab 153.

12 THE COURT: Any objection to 153?

13 MR. STIGI: No objection.

14 THE COURT: Be admitted. Thank you.

15 (Plaintiff's Exhibit Number(s) 153 admitted.)

16 BY MR. APTON:

17 Q This is a -- snips of e-mail chain. But I'd like to
18 turn your attention to page 2, top e-mail, July 1, 2013; do you
19 see that?

20 A Yes.

21 Q And here you are also recommending Andy Wolfe for the
22 new board; correct?

23 A I see that I went through each board member's
24 locations and things like that, and included -- here's the best
25 bet, yes.

1 Q Now, given your experience as a director in public
2 companies, a board position at a public company comes with
3 compensation; is that right?

4 A Yes.

5 Q Can I turn your attention to Tab 100, please.

6 A 100?

7 Q Yes.

8 A Uh-huh.

9 THE COURT: Any objection to 100?

10 MR. STIGI: No, Your Honor. No objection.

11 THE COURT: 100 will be admitted.

12 (Plaintiff's Exhibit Number(s) 100 admitted.)

13 BY MR. APTON:

14 Q This is an e-mail dated July 3rd of 2013 from you to
15 Mr. Stark; correct?

16 A Correct.

17 Q And second paragraph, you are highly recommending
18 that you and Mr. Wolfe join the board of the NewCo; correct?

19 A Yes.

20 Q You had authority from the board at this time to do
21 that?

22 MR. STIGI: Objection. Assumes that board authority
23 was required before making such a proposal.

24 THE COURT: Overruled. But I know that part.

25 MR. STIGI: Thought so.

1 THE WITNESS: Yeah, I -- again, I am sure I told the
2 board who I -- what my thoughts were, and I'd like to believe
3 that they supported the thoughts. I do recall discussions
4 where Bob Kaplan raised the prospect of him going forward. I
5 do know, specifically, that Woody was going to move into the
6 new company, so he would be there present. So my anticipation
7 is this was done with board -- it clearly was done with board
8 dialogue, and I don't recall exactly what the procedure was for
9 formal vote to say here's our two nominated participants.

10 So I -- but this was not done in the dark, I guess,
11 is my summary.

12 Q Okay. But there came a time when a press release was
13 issued announcing yourself as a director for the NewCo; do you
14 recall that?

15 A No.

16 Q And, I suppose, do you recall what your board
17 members' response to that press release was?

18 A No.

19 Q We'll come back to that, Mr. Potashner. As merger
20 negotiations progressed, were your interactions with Turtle
21 Beach or VTB Holdings influenced at all by your interests in
22 HHI?

23 A As I mentioned earlier, that yeah, I was lobbying to
24 protect HHI. So they were influenced in the context that I was
25 negotiating for certain treatment of HHI.

1 Q So how was your conduct influenced?

2 A I would have had discussions with Juergen on why --
3 initially, why I don't think it should be part of the deal, and
4 ultimately, the -- would have transitioned to, okay, it is part
5 of the deal, but, you know, keep it as an entity. And keep in
6 -- you know, the incentive plans in place to reward those that
7 are associated with it, to evolving further as Juergen took
8 positions of dismantlement and things of that nature to, okay,
9 the board wants this deal, let's fold up camp on HHI and we,
10 you know, we'll relinquish our -- I'll relinquish my energies.

11 Q But did you take any actions that could have been
12 adverse to the interests of Parametric shareholders?

13 A Just the opposite. I was fighting for what I thought
14 was the largest value opportunity to the Parametric
15 shareholders. At some point the other board members, of
16 course, felt that I was adding risk to the deal, and they would
17 have concluded that even a deal that obviated HHI was still a
18 good deal for the shareholders. And I was, no uncertain terms,
19 told to stop fighting the HHI war. And we did, and we -- yeah,
20 as I said, we yielded to the request of Turtle Beach and we
21 facilitated the transaction.

22 Q So --

23 A And it was still a very good transaction for the
24 shareholders. I would have -- you know, my beliefs and the
25 rest of the boards' beliefs were different. And the rest of

1 the board, you know, carried the day.

2 MR. APTON: Your Honor, can I move that response as
3 nonresponsive, move to strike it?

4 THE COURT: You can move it. Yeah. Denied.

5 MR. APTON: Oh. Okay.

6 THE COURT: Okay.

7 BY MR. APTON:

8 Q But you still -- but, Mr. Potashner, the actions that
9 you took, I asked if any of them were adverse to the interests
10 of Parametric shareholders. So, for example, did you delay
11 positive announcements?

12 A No, I did not.

13 Q Did you cancel licensing deals?

14 A I -- no.

15 Q Okay.

16 A I did not cancel licensing deals; I did not delay
17 announcements; I did not delay licensing deals. However, it's
18 important to say this: I used the threat of that in a
19 negotiated tactics with Turtle Beach.

20 Q Okay. And did you provide them with various terms,
21 such as a breakup fee that might have been very favorable to
22 Turtle Beach?

23 A The -- yeah, breakup fees on public transactions
24 usually are a small percent of the deal value. So the value of
25 what we would have gotten from a breakup fee from Turtle Beach

1 would have been consistent with norms. What we -- again, in
2 the negotiating context, it was told to Turtle Beach, hey,
3 we're giving you a great deal on this license from a breakup
4 perspective. So, again, the difference between what's normal,
5 which we operated within those zone, versus what we were
6 representing.

7 Q Can I turn your attention to 26, please, Mr.
8 Potashner?

9 MR. STIGI: Sorry, what number, Adam?

10 MR. APTON: 26. 2-6.

11 MR. STIGI: 2-6, thank you.

12 THE COURT: Any objection to 26?

13 MR. STIGI: No, Your Honor.

14 THE COURT: Be admitted.

15 (Plaintiff's Exhibit Number(s) 26 admitted.)

16 BY MR. APTON:

17 Q Now, Mr. Potashner, this is an e-mail dated March
18 28th, 2013. And I'd like to direct your attention to the first
19 e-mail in the chain, so at the bottom of the page.

20 A Okay.

21 Q Now, this is a conversation with you and Ms.
22 Kenworthy; correct?

23 A I'm reading it.

24 MR. PEEK: Could you scroll to that first e-mail,
25 please. Thank you.

1 THE WITNESS: Okay.

2 BY MR. APTON:

3 Q Now, who's Ms. Kenworthy?

4 A She's a officer, I think, within Stripes. So the
5 parent owner of Turtle Beach.

6 Q What was her role in the merger negotiations?

7 A Not clear. Occasionally, she would -- she'd show up
8 with inputs, but I don't know what her formal role was.

9 Q What type of inputs would she show up with?

10 A At times she would give flavor to how Stripes might
11 be thinking about an issue.

12 Q What do you mean by flavor?

13 A So there was an example of it on this page, that
14 she's wanting to know who we're working closely with at
15 Houlihan.

16 Q Is it fair to say that she represented Stripes'
17 interest in the whole negotiation?

18 A I --

19 MR. HESS: Objection.

20 THE WITNESS: I assume so.

21 THE COURT: Overruled.

22 BY MR. APTON:

23 Q You assume so?

24 A I assume she was representing Stripes' interest.

25 Q And what's your basis for assuming that?

1 A She was a Stripes employee.

2 Q Not just an employee, but apparently senior; correct?

3 A I don't -- I'm, actually, not aware of where she fit
4 in the organization.

5 THE COURT: Overruled.

6 BY MR. APTON:

7 Q Did she work closely to Mr. Ken Fox?

8 A I don't know how closely they worked. I know they
9 communicated.

10 Q So with respect to the e-mail, the second paragraph
11 in the e-mail --

12 A Uh-huh.

13 Q -- you say, "I will suspend advancing any licensing
14 discussions by any parties while we have our discussions with
15 TB Stripes."

16 Correct?

17 A That's what it says. That's not what happened.

18 Q Because that would have been adverse to the interest
19 of primary shareholders.

20 A Yeah, this is the real estate agent saying if you
21 don't buy the house this week, I've got three other clients
22 that are going to schedule to see the house next week.

23 Q And this was as --

24 A So I can hold off those three clients and give you a
25 chance to buy it.

1 Q And this was -- sorry.

2 A Is that -- do you understand that?

3 Q I understand what you're saying. I just don't --
4 where is that communicated in the body of this e-mail that you
5 wrote on March 28th, 2013?

6 MR. STIGI: Objection.

7 THE COURT: Overruled.

8 THE WITNESS: I'm not sure I understand the question.

9 BY MR. APTON:

10 Q Well, you provided an interpretation of the e-mail
11 that you wrote --

12 A Yeah, March --

13 Q -- March 28th, and I'm asking you where is that --

14 A Well, I'm clarifying this e-mail for you. This is me
15 telling Karen that I will suspend licensing discussions at the
16 time that I've absolutely zero interest or motivation to
17 suspend licensing discussions. It's in my best interests to
18 move all licensing discussions forward, as well as look at
19 other buyers for the company, which we did, as well, folks like
20 Amazon. So --

21 Q Yeah, and you were --

22 A So I'm representing to her, I know I represented to
23 Juergen several times, that you need to move quickly, I'm
24 holding up press releases, I'm delaying licensing. You know,
25 I've got all this pressure. You've got to either get this deal

1 done now or that window's going to be gone. So what do you
2 want me to do?

3 Q And it was in your interests to advance licensing
4 discussions as well as the interests of Parametric
5 shareholders; correct?

6 A Yeah. Absolutely. Because I -- you know, I go into
7 having done many transactions, I mean, any good deal almost
8 dies three times in my simple philosophy. And any deal that
9 you do, there's a 50 percent likelihood that it's not going to
10 happen anyway.

11 So the last thing I could afford to do is weaken the
12 company, you know, with a strong likelihood that this deal
13 never got consumed. So --

14 Q Doing that would have been a breach of your --

15 MR. STIGI: Your Honor, can --

16 THE COURT: You've got to let him finish.

17 MR. STIGI: -- the witness finish, please.

18 THE COURT: Yes.

19 MR. APTON: Okay.

20 THE COURT: Yes. Would you finish, Mr. Potashner.

21 THE WITNESS: So I consistently did two things, which
22 is drove the company forward with my capacity, took this
23 company from 100,000 value to 100 million value. And I didn't
24 do that by sitting on my hands. And represented in every way I
25 knew how to put pressure on Juergen to get this transaction

1 done quickly. All right. The transactions are a huge time
2 sink or they're a distraction, all those things. So I put any
3 -- every energy I could to putting pressure mechanisms on
4 Juergen to get this deal done, including -- and the big one was
5 licensing that, hey, he wanted exclusive license for gaming and
6 beyond. The last thing he wants me to do is sell a license to
7 Sony, who would then compete with him. Right? So this is,
8 hey, Juergen, if you don't move quickly, Sony's going to be
9 competing with you. So that's the context of these e-mails and
10 e-mails like this.

11 Q So you said you put pressure on Juergen, but in the
12 e-mail, you're telling Kenworthy that you're suspending
13 advancing any licensing discussion. Isn't that the opposite of
14 putting pressure on them?

15 A No, it's the same. It's me creating, hey, I'm doing
16 this for you to get this deal done now, but I'm not going to do
17 this very long.

18 Q So you're --

19 A So you have a window, Karen and Juergen, to get this
20 deal done. That I've got hot opportunities in the hopper that
21 I'm delaying for you to get this done. And as I mentioned,
22 zero delays, as a matter of fact, the scrambling to accelerate
23 things.

24 Q If I could turn your attention to Exhibit 154.

25 THE COURT: Any objection to 154?

1 MR. STIGI: No, Your Honor.

2 THE COURT: Be admitted.

3 (Plaintiff's Exhibit Number(s) 154 admitted.)

4 BY MR. APTON:

5 Q And, specifically, the second page, Mr. Potashner.

6 Now, the second e-mail from the top, on March 29, 2013,

7 12:03 p.m.

8 A Okay.

9 Q Do you see that?

10 A Yes.

11 Q So this is an e-mail in which you tell Juergen not to
12 be "overly concerned" by the stock run-up, and that we have
13 choices in terms of where we assign valuation. But -- and you
14 go on to say that you plan on delaying announcements for as
15 long as possible of accumulated unannounced wins; is that
16 putting pressure on Mr. Stark to do the deal?

17 A Exactly.

18 Q How so?

19 A That I'm signaling to him that I have deals that I
20 can announce that will make this company more valuable. And
21 therefore, if you would assume it could impact the exchange
22 rate, the affordability of Turtle --

23 Q In the -- sorry.

24 THE COURT: Go to let him finish.

25 THE WITNESS: All right. So I'm putting pressure

1 that, hey, the company's trading at X now, so you'd better get
2 this deal done now, because I've got announcements I'm holding
3 back that can make this company, you know, 30 percent more
4 valuable and you're going to have to pay more for this company.
5 So --

6 BY MR. APTON:

7 Q It would have been fair both to Parametric
8 shareholders too; correct?

9 A I agree.

10 Q But if the exchange rate was adjusted in Parametric's
11 favor because of these accumulated unannounced wins, it would
12 have been favorable, it would have benefited the interests of
13 Parametric shareholders; correct?

14 A So the real estate analogy --

15 Q No, no --

16 A -- my gut is that real estate didn't have three other
17 clients coming next week. All right. So there was not --
18 there was no hold-back of announcements. There was the threat
19 of holding back announcements.

20 MR. APTON: Move to strike as nonresponsive.

21 THE COURT: Denied.

22 BY MR. APTON:

23 Q Mr. Potashner, I asked you a yes-or-no question.
24 Would announcing these accumulated unannounced wins have been
25 beneficial for Parametric shareholders?

1 A And my response is there were no wins.

2 Q Okay. I asked you a yes-or-no question.

3 THE COURT: The answer he gave you is responsive,
4 counsel.

5 BY MR. APTON:

6 Q Mr. Potashner, could I turn your attention to Exhibit
7 109.

8 THE COURT: Any objection to 109?

9 MR. STIGI: No objection.

10 MR. HESS: No objection, Your Honor.

11 THE COURT: Be admitted. Thank you.

12 (Plaintiff's Exhibit Number(s) 109 admitted.)

13 BY MR. APTON:

14 Q So, Mr. Potashner, this is an e-mail between you and
15 Mr. Stark dated April 4th, 2013?

16 A Yes.

17 Q And the bottom e-mail on the first page, you give Mr.
18 Stark an update on Qualcomm; correct?

19 A Correct.

20 Q So Qualcomm was a licensing deal?

21 A Qualcomm was a discussion. It was not a -- never
22 advanced to -- never advanced to licensing discussions.

23 Q Why not?

24 A We weren't ready. The technology wasn't ready yet.

25 Q Did it have anything to do with you delaying or

1 slowing down those discussions?

2 A No.

3 Q In the first paragraph, you write, "I will slow play
4 until you and I decide where we are taking things."

5 Correct?

6 A Correct.

7 Q Can I turn your attention to Exhibit 145, please.

8 A And do you need me to repeat what I've mentioned
9 before, that I did not slow-play anything, I represented that
10 as a negotiating position with Juergen?

11 Q So --

12 A Just for the record.

13 THE COURT: Sir, you -- it's in the record. If you
14 want to say it more times, you are welcome to say it as many
15 times as you want to.

16 THE WITNESS: Thank you.

17 BY MR. APTON:

18 Q All right. If I could turn your attention to Exhibit
19 145.

20 THE COURT: Any objection to 145?

21 MR. STIGI: No, Your Honor.

22 THE COURT: 145 will be admitted.

23 (Plaintiff's Exhibit Number(s) 145 admitted.)

24 / / /

25 BY MR. APTON:

1 Q So, Mr. Potashner, this e-mail is from you to Mr.
2 Stark, April 4, 2013. And it relates to what you refer to as
3 Mick-D. That's McDonald's; correct?

4 A Correct.

5 Q So you had a deal with McDonald's of some sort?

6 A No. I put a couple products in their restaurant for
7 free. So there was no business transaction.

8 Q But, still, a positive development for Parametric;
9 correct?

10 A Yes.

11 Q Because you filed an 8-K about it, yes?

12 A Yes, we filed an 8-K, I believe.

13 Q And the --

14 A Someone got this --

15 Q 8-Ks are necessary to disclose material events under
16 the securities laws; is that correct?

17 MR. STIGI: Objection. Misrepresents the law.

18 THE COURT: Overruled.

19 THE WITNESS: I'm sorry, ask the question again?

20 BY MR. APTON:

21 Q 8-Ks are necessary to disclose material events?

22 A Yes.

23 Q Now, how come you didn't issue a press release?

24 A The 8-K in itself, the 8-K is a release.

25 Q Well, in your e-mail you draw a distinction between

1 an 8-K and a full press release; correct?

2 A Yes.

3 Q And you say that the latter would have been deemed
4 "bad form," yes?

5 A Yeah. I -- again, at this point, I'm not sure
6 whether press release was -- occurred or not. But I'm sure the
7 8-K would have had the same effect. And representing to
8 Juergen again that, hey, Juergen, I'm doing what I can to, you
9 know, to keep this deal alive. Please get this tone.

10 Q But the words are, "You're taking one for the team?"

11 A Yeah. I'm taking one for the team. I'm taking one
12 in the context of let's get this deal done.

13 Q Did you view yourself as being on the same team as
14 him at this point in time?

15 A I was trying to motivate him to get this deal done,
16 because it was in the best interests of Parametric
17 shareholders.

18 Q Would a full press release about the McDonald's
19 installation have had any effect on Parametric's stock price,
20 in your opinion?

21 A I think the 8-K would have had the full effect.

22 Q So then why would a press release have been bad form?

23 A It's, again, it's me demonstrating to Juergen, hey,
24 I'm holding back the goods here. I got this deal done, Juergen.
25 Look, I'm -- you know, there's only so much I can do in terms

1 of holding things back.

2 Q Could I turn your attention to Exhibit 110.

3 THE COURT: Any objection to 110?

4 MR. STIGI: No, Your Honor.

5 BY MR. APTON:

6 Q So I previously asked you about the potential effect
7 of a press release on Parametric stock price. And this is an
8 e-mail from you to Mr. Stark, April 8, 2013, where you tell him
9 that your stock price has come under "substantial pressure" in
10 the last couple of days; do you see that?

11 A Yes.

12 Q So is there anything that you think you should have
13 done at this point in time to defend the stock price?

14 A I think I would have been acting consistent with how
15 I've always acted relative to press releases. So I did no
16 changed behavior. It's the dichotomy between the -- putting
17 information out into the public market to give up dates on
18 where the company is, is one channel, and the other channel is
19 what I'm telling Juergen. And, again, consistently my
20 discussions with Juergen were in the context of trying to
21 motivate him to get this deal done.

22 Q And can I turn your attention to Exhibit 111, please.

23 THE COURT: Any objection to 111?

24 MR. PEEK: Just a moment, Your Honor.

25 THE COURT: Okay.

1 MR. PEEK: No objection.

2 MR. STIGI: No objection.

3 THE COURT: Be admitted.

4 (Plaintiff's Exhibit Number(s) 111 admitted.)

5 BY MR. APTON:

6 Q Now, Mr. Potashner, this is an e-mail from you to Mr.
7 Stark. Again, the underlying -- or the original message is
8 from a gentleman or -- named Ravi at Qualcomm to you, dated
9 April 5, 2013; do you see that?

10 A Yes.

11 Q And Ravi says, "We would be interested in a potential
12 licensing discussion."

13 Yes?

14 A Yes.

15 Q Now, you then say to Mr. Stark, "I think it makes
16 sense for me to advance this discussion."

17 And Mr. Stark responds, asking you to "slow roll" it;
18 do you see that?

19 A Yes, and I think some --

20 Q Would you agree, yes?

21 A Of course I would not slow roll Qualcomm.

22 Q But did you?

23 A But I would tell Mr. Stark that I will slow roll
24 Qualcomm.

25 Q So is it your testimony, that you did not slow roll

1 Qualcomm?

2 A 100 percent.

3 Q And so what happened with Qualcomm?

4 A We would have -- I don't recall the specifics, but we
5 would have set up a meeting with them and had a meeting with
6 them, and look to advance the discussions.

7 Q But you didn't?

8 A No, I'm saying I -- my assumption is we did.

9 Q Okay.

10 A Had discussions with Qualcomm.

11 Q So did you strike a licensing deal with Qualcomm?

12 A We didn't strike a licensing deal with anybody,
13 except, I think, a group called Epsilon, small deal. And that
14 the technology was just not mature enough yet to advance -- you
15 know, to get things to licensing deals.

16 Q So tell me about the discussions between you and
17 Qualcomm in connection with this place --

18 A I don't remember specifics, other than probably a
19 half a dozen to a dozen companies' big names.

20 Q Just Qualcomm. Sorry. Just --

21 A Well, yeah, so I don't recall specifics, but I would
22 assume we got together and we gave them a demonstrations of
23 technology.

24 Q And do you remember any e-mails that you sent with
25 Robbie or any particular meeting locations with Robbie?

1 A I don't recall the specifics, but I can 100 percent
2 guarantee I would have responded to this with, Let's get
3 together, when can you get together?

4 Q If I could turn your attention to Tab 108.

5 THE COURT: Any objection to 108?

6 MR. STIGI: No objection.

7 MR. HESS: None, Your Honor.

8 THE COURT: Be admitted.

9 (Plaintiff's Exhibit Number(s) 108 admitted.)

10 BY MR. APTON:

11 Q So, Mr. Potashner, in the second -- well, I should
12 back up. This is an e-mail from you again to Mr. Stark dated
13 April 15, 2013; correct?

14 A 108? Hold on. I'm on the wrong page. Okay. Go
15 ahead.

16 Q Now, you're forwarding Mr. Stark a discussion with an
17 entity that you refer to as SIIG; correct?

18 A Correct.

19 Q And you tell him that, "This is one of the license
20 deals I have frozen."

21 Do you see that?

22 A Correct.

23 Q Why did you freeze that deal?

24 A I didn't.

25 Q Okay.

1 A I represented to Mr. Stark that I did, but I did not.

2 Q And that deal would have been beneficial to
3 Parametric shareholders; correct?

4 A Again, there was no deal. It turns out that this
5 fellow -- because this one I do recall -- he was actually an
6 intermediary representing -- he represented significant
7 companies in China, but he was a decision-maker and there was
8 nothing that came out of the dialogues with him except a wasted
9 trip to China.

10 Q And that's --

11 A So I ended up getting a blood clot on -- so I
12 remember this one.

13 Q And according to your e-mail, at least, you say that
14 if you had signed it and announced it, stock -- Parametric
15 stock would have been in the 20s; correct?

16 A Yes. And, again, I was negotiating with Juergen
17 effectively through this communication.

18 Q Negotiating for what?

19 A Looking to put pressure on him to get the deal done,
20 that I've got all these other opportunities circling the -- get
21 the deal done now.

22 Q And did that desire to get the deal done have
23 anything to do with your interest in HHI?

24 A Did -- repeat the question, please.

25 Q Did that desire to get the deal done have anything to

1 do with your interest in HHI?

2 A No, the deal was a good deal for the shareholders.
3 So it was a question of, hey, what flavor of deal do we get
4 done? Right? So yes, I absolutely would have liked to have
5 the deal done per my initial desires, which was excluding HHI.
6 Shareholders, I thought, would have been got a better
7 opportunity and I would have benefited as well. But the deal
8 made sense without HHI. I just personally felt it was a better
9 deal with the exclusion of HHI.

10 Q Can I please turn your attention to Exhibit 277.

11 THE COURT: Any objection to 277?

12 MR. STIGI: No, Your Honor, no objection.

13 THE COURT: Be admitted. Thank you.

14 (Plaintiff's Exhibit Number(s) 277 admitted.)

15 BY MR. APTON:

16 Q Mr. Potashner, this is an e-mail from you to Mr.
17 Stark dated May 25, 2013, a Saturday; correct?

18 A Correct.

19 Q And you say in your e-mail to him, "Withholding
20 license deals an announcements is contrary to the
21 responsibility that I have."

22 To what responsibility are you referring?

23 A It's my responsibility to do -- every decision I make
24 should be consistent with shareholder -- acting on the behalf
25 of my shareholders and maximizing their valuation.

1 Q Parametric shareholders; correct?

2 A Correct. And, as I've said repeatedly, I behaved in
3 that capacity consistently, period.

4 Q Your e-mails suggest otherwise; would you agree?

5 A My e-mails represented to Mr. Stark that, hey, I'm
6 holding things off to let you guys in on this deal cheap, get
7 in on the deal now. My assumption, by the way, is Mr. Stark
8 realized what I was doing, because often there was not -- of
9 this panic on Juergen's part or on Stripes' part. So I was
10 playing poker, he was playing poker back. I think there was a
11 common language that was being deployed, and he -- you know,
12 but it was the right place for me to make -- try to get this
13 deal done.

14 Q You said --

15 A Negotiating. It would have been the wrong thing if I
16 was, indeed, slowing things down and I never slowed things
17 down.

18 Q Two questions. One, if your e-mails were to be
19 believed, then you would agree that you were acting contrary to
20 your responsibilities to Parametric shareholders; correct?

21 MR. STIGI: Objection.

22 THE COURT: Overruled.

23 THE WITNESS: If I was, indeed, slowing down
24 licensing deals, that would be a problem.

25 BY MR. APTON:

1 Q And second question, you just said Juergen know what
2 you were doing. Correct?

3 MR. STIGI: Objection.

4 THE WITNESS: No, I'm -- so I'm --

5 THE COURT: Overruled.

6 THE WITNESS: So if the real estate agent says I've
7 got three people coming next week to see the house --

8 THE COURT: Sir, we don't need you to explain over
9 and over again that you were cussing.

10 THE WITNESS: They may have won. They may have won;
11 right? So I think it's a matter of degree that Juergen likely
12 did not believe that I did all these things, but he might have
13 believed some of it; right? Which would have been fine, as
14 well.

15 BY MR. APTON:

16 Q Well, then --

17 A So I believe the approach I took to put continual
18 pressure on Mr. Stark to get this transaction done did have
19 benefits in moving the transaction forward. Whether he
20 believed all of my claims, I can't speak on his behalf.

21 Q Did Juergen think you were a liar?

22 MR. STIGI: Objection.

23 THE COURT: Sustained.

24 MR. APTON: Let's move on.

25 THE COURT: Thank you.

1 BY MR. APTON:

2 Q Exhibit 137.

3 THE COURT: 137? Any objection to 137?

4 MR. HESS: No objection.

5 MR. STIGI: No objection.

6 THE COURT: Be admitted. Thank you.

7 (Plaintiff's Exhibit Number(s) 137 admitted.)

8 BY MR. APTON:

9 Q So, Mr. Potashner, this is an e-mail between you and
10 Mr. Stark dated May 20, 2013; correct?

11 A Correct.

12 Q And I believe we're looking at the e-mail just
13 halfway down the page, Monday, May 20, 2013. You say, "I have
14 intentionally constrained the progress here."

15 You're referring to the discussions with Amazon;
16 correct?

17 MR. STIGI: Objection, Your Honor. Mr. Apton read
18 half a sentence.

19 THE COURT: Mr. Apton can read as little of a
20 sentence as he wants when he is showing the entire document to
21 the witness and the witness has an opportunity to comment on
22 the context.

23 MR. STIGI: Fair enough.

24 THE COURT: Keep going. Sir, you were answering a
25 question. Maybe?

1 THE WITNESS: I'm sorry, was -- what was the
2 question?

3 THE COURT: Were you going to answer the question or
4 do you need him to repeat it?

5 THE WITNESS: I need him to repeat the question,
6 please.

7 THE COURT: Okay.

8 BY MR. APTON:

9 Q Well, I -- in the e-mail --

10 A Yep.

11 Q -- did you see the e-mail that I'm referring to you?

12 A Yes.

13 Q Referring to? So you again say that you are -- well,
14 I'll use your words, intentionally constrained the progress of
15 the deal with Amazon; correct?

16 A I said that in this e-mail to Juergen. But what I
17 also said and did in some e-mails, as well, is told the bankers
18 immediately reach out to Amazon and see if they want to move
19 forward on buying the company now, that we may not be around
20 long. So we had a concerted effort not only with Amazon, but
21 13 other companies, trying to get stronger bids and get an
22 auction going.

23 Q You're referring to the go shop period?

24 A Before as well as go shop.

25 Q Did you take any actions during the go shop period

1 that would have prevented other bidders from coming in and
2 topping Turtle Beach's bid?

3 A No, it would have welcomed someone coming in and
4 topping the bid.

5 Q And so this is another example of you telling Stark
6 that you're slowing down other deals that could be potentially
7 beneficial to Parametric; correct?

8 A Correct.

9 Q And so if I could turn your attention to Exhibit 38.

10 THE COURT: Any objection to 38?

11 MR. HESS: Yes, Your Honor. To foundation.

12 THE COURT: Okay. Can you lay some foundation for
13 me, please.

14 BY MR. APTON:

15 Q Mr. Potashner, who's Jim Barnes?

16 A Jim was a CFO of Parametric.

17 Q And at that time in June -- on June 2nd, 2013, he was
18 a CFO at Parametric?

19 A There was CFO of Parametric all the way up to the
20 transaction.

21 Q And you were executive chairman at that time;
22 correct?

23 A Correct.

24 Q And this is an e-mail from your CFO, Mr. Barnes, to
25 you on that day, yes?

1 A Correct.

2 Q And you received this e-mail; correct?

3 MR. PEEK: Your Honor.

4 MR. HESS: Your Honor, I'm sorry, I got the wrong
5 number. Withdraw the objection.

6 THE COURT: Okay.

7 MR. HESS: I apologize.

8 THE COURT: Be admitted.

9 (Plaintiff's Exhibit Number(s) 38 admitted.)

10 BY MR. APTON:

11 Q So, Mr. Potashner, on June 2nd, 2013, I'm going to
12 refer you to the second e-mail in the chain from the top.

13 A Okay.

14 Q It's from you to Jim Barnes. And it refers to a
15 conversation you had with Juergen; do you see that?

16 A Correct.

17 Q So did Juergen tell you not to defend the stock price
18 in that --

19 A So what's really --

20 Q Sorry, sorry, sorry. If I could just finish. In
21 that the "premium on the deal will look better"?

22 THE COURT: Okay.

23 THE WITNESS: I don't recall --

24 THE COURT: Can you answer the question?

25 THE WITNESS: I don't recall, but what's real key is

1 the line where it's saying I'm not going to allow the stock to
2 fall. Right? So I'm actually telling you here that I'm taking
3 actions not to -- that I am defending the value of the company.
4 So regardless of what Juergen might want I am defending this
5 company. So that, to me, is a key statement.

6 And this is the internal. This is me to my -- to Jim
7 Barnes. This isn't me to Juergen. Now, the Juergen
8 discussions (indiscernible) do what it takes to get a good
9 deal. But internally, this is, hey, I'm defending the company.

10 BY MR. APTON:

11 Q Sure. So internally --

12 A And consistent with that, I would welcome you finding
13 any e-mails to the board or to Jim or to anyone internal to the
14 company where I'm saying I'm holding back licenses or things of
15 that nature. Simply because that didn't exist.

16 Q So, internally, you wouldn't have had the need to, as
17 you said before, play poker; correct?

18 A Correct.

19 Q So there's no reason for you to doubt the validity or
20 veracity of what you write in your e-mails to Mr. Barnes;
21 correct?

22 A Correct.

23 Q And then if I could turn your attention to Exhibit
24 105, please.

25 A Although I will add one things, that, you know, Jim

1 was support -- when things got sideways with the rest of the
2 board members, Jim was clearly on the rest of the board member
3 camp. So there's -- you know, there was a tension level
4 between Jim and myself.

5 MR. APTON: I retract the 105, guys. I have a --
6 something going on here.

7 THE COURT: Okay. So we're not going to 105.

8 BY MR. APTON:

9 Q But I would like to go to 106, please.

10 THE COURT: So we go to 106 instead.

11 MR. APTON: I'm sorry, Steve?

12 THE COURT: 106.

13 MR. APTON: 106.

14 MR. HESS: No objection.

15 MR. STIGI: No objection.

16 THE COURT: Be admitted.

17 (Plaintiff's Exhibit Number(s) 106 admitted.)

18 BY MR. APTON:

19 Q So, Mr. Potashner, this is another e-mail from you to
20 Mr. Stark, June 2nd, 2013. You say, I'm still in a precarious
21 situation delaying licensing -- or licenses that bring us
22 economic value and validation. Do you see that?

23 A Correct.

24 Q Were you telling the truth in this e-mail?

25 A No. I was negotiating with Juergen to try to

1 motivate him to get the deal done quicker.

2 Q Because had you been delaying licenses, you, in fact,
3 would have been in a precarious situation, in your words;
4 correct?

5 A I never would delay a license.

6 Q But my question was if you were, you would have been
7 in a precarious situation; correct?

8 A Yeah, I don't know what your definition of precarious
9 is. But I -- yeah, it would be -- I would be violating my
10 fiduciary responsibilities if I were doing things that
11 compromised the company. Therefore, I would never do that.

12 Q Can I turn your attention to Exhibit 56, please.

13 THE COURT: Any objection?

14 MR. HESS: No, Your Honor.

15 MR. STIGI: No.

16 THE COURT: Be admitted.

17 (Plaintiff's Exhibit Number(s) 56 admitted.)

18 BY MR. APTON:

19 Q So, Mr. Potashner, this is an e-mail between you and
20 Mr. Stark, dated July 20, 2013.

21 And I would like to direct your attention to the
22 original e-mail, so it's the paragraph that starts, "I wouldn't
23 lose the deal."

24 Do you see that?

25 A Correct.

1 Q And you say you wouldn't lose the deal. Does that
2 mean you wouldn't walk away from the merger?

3 A I'm not clear on what that means.

4 Q Well, what do -- what did you mean when you wrote it?

5 A I wrote it eight years ago. I don't -- I'm not sure
6 what the context is.

7 Q Would you agree that it suggests that you would
8 choose the merger over the SIIG license?

9 A That -- it could mean -- that's -- it could mean the
10 opposite. It could mean I'm not going to walk away from the
11 SIIG license.

12 Q But in the second sentence you write, I am okay with
13 you having veto rights on all licenses. So --

14 A Okay.

15 Q -- in light of that, does that provide you any
16 context as to the meaning of the first sentence?

17 A I'm not sure -- again, I'm not clear on what the
18 context is.

19 Q Did you have board authority to provide Mr. Stark,
20 someone whom you're actively negotiating with, a veto right on
21 all licensing?

22 A Again, I would be speculating, but there could be
23 things inserted into licenses. I don't recall whether this
24 dialogue was an exclusive and why it was. But it could have
25 impacted the license in such a way that if there was an

1 acquisition later, that it could have given flexibility. So
2 again, that is all the different things this could have been.

3 Q But I mean, this suggests that you're giving him veto
4 rights on all licenses; right? Yes or no, Mr. Potashner.

5 A I'm not sure -- I don't know the context.

6 Q Well, in response he says, Okay, good. You agree
7 with that; right?

8 A Yes.

9 Q Okay. So whatever it was, whatever the context was,
10 he was appreciative, would you agree?

11 A Okay, good. Yeah.

12 Q So yes?

13 A Yeah. Again, I don't have enough context to give a
14 definite of what this is. Because there was no license with
15 SIIG, I can tell you that.

16 Q So without your recollection, all we have to go on is
17 what's -- the words on this page. Would you agree with that?

18 A I'm stating that there was no SIIG license, so it's
19 kind of irrelevant in my mind. There were no licenses that
20 Juergen or Turtle Beach were given detail rights on, period.
21 So it's -- yeah, so it's -- I'm not sure what the context of
22 this is, but I know that there were no licenses that were
23 impacted.

24 Q Now, about the breakup fee, which we discussed
25 earlier. Was it your suggestion to provide Turtle Beach with

1 an exclusive license as part of that breakup fee?

2 A There was discussions in terms of the width of that
3 license. So it's a -- they were looking for an exclusive for
4 some reference having to do with gaming.

5 Q Gaming; right?

6 A Yes. That would have been the predominant interest.

7 Q And what sort of impact would that have had on
8 Parametric's ability to find another buyer, given --

9 A Yeah.

10 Q -- it's technology?

11 A So ironically, giving them a license for free would
12 have had a positive impact on Parametric shareholder value.
13 It's the -- it would have been a legitimization step that
14 Turtle Beach, the world's largest gaming provider -- headset
15 provider, just gave this company a huge stamp of they're using
16 their technology.

17 So I had very little concern with, you know, with the
18 economics of that license and the breakup fee. I knew the
19 value -- and there were economic considerations of that license
20 associated with it. But there were so many other applications
21 that we were looking for, for the technology, ranging from
22 museums to the McDonald's, to the health, that having a company
23 like Turtle Beach legitimize it, even though that's a
24 subsidized license, would have been a very good deal for
25 Parametric.

1 Q And if I could turn your attention to Exhibit 138.

2 MR. APTON: I'm not moving to admit at this time.

3 THE COURT: Okay.

4 BY MR. APTON:

5 Q I would like to ask you a question about a
6 conversation you had with Mr. Stark. And I'm hoping that the
7 content of Exhibit 138 will refresh your recollection as to
8 that conversation.

9 So if I could direct your attention to the bottom of
10 the page, Mr. Stark's e-mail.

11 A Okay. Sure.

12 Q And it relates to a conversation that the two of you
13 had concerning the breakup fee. Do you recall that
14 conversation?

15 A I don't recall the conversation. But I can read --
16 I'm reading this.

17 Q Okay.

18 THE COURT: After you've read it, let us know if it
19 refreshes your memory.

20 THE WITNESS: Okay. So what I do recall is that
21 the -- if they wanted a license, a very broad license, that I
22 took a position that, hey, that license would need to be
23 commensurate with the total valuation of this company; right,
24 if you want to go broad.

25 So with the assumption that that's not what you're

1 looking to do, you need to narrow the license. And we'll
2 figure out how to economically approach that.

3 And then there was a secondary discussion, which is,
4 gee, this deal doesn't happen in the context of a breakup fee
5 to give licensing rights.

6 And there again, the steering paradigm was what's
7 traditional in a breakup fee valuation? And it's usually a
8 single digit percent -- 3 or 4 percent of the total deal value.
9 So we were -- put energy into, okay, what's -- you know, what's
10 a commensurate appropriate breakup fee in the context of a
11 licensing deal?

12 So that was -- that influenced how to create the
13 economics for the breakup fee.

14 BY MR. APTON:

15 Q So the breakup fee you were discussing was in line
16 with market value at the time? Is that your testimony?

17 A I think it would have been substantially above market
18 value for the breakup fee.

19 Q And that was because giving them a breakup -- a
20 license in gaming as part of the breakup fee, would have had
21 what effect on Parametric going forward?

22 A Yeah. So two things. A, I think there was an
23 economic consideration -- I don't recall what it was -- for the
24 license in the context of a breakup fee. I'm not 100 percent
25 certain, but I believe that that was a component of it.

1 And then two, as I mentioned before, the
2 legitimization of the technology would have been of extreme
3 value to us.

4 Q Can I turn your attention to Exhibit 28, please.

5 THE COURT: Any objection to 28?

6 MR. STIGI: No, Your Honor.

7 MR. HESS: No objection.

8 THE COURT: It will be admitted.

9 (Plaintiff's Exhibit Number(s) 28 admitted.)

10 BY MR. APTON:

11 Q And, Mr. Potashner, this is a long e-mail. It's from
12 you to Mr. Stark again, April 6th, 2013. I would like you to
13 take some time to review it here. And I'll direct your
14 attention in just a moment.

15 A Okay. Okay.

16 Q All right. So first and foremost, you tell him that
17 you're glad you don't need to spend tremendous time and energy
18 decoding each other's motives and direction. And you'll
19 continue to reciprocate in like form.

20 So were you still playing poker at this point, or no?

21 A I'm assuming that he said, Let's go get this deal
22 done. And I'm saying, Let's go get this deal done. So we're
23 moving forward.

24 Q This is as of April 6th, 2013; correct?

25 A Yes. But, quite frankly, until the money's in the

1 bank, I'm going to continue to put every pressure I can imagine
2 to get the deal done; right? So saying -- this is some fine --
3 initially saying, Okay, let's turn this into a merger
4 discussion; right? Before this there were different scenarios
5 that he was exploring.

6 So this is, by no means, hey, stop the pressure on my
7 point. As a matter of fact, this probably would have been
8 initiating a lot of the pressure to move the deal forward now
9 that we know what deal we're pursuing.

10 Q So it was your goal to put on pressure to get the
11 deal done, as you just said, yeah?

12 A Yeah. So prior to this, quite frankly, because
13 Parametric was in a tenuous cash position and lots of
14 challenges that we weren't getting traction on licenses, things
15 of that nature, it was, How do I get Juergen to make the right
16 choice of his four choices; right?

17 Gee, I don't want to just license it to him. I don't
18 want him to, you know, take a minority position. I want him to
19 acquire this company.

20 So the initial energies would have been get Juergen
21 to do exactly this, say I want to acquire your company.

22 And post this, once he declared that direction, then
23 the energies shifted to, How do I get this deal done quickly at
24 the best price for my shareholders. Time is the enemy of
25 deals. How do we truncate time? All those things.

1 Q In the first sentence of the third paragraph you say
2 that you indicated -- or you -- I guess you're confirming in
3 writing -- that you told Juergen, Karen -- presumably Karen
4 Kenworthy -- that you were not in shop-the-company mode. It
5 would not be my intent in any form or fashion to attempt to
6 leverage your interest into an option.

7 Is that putting pressure to get the deal done?

8 A Yes.

9 Q How so?

10 A Because there's the risk that -- and I've seen this
11 happen first hand and I've done this first hand, the last thing
12 I want to do is commit dollars, time, lawyers, bankers and then
13 have the company taken away from me because someone else comes
14 over the top. So me signaling to Juergen that, hey, I'm going
15 to create a friction-free environment for you, go get this deal
16 done, is good.

17 I think if I tell him, hey, glad that you want to
18 merge the companies, but just as a point of interest, I'm going
19 to begin discussions with five other companies right now would
20 have been a demotivator for him to move forward. So this is me
21 saying, Move forward, quickly, please.

22 Q Especially --

23 A And in reality, as I've mentioned before, this was an
24 initiation point for me trying to accelerate other
25 transactions.

1 Q Especially with a breakup fee in place that provided
2 an exclusive gaming license to Turtle Beach; correct?

3 MR. STIGI: Objection.

4 THE COURT: Overruled.

5 THE WITNESS: I'm not sure I remember your question.

6 BY MR. APTON:

7 Q Well, later in the third paragraph, you write, I'm
8 also willing to have a breakup consideration that results in
9 you achieving a gaming license at well below market value.

10 A Correct.

11 Q In the next paragraph you say, We would be
12 substantial -- or we would substantially devalue the licensing
13 opportunity for these targets with a carve-out for gaming;
14 correct?

15 A Correct.

16 Q And then at the end, you say, As a demonstration of
17 my conviction towards closing a deal, I will offer up gaming in
18 the context of a breakup fee.

19 A Correct.

20 Q So --

21 A And these were all designed as sweeteners. Hey, get
22 this deal done. It's a great deal for you. And in the back of
23 my mind, I -- well, A, I assume we're going to get a
24 transaction done, or at least 50/50 chance we get this deal
25 done, in which case a breakup fee is 100 percent irrelevant.

1 Or two, I've just achieved great credibility. I've
2 got the leader of Turtle Beach to deploy my technology to the
3 benefit of me trying to get licensing deals or relationships
4 with other major companies. So for me it was a win/win.

5 Q Sorry. What do you mean by sweetener? You said it
6 was a sweetener to Juergen.

7 A Yeah. Juergen was -- I mean, his worst case was,
8 hey, I put all the time and energy into this transaction, I
9 don't get a transaction done, and I also bite -- you know, one
10 of his earlier choices was how about if I license the
11 technology; right? So his worst-case scenario is, gee, I don't
12 get to acquire the company, and I don't get a license.

13 Q So Stark, you're telling me, viewed this breakup fee
14 as something favorable for Turtle Beach and VTB Holdings;
15 correct?

16 MR. HESS: Objection.

17 THE COURT: Overruled.

18 THE WITNESS: Having --

19 BY MR. APTON:

20 Q Yes?

21 A I can assure you that this -- he saw this as an
22 insurance policy. You know, if he doesn't get the deal done,
23 at least he gets this.

24 Quite frankly, I mean, if the license was the key
25 asset here, he wouldn't have done this deal. He would have

1 broke up the deal or simply negotiated a licensing fee. So his
2 motivation was not to get the license. It was something much
3 bigger. And my motivation was the same.

4 Q And you also mentioned that the breakup fee would
5 have been irrelevant because you wanted to get the deal done;
6 correct?

7 A Well, it -- the breakup fee was not irrelevant.
8 There was -- it would have been a key win for Parametric that
9 we just licensed the leader in gaming peripherals.

10 Q But I believe you were referring to the go-shop
11 period. And if you were 100 percent focused on getting the
12 deal done, then it didn't matter that there was a breakup fee
13 because you were going to proceed with the deal; right?

14 A I'm not following you.

15 Q Did you have any genuine intention at this time to
16 shop the company during the go-shop period?

17 A Yes. I think there were more than 10 candidates that
18 we had to go with the backers to go talk to. All of those that
19 we were talking about licenses -- I know Amazon was on the
20 list. I know Sony was on the list. So we did sincerely do
21 that.

22 And they would have been less risky deals, quite
23 frankly, for the company. You know, Turtle Beach was -- this
24 was their vehicle to go public. Companies like Amazon and Sony
25 are well established and more stability, so I would have

1 welcomed the over-the-top hit from any of them. So I was
2 highly motivated to shop the company.

3 Q But that's in direct contradiction with what you
4 write in the third paragraph here, that you were, quote, not in
5 shop the company mode. And it was not in, quote, my intent in
6 any form or fashion to attempt to leverage your interest to an
7 option; correct?

8 MR. STIGI: Objection, Your Honor. We're talking
9 about two completely different time periods.

10 THE COURT: Overruled. We're referring specifically
11 to the e-mail --

12 MR. STIGI: Yeah.

13 THE COURT: -- and comparing with the other things he
14 said.

15 THE WITNESS: Right. So I'm telling Juergen, you
16 know, if they're selling here, and you know, it's your deal to
17 go get; right? I'm not going to create friction for you.

18 And my behavior was 180 degrees the other direction,
19 which was a scramble to go get the other opportunities in
20 place. And, quite frankly, to use the Turtle Beach interest as
21 a leverage, that, hey, if this company is exciting to Turtle
22 Beach -- Amazon, maybe you should take a good look at us as
23 well, or Sony, you know, things like that. So he actually gave
24 me the impetus to try to go be effective in a shop-the-company
25 mode.

1 BY MR. APTON:

2 Q So what you wrote in this e-mail on that point is not
3 true?

4 A Correct.

5 Q If I could turn your attention to Exhibit 148.

6 THE COURT: Any objection to 148?

7 MR. APTON: I'm not moving to admit it at this time,
8 Your Honor.

9 THE COURT: Okay.

10 THE WITNESS: I'm going to stand up for a second.
11 Excuse me.

12 THE COURT: You can stand up, as much as you want,
13 sir.

14 BY MR. APTON:

15 Q Okay. Mr. Potashner, I'm going to actually ask you
16 to go to 32.

17 MR. HESS: Are you moving from 148?

18 MR. APTON: I'm skipping 148 because of the issues we
19 have.

20 MR. HESS: Yeah.

21 BY MR. APTON:

22 Q So, Mr. Potashner, this --

23 MR. APTON: Oh, I'm sorry. Did you guys --

24 MR. HESS: Oh, you're offering it?

25 MR. APTON: Yes. I am moving to admit 32.

1 MR. HESS: Okay.

2 THE COURT: Any objection to 32?

3 MR. STIGI: No.

4 THE COURT: Okay. So it will be admitted.

5 (Plaintiff's Exhibit Number(s) 32 admitted.)

6 BY MR. APTON:

7 Q This is an e-mail from you to Mr. Stark. You're
8 bcc'ing Mr. Barnes.

9 A Yes.

10 Q It's dated April 24th, 2013. And the subject is
11 breakup fee; correct?

12 A Correct.

13 Q In the first sentence you say you're getting
14 substantial pushback from counsel on the exclusive license
15 element of the breakup fee.

16 A Correct.

17 Q And so what happened after that? Did you grant the
18 breakup fee?

19 A I don't recall -- I do -- I know there was a breakup
20 fee with a license aspect. I don't recall the width of the
21 breakup fee, whether it was narrowed or not.

22 Q The third paragraph says, The exclusive gaming
23 license as a breakup is deemed, quote, well in excess for
24 traditional breakup fees, and thus BOD, board of director,
25 fiduciary issue; correct?

1 A Yeah. This is what I was representing to Juergen.
2 But go ahead.

3 Q So had you been -- so sorry. Had you been told at
4 that point -- strike that.

5 So you told Juergen that the breakup fee would have
6 put you in breach of fiduciary duty?

7 A I told that to Juergen, yes.

8 Q And let's move on to -- well, but exhibit -- sorry --
9 Exhibit 40, please.

10 THE COURT: Any objection to 40?

11 MR. STIGI: No, Your Honor.

12 MR. HESS: No objection.

13 THE COURT: It will be admitted.

14 (Plaintiff's Exhibit Number(s) 40 admitted.)

15 BY MR. APTON:

16 Q Now, this e-mail is between you and your CFO,
17 Mr. Barnes, dated June 19, 2013. And you are approving the
18 aforementioned exclusive license in gaming; correct?

19 A Yeah. And again, I don't know whether this
20 represents a narrowed license.

21 Q But that was a yes; correct?

22 A What was the question again?

23 Q You were approving the exclusive gaming license?
24 Yes?

25 A No.

1 Q No?

2 A It's exclusive for the listed applications.

3 Q And you've told Mr. Barnes, I think this is fine?

4 A I'm asking Jim -- I'm asking Mr. Barnes, who was the
5 key interface with the counsel on this, whether these
6 application sets are acceptable to the lawyers.

7 Q Mr. Barnes asks you, Ken, are these terms in the DA
8 acceptable to you? And you respond, I think this is fine;
9 correct?

10 A Correct.

11 Q Thank you. And --

12 A And again, my assumption is there was a narrowing of
13 the license in the breakup fee that then became acceptable to
14 general counsel, and Jim wanted to see if this was okay with
15 me. And I said this was fine with me.

16 Q So if we could turn to Exhibit 351, please. And we
17 know from the previous exhibits that you were discussing this
18 breakup fee with Mr. Stark during the April 2013 time frame;
19 correct?

20 A Correct.

21 Q And now we have -- is --

22 MR. APTON: I'm sorry. I'm moving to admit 351.

23 THE COURT: Any objection to 351?

24 MR. STIGI: No, Your Honor.

25 MR. HESS: No objection.

1 THE COURT: It will be admitted.

2 (Plaintiff's Exhibit Number(s) 351 admitted.)

3 BY MR. APTON:

4 Q And now, at the same time, in this e-mail,
5 Exhibit 351, dated April 14, 2013, you appear to be discussing
6 with John Todd various plans for HHI. Do you see that in your
7 original message?

8 A Yes.

9 Q Now, let's see, you include a termination package,
10 one-year pay bonus, a six-month transition current comp,
11 acceleration of all options, assumed full-time role in HHI --
12 something about targets for base bonuses, additional HHI
13 grants, acceleration of HHI options; parentheses, don't let me
14 forget this; and then you indicate that you have not started
15 the discussion with Turtle Beach at this point.

16 Why were you discussing this with John Todd?

17 A John has been CFO -- well, CFO at Gateway; he's VP of
18 acquisitions for Pepsi Cola -- so he's a big guy that's had
19 lots of exposure and experience with compensation packages for
20 exact.

21 So I was getting his thoughts in terms of whether or
22 not this is a legitimate or equitable package to consider, in
23 the event that Parametric sold and HHI is on its own now, and
24 I'm CEO of HHI. So I was looking for what my -- you know, what
25 would be a reasonable package of -- compensation package.

1 Q Compensation for whom?

2 A For me. I assumed it was for me.

3 Q The e-mail above says, This is my thoughts for you.
4 And then above that, it says, If HHI is spun out in
5 transaction, I think we can increase the base bonus components
6 with no issues.

7 A Yeah. You're -- I misread it. It is -- it's a
8 compensation package for John. I misread it.

9 Q Okay. And John is, I believe I remember, he's a
10 close family friend of yours?

11 A He's so close that we've had one dinner in 10 years.
12 So he's not at all a close friend. He's a business associate.
13 But we worked on several projects together. So close to zero
14 social relationship.

15 John would have, in this capacity, effectively been
16 the chief operating officer of HHI.

17 Q I -- do you and your wife and he and his wife ever
18 have dinner together?

19 A We've had one dinner together, period, in 10 years,
20 maybe 15 years.

21 Q So he's not a close colleague of yours?

22 A He's a close business relationship, yes. He's not
23 a -- you know, he's -- he's probably the most asocial person I
24 know.

25 Q Okay. Moving on, let's look at Exhibit 301, please,

1 which was already in evidence from earlier. This just, again,
2 refers to your intention to spin out HHI, again, as of
3 April 19, 2013. So the same time frame you have this
4 negotiation with Stark; correct?

5 A I'm sorry. Ask that question again, please.

6 Q Well, I'll move on. Let's go to Exhibit 357, please.
7 This is a short e-mail.

8 MR. APTON: I move to admit Exhibit 357.

9 THE COURT: Any objection on 357?

10 MR. STIGI: No objection, no.

11 THE COURT: It will be admitted.

12 (Plaintiff's Exhibit Number(s) 357 admitted.)

13 BY MR. APTON:

14 Q It says simply, The treatment of HHI is the most
15 important decision we need to make.

16 Why are you saying this to John Todd again?

17 A John shared my belief that HHI had tremendous
18 potential if allowed to run its course.

19 Q Potential for whom?

20 A For the shareholders. And John -- John and I had
21 compensation associated with that as well, so to us and the
22 shareholders.

23 Q Shareholders of HHI?

24 A Shareholders of Parametric.

25 Q Oh, okay. And but John is not on your board;

1 correct?

2 A Correct.

3 Q So -- okay. Fair enough. Let's move on to -- did
4 there come a point in time when Stark told you that you were
5 not going to be able to keep your HHI options?

6 A I -- yes. And I don't know whether he said that
7 directly to me or through my board. But it was very clear that
8 that was not going to happen.

9 Q But, of course, the proxy statement in this
10 transaction, Stark sent a letter through counsel telling you
11 that the merger would not be possible unless the options in HHI
12 were canceled. Does that --

13 A Correct.

14 Q And if we could look at Number 259, please.

15 MR. APTON: I'm not going to move to admit this one.

16 THE COURT: Thank you.

17 BY MR. APTON:

18 Q But let me ask you, Mr. Potashner, do you recall
19 whether in response to Mr. Stark's letter, the meeting with the
20 board of Parametric was called to discuss it?

21 A Repeat the question, please.

22 Q In response to Mr. Stark's letter, was a meeting of
23 the board, Parametric's board, convened?

24 A I don't know whether a board meeting was convened in
25 response to the letter. But the board clearly gave a clear

1 message to me, which is HHI is going away, your options are
2 going away.

3 Q And when did they give you that message?

4 A It would have been commensurate with Juergen taking
5 his final position on not supporting the ongoing options and
6 equity structure.

7 Q So --

8 A And I'll add a point. So I actually did attempt to
9 tell Juergen, or to convince Juergen, to hold off final
10 decisions for I think it was six months before he makes final
11 conclusions. And he decided he didn't want to -- he didn't
12 take that advice.

13 So then it was in my mind, a done deal, it's gone.
14 You know, give up the fight. Go get the transaction done.

15 Q If we can go to Exhibit 101.

16 THE COURT: 101?

17 MR. APTON: Yes, yes, Your Honor.

18 THE COURT: Any objection to 101?

19 MR. APTON: Your Honor, I --

20 THE WITNESS: I don't have it.

21 THE COURT: It wasn't on your list, huh?

22 MR. APTON: Yeah, I take that back.

23 THE COURT: All right. Mr. Stigi was on top of that.

24 MR. STIGI: Your Honor, for the record, I think
25 Mr. Hess -- I heard him say that a minute ago.

1 THE COURT: Oh, okay. All right.

2 MR. STIGI: So I --

3 THE COURT: Give credit where it's due.

4 BY MR. APTON:

5 Q Mr. Potashner, if I could turn your attention to
6 Exhibit 5, which are board minutes already in evidence.

7 I want to ask you whether this was the board meeting
8 that was convened in response to Mr. Stark's letter.

9 A Where do you see it was convened in response to
10 Mr. Stark's letter?

11 THE COURT: That was his question, sir.

12 BY MR. APTON:

13 Q Well -- yeah.

14 A I don't have any awareness of what was the -- what
15 prompted this board meeting.

16 Q Okay.

17 MR. PEEK: I think he wants you to read it first so
18 you can testify.

19 THE COURT: That's okay, Mr. Peek. I already tried.

20 MR. PEEK: I know.

21 THE COURT: That was the question. He didn't listen.
22 That's okay. Let's keep going.

23 BY MR. APTON:

24 Q I would direct your attention, Mr. Potashner, to --

25 MR. PEEK: May he read it, please.

1 THE COURT: The witness already has it and has been
2 offered the opportunity by me.

3 MR. PEEK: But I see him reading it, Your Honor, is
4 why I'm saying that.

5 THE COURT: Well, we're on the question, Mr. Peek.

6 MR. PEEK: All right.

7 BY MR. APTON:

8 Q I'm going to ask you about Section 3, Mr. Potashner.
9 So does this refresh your recollection as to whether this
10 meeting was convened in response to the letter from Mr. Stark's
11 counsel about HHI?

12 A I can acknowledge that the HHI options were discussed
13 at this meeting. I don't know what prompted the meeting.

14 Q And during that discussion, you report to the board
15 that good progress had been made --

16 A Correct.

17 Q -- with the HHI stock options; correct?

18 A Correct.

19 Q And that there were no outstanding issues related to
20 the HHI options; correct?

21 A Correct.

22 Q And you were also reminded at this time that you had
23 a conflict of interest concerning HHI, and you should no longer
24 be discussing it with Mr. Stark; correct?

25 A Correct.

1 Q Now, was that true that -- that there were no
2 outstanding issues relating to HHI at the time?

3 A I think there was clarity on everyone's position at
4 this point; correct.

5 Q So you told the board that there was no outstanding
6 issues. And you say that that was true at the time you said
7 it. Yes?

8 MR. STIGI: Objection.

9 THE COURT: Overruled. You can answer.

10 THE WITNESS: Yeah. I don't recall what was -- you
11 know, what exact discussions were happening when. I do -- you
12 know, the things I do recall are I was asked to not discuss
13 HHI, that HHI-related issues would now be discussed between --
14 by Seth and Andrew Wolfe, so I recall that.

15 I recall, once I realize that there wasn't an
16 opportunity to get support, that I, you know, relinquished my
17 position without compensation. You know, I could have asked
18 for them to keep me whole by giving me more Parametric or
19 whatever. I took zero for relinquishing the options.

20 And I recall what I mentioned earlier, which is I did
21 one last attempt to tell -- ask Juergen to delay making a final
22 decision on the options and the equity structure for
23 six months, I think it was. And he didn't do that.

24 So the exact sequencing of what happened when, I
25 don't recall.

1 BY MR. APTON:

2 Q You wouldn't lie to your board, would you?

3 A No.

4 Q So if we could go to the next page, at paragraph that
5 starts, Mr. Putterman then reported to the board, et cetera, et
6 cetera.

7 A Yeah. And I would define outstanding -- I mean, the
8 question of what's an outstanding issue is also a key thing;
9 right? So there was nothing. There was no roadblocks to
10 getting this deal done. There were lots of side discussions
11 happening all over the place, on many issues.

12 Q You said there were lots of side discussions
13 happening all --

14 A Yeah, there was --

15 Q -- over the place in many issues?

16 A Yeah. So when I say no outstanding issues, there's
17 nothing materially that's going to keep this deal from getting
18 done, which is different than, hey, there's discussions on 20
19 different topics still associated with this deal.

20 Q Before we get in --

21 A You know, including financing, including -- you know,
22 there was a litany of outstanding issues, none of which I would
23 deem as material.

24 Q But the first bullet point on page 3 says that there
25 was no agreement or notwithstanding suggestions to the contrary

1 in reports from Mr. Potashner a new agreement concerning the
2 resolution of the HHI options.

3 So you previously told the board that there were no
4 outstanding issues. And now Mr. Putterman is telling the board
5 that that was not true.

6 A Okay.

7 Q Do you have any reason to disagree with
8 Mr. Putterman?

9 A Yeah. Again, I'm not sure what was in
10 Mr. Putterman's thinking or what specifically he's addressing.

11 Q So what happened after the board meeting? Did you
12 continue discussing HHI?

13 A So HHI had many layers. So one was, Gee, what
14 happens to the entity? One was, What happens to the equity
15 structure? Gee, what's my role going forward with HHI? Gee,
16 where is the FDA, just on operational things with HHI.

17 So Juergen and I would have discussions related to
18 HHI. And we would need to -- you know, the questions were what
19 were the boundaries of those discussions.

20 Q But you were explicitly told by your board not to
21 have those discussions; correct?

22 A No.

23 Q No?

24 A No.

25 THE COURT: Is this a good place for our lunch break?

1 MR. APTON: Yes, it is, Your Honor.

2 THE COURT: Thank you. All right. We'll see you
3 guys at 1:00 o'clock.

4 (Proceedings recessed at 11:44 a.m., until 12:59 p.m.)

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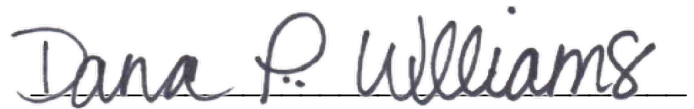
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I AFFIRM THAT THIS TRANSCRIPT DOES NOT CONTAIN THE SOCIAL
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DANA L. WILLIAMS
LAS VEGAS, NEVADA 89183

A handwritten signature in dark ink, reading "Dana L. Williams", is written over a horizontal line.

DANA L. WILLIAMS, TRANSCRIBER

08/18/2021

DATE

<p>BY MR. APTON: [86] 7/8 8/9 11/7 12/12 14/4 15/13 15/22 16/19 17/8 19/5 20/2 20/24 24/7 25/3 25/12 26/3 29/8 31/12 32/14 33/12 34/19 36/16 37/8 37/23 39/21 40/1 40/13 41/1 43/24 44/19 45/10 50/1 50/8 51/4 52/6 53/5 55/9 56/16 57/13 60/7 61/16 62/2 62/22 63/6 64/9 67/4 68/6 68/22 69/5 69/13 70/17 70/25 71/20 73/5 74/5 76/10 78/15 79/25 80/15 81/1 81/8 82/8 83/14 84/10 85/10 86/8 86/18 87/18 91/4 92/14 93/10 96/6 97/19 100/1 100/14 100/21 101/6 102/15 104/3 106/13 107/17 109/4 109/12 109/23 110/7 112/1</p> <p>MR. APTON: [72] 4/12 5/7 5/12 5/14 5/16 6/17 14/12 15/5 15/8 15/11 15/17 16/16 24/25 29/3 31/5 32/3 32/6 32/9 32/13 33/6 36/3 36/10 36/13 37/11 37/22 38/5 38/10 39/8 39/12 39/15 39/19 40/12 40/21 44/13 46/1 46/14 46/20 46/23 47/12 47/17 49/10 49/17 49/21 49/24 50/21 50/23 52/15 52/20 52/22 53/2 55/5 60/2 60/5 61/10 65/19 68/20 80/24 86/5 86/11 86/13 91/2 100/7 100/18 100/23 100/25 103/22 106/8 107/15 108/17 108/19 108/22 114/1</p> <p>MR. HESS: [20] 40/9 48/19 48/24 62/19 69/10 76/7 81/4 83/11 84/4 84/7 86/14 87/14 93/7 97/16 100/17 100/20 100/24 101/1 102/12 103/25</p> <p>MR. OGILVIE: [5] 4/5 4/8 5/22 5/24 48/6</p> <p>MR. PEEK: [21] 6/2 6/6 6/8 6/11 19/1 23/11 38/25 39/3 39/5 47/6 47/9 49/3 61/24 73/24 74/1 84/3 109/17 109/20 109/25 110/3 110/6</p> <p>MR. POTASHNER: [1] 4/17</p> <p>MR. STIGI: [93] 5/13 5/15 6/21 8/6 11/4 12/1 12/5 14/1 14/13 14/19 14/21 15/19 17/2 17/5</p>	<p>17/7 19/21 20/21 23/14 24/20 25/9 25/25 29/2 29/5 31/16 31/21 31/25 33/5 33/8 35/25 36/2 38/13 38/15 38/19 38/22 40/22 42/25 43/2 43/4 43/7 43/11 43/13 43/15 43/17 43/19 43/21 44/15 45/4 45/7 48/10 48/13 48/16 50/5 51/1 51/21 52/17 55/6 56/13 57/10 57/22 57/25 61/9 61/11 61/13 64/6 65/15 65/17 67/1 69/9 70/21 71/17 73/4 74/2 76/6 78/12 79/21 80/3 80/22 81/5 81/17 81/23 86/15 87/15 93/6 96/3 99/8 99/12 101/3 102/11 103/24 106/10 108/24 109/2 111/8</p> <p>THE CLERK: [1] 4/22</p> <p>THE COURT: [238]</p> <p>THE WITNESS: [42] 4/24 5/5 7/1 23/15 31/6 33/11 34/18 37/7 37/12 37/16 37/19 38/8 38/17 40/11 45/8 46/5 46/8 46/11 51/24 58/1 62/1 62/20 64/8 65/21 67/25 70/16 71/19 79/23 80/4 80/6 80/10 82/1 82/5 84/23 84/25 91/20 96/5 97/18 99/15 100/10 108/20 111/10</p> <p>\$</p> <p>\$50,000 [1] 28/11</p> <p>0</p> <p>08/18/2021 [1] 115/18</p> <p>1</p> <p>1 billion [2] 13/6 13/20</p> <p>1 million [2] 13/17 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54/6 63/7</p> <p>worked [3] 9/5 63/8 105/13</p> <p>working [3] 49/5 49/14 62/14</p> <p>world's [1] 90/14</p> <p>worst [2] 97/7 97/11</p> <p>worst-case [1] 97/11</p> <p>worth [13] 13/20 13/21 15/24 15/25 16/5 16/7 16/8 26/17 26/21 28/7 28/12 28/13 28/14</p> <p>would [167]</p> <p>wouldn't [8] 16/9 47/19 85/16 87/22 88/1 88/2 97/25 112/2</p> <p>write [8] 26/4 26/12 27/21 70/3 85/20 88/12 96/7 99/4</p> <p>writing [1] 95/3</p> <p>wrong [4] 52/23 76/14 79/15 84/4</p> <p>wrote [5] 64/5 64/11 88/4 88/5 100/2</p> <hr/> <p>X</p> <hr/> <p>XI [1] 1/6</p> <hr/> <p>Y</p> <hr/> <p>yeah [57] 8/17 16/18 18/17 22/10 23/9 24/12 27/1 27/15 28/9 28/15 28/18 31/6 33/6 35/25 37/2 38/17 39/5 39/15 40/18 42/2 44/2 51/24 52/10 58/1 58/23 59/19 60/4 60/23 63/20 64/12 64/21 65/6 72/5 72/11 75/21 87/8 87/9 89/11 89/13 89/21 90/9 92/22 94/11 94/12 97/7 99/12 100/20 102/1 102/19 105/7 108/22 109/13 111/10 112/7 112/14 112/16 113/9</p> <p>year [6] 18/8 18/11 18/11 18/17 23/25 104/10</p> <p>years [9] 7/19 7/20 9/15 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89/3 91/25 93/17 95/2 97/13 100/24 101/7 101/13 105/7</p> <p>you've [6] 5/19 37/5 64/25 65/16 91/18 103/3</p> <p>your [225]</p> <p>yours [2] 105/10 105/21</p> <p>yourself [6] 6/24 37/4 45/25 56/2 58/13 72/13</p> <hr/> <p>Z</p> <hr/> <p>zero [6] 22/14 23/16 64/16 66/22 105/13 111/19</p> <p>zone [1] 61/5</p>
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PARAMETRIC SOUND CORPORATION
Minutes of the Special Meeting of
the Board of Directors of
Parametric Sound Corporation
July 1, 2013 and July 2, 2013

A special telephonic meeting of the Board of Directors (the "Board") of Parametric Sound Corporation (the "Company") was held, commencing at approximately 8:00 a.m. (Pacific time), Monday, July 1, 2013 as previously noticed to each member.

Kenneth F. Potashner, Executive Chairman of the Company, acted as chairman of the meeting. Mr. Potashner designated James A. Barnes, Secretary of the Company, to act as the secretary of the meeting.

1. Call to Order, Roll Call, Establish Quorum

The following directors, constituting all of the directors and a quorum for the conduct of business, were present telephonically:

Kenneth F. Potashner (Chairman)
Jimmy Honore
Robert M. Kaplan
Elwood G. Norris
Seth Putterman
Andrew Wolfe

The following other persons were also present at the invitation of the Board: (1) James A. Barnes, Chief Financial Officer, Treasurer and Secretary and (2) John Hentrich of Sheppard, Mullin, Richter & Hampton LLP, corporate counsel.

2. Compensation Committee

Mr. Barnes noted the need to create and appoint a Compensation Committee to comply with Nasdaq stock market requirements, as previously discussed. Mr. Barnes noted the required powers, authority and responsibilities to be reflected in the Compensation Committee charter. The Board approved creation of the Compensation Committee, approved a related committee charter embodying the Nasdaq stock market requirements, and appointed Messrs. Honore, Wolfe and Kaplan to serve as committee members. Mr. Barnes was requested to circulate a charter embodying the above agreed provisions.

3. Update Regarding Project Beam

Mr. Potashner updated the Board and answered questions regarding the status of the negotiations with the Project Beam Merger Partner ("Merger Partner") and various outstanding issues and concerns, with reference to the June 29, 2013 (5:01 p.m.) email ("Update") he sent to the Board in advance of the meeting updating the Board on various merger issues. The Board noted that, in the Update, Mr. Potashner addressed the HHI stock options, the existence of which stock options had become an issue of concern to Merger Partner and a potential obstacle to proceeding with the transaction. Mr. Potashner had reported to the Board in the Update that

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“good progress” had been made regarding the HHI stock option issues, that there were “no outstanding issues” related thereto with the Merger partner CEO. Several Board members reminded Mr. Potashner that he had a conflict of interest based on discussion in negotiating with respect to the HHI stock options and HHI in general in light of his own HHI stock option. Members of the Board discussed with Mr. Potashner concerns that they had regarding Mr. Potashner’s ongoing discussion with the CEO of Merger Partner regarding HHI and the outstanding stock options in HHI. Mr. Norris stated that the Merger Partner’s CEO had told him that Merger Partner wanted to eliminate all HHI stock options at the expense of the Company, if required, or have funding agreements to do so at a definable and acceptable cost. It was noted that counsel to Merger Partner had also expressed a similar position regarding the HHI stock option. The Board expressed concern that the issue of the position of Merger Partner with respect to the HHI stock options be clarified immediately by a disinterested director in light of its potential implications for the transaction with Merger Partner and otherwise.

[Mr. Potashner left the meeting at 9:04 a.m. to enable the rest of the Board to meet in executive session with counsel.]

4. Executive Session

The Board discussed further Mr. Potashner’s conflict of interest and other fact and circumstances surrounding the HHI stock options. It was agreed that Mr. Potashner should be instructed to immediately cease all discussions with Merger Partner and its executives and affiliates regarding HHI and HHI stock options to avoid any conflict of interest and to attain clarity regarding the position of Merger Partner on this issue. Mr. Putterman agreed to so advise Mr. Potashner, and to represent the Board as an independent member for purposes of engaging in discussions with the CEO of Merger Partner and understanding first hand his position regarding HHI and the HHI stock options, including those held by Mr. Potashner. It was agreed that the executive session would reconvene once Mr. Putterman had additional information to report or otherwise felt it desirable.

[The executive session of the Board reconvened at 4:00 p.m. Pacific time on July 2, 2013. Messrs. Honore, Kaplan, Norris, Putterman and Wolfe were present from the Board. Mr. Barnes, Mr. Hentrich and Robert Wernli of Sheppard, Mullin, Richter & Hampton, LLP were also present.]

Mr. Barnes updated the Board regarding a proposed requirement from Merger Partner’s lender that, as a condition to consenting to the merger, Merger Partner must raise \$10 million in capital and the Company must raise at least \$5 million in capital prior to the closing of the merger. The Board briefly discussed the Company’s ability to effectuate such a capital raise, and also which investment banker to engage in connection therewith.

Next, Mr. Putterman reviewed for the Board the rationale for establishing HHI in September/October 2012, which was to facilitate getting FDA approval for medical applications

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of Mr. Norris's discoveries (e.g., hearing devices). At that time, it was anticipated that the Board would bring in a new CEO to run the Company, and that Mr. Potashner became CEO of HHI.

Mr. Putterman then reported to the Board regarding a forty minute conversation that he and Mr. Barnes had with the CEO of Merger Partner at 1:00 pm that day regarding HHI, and noted the following:

- There was no agreement or, notwithstanding suggestions to the contrary in reports from Mr. Potashner, near-agreement with Merger Partner regarding resolution of issues regarding HHI or the HHI stock options.
- Although in public documents, the CEO of Merger Partner claimed he was unaware until recently that third parties had equity interest in HHI and expressed concern that, due to the existence of the HHI stock options, VTB would be receiving "87% instead of 100%" of HHI.
- The CEO of Merger Partner did not want the FDA or health application of the Company's technology to be in a subsidiary. He wanted to bring resources together to run the Company post-merger.
- The CEO of Merger Partner questioned the structure of HHI, noting that the Company financed and developed the technology exclusively licensed to HHI, and that HHI has no product. Further, if the Company was going to pay \$250,000 bonuses to the medical consultants related to FDA approval, then the Company should keep the HHI technology and related intellectual property without further dilution.
- The CEO of Merger Partner stated that (i) he wanted the Company to unwind HHI, and (ii) HHI was a significant hurdle to completing the merger, particularly in light of (A) Merger Partner's valuation of HHI relative to the Company's valuation of HHI when the stock options were granted and (B) Merger Partner's assessment that, with respect to the Company's technology, consumer based products are several years out but HHI has nearer term value. The CEO of Merger Partner indicated he was flexible to deal with the issue and would consider unwinding at closing or a clear path post close, although this was more problematic.

Mr. Barnes and Dr. Putterman reported that they provided the Merger Partner CEO with background information on the reasons for the structure and the Merger Partner CEO indicated he would take the separate subsidiary matter under consideration and consult with advisors.

The Board next discussed how the Company could "unwind" HHI and/or the HHI stock options if so required, noting that negotiating with Messrs. Potashner and Todd would be different from negotiating with the two doctors who have HHI stock options, but no interest in PAMT overall. Mr. Wolfe next reported to the Board that Mr. Potashner has represented that he was willing to negotiate re the HHI stock options, but, according to Mr. Potashner, that Mr. Todd and the two doctors may not be as willing.

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With respect to a potential amendment of the license agreement to HHI (e.g., to make it non-exclusive), Mr. Hentrich next reviewed the chronology of the HHI stock option grants, noting that the options for the two doctors were granted in February 2013 and the options for Messrs. Potashner and Todd were granted in March 2013, in each case prior to the time the Company and HHI had entered into a license agreement (which was implemented in May 2013).

The Board next discussed the option of dissolving HHI and thereby terminating the HHI stock options and the license agreement, which Mr. Norris noted that the CEO of Merger Partner expressed he would consider doing post-merger, in any event. With respect to compensating the holders of HHI stock options if HHI is dissolved, Mr. Norris stated that the following factors should be considered by the Board: (i) the Company has paid for all of HHI's expenses, (ii) HHI has secured no separate financing to date and (iii) HHI activities to date have been performed using the Company's resources and Messrs. Potashner and Todd had performed their HHI-related activities to date pursuant to their employment agreement and consulting agreement with the Company, respectively.

The Board next discussed whether Mr. Potashner should negotiate with Mr. Todd and the HHI medical consultants with respect to the HHI stock options. After full discussion, the Board determined that (i) Mr. Potashner should not so negotiate and should be directed immediately to cease any communications with such individuals on the topic and (ii) as Mr. Putterman would be traveling internationally in the near term, that Mr. Wolfe would be appointed to negotiate with Merger Partner, Mr. Potashner, Mr. Todd and the medical consultants re the HHI stock options. (With respect to confirmation of Mr. Wolfe's independence and objectivity in carrying out these negotiations, Mr. Wolfe reviewed with the Board, prior to his appointment, his relationship with Mr. Potashner, stating that he worked for Mr. Potashner from 1999-2002, but that, since 2002, there had been only casual conversations between Messrs. Potashner and Wolfe (once per year on average) until Mr. Wolfe's appointment to the Company Board. The Board concluded that Mr. Wolfe was independent for purposes of the above referenced negotiations).

5. Adjournment

There being no further business to come before the meeting, on motion duly made, seconded and carried, the meeting of the Board was adjourned at 9:54 a.m. to reconvene as stated above.


James A. Barnes
Secretary of the Meeting

**Minutes of the Special Meeting of
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July 5, 2013**

A special telephonic meeting of the Board of Directors (the “Board”) of Parametric Sound Corporation (the “Company”) was held, commencing at approximately 8:00 a.m. (Pacific time), Monday, July 5, 2013 as previously noticed to each member.

Kenneth F. Potashner, Executive Chairman of the Company, acted as chairman of the meeting. Mr. Potashner designated James A. Barnes, Secretary of the Company, to act as the secretary of the meeting.

1. Call to Order, Roll Call, Establish Quorum

The following directors, constituting all of the directors and a quorum for the conduct of business, were present telephonically:

Kenneth F. Potashner (Chairman)
Jimmy Honore
Robert M. Kaplan
Elwood G. Norris
Seth Putterman
Andrew Wolfe

The following other persons were also present at the invitation of the Board: (1) James A. Barnes, Chief Financial Officer, Treasurer and Secretary, (2) John Hentrich and (for a portion of the meeting) Rob Wernli of Sheppard, Mullin, Richter & Hampton LLP, corporate counsel, (4) Daniel Hoverman, Adam Greenway and Mark Dufilho of Houlihan Lokey, financial advisor to the Company (for a portion of the meeting), and (5) David Wambeke of Craig-Hallum (for a portion of the meeting).

2. Project Beam – Financing Update (Part 1) (only directors, Mr. Barnes and Mr. Hentrich in attendance)

Mr. Potashner updated the Board regarding potential financing contingencies related to the merger agreement and other transaction issues. He noted that Project Beam Merger Partner required longer term financing to be secured and consent of lenders to the merger. There was discussion of a \$15 million requirement and discussions regarding \$10 million required on Project Beam side and \$5 million to be secured by the Company for working capital and closing costs to the planned merger. It was noted that the major shareholder of Project Beam seemed willing to invest the \$10 million of financing on its side but was requiring \$5 million from the Company to meet lender requirements and this may be a closing condition. Discussion ensued on the transaction and such financing aspects.

Mr. Potashner and the Board discussed outstanding issues and differences of opinion regarding stock options of HyperSound Health, Inc. (“HSI”) related to the transaction and otherwise. Mr. Potashner indicated that, although there were differences of opinion among the Company Board members, it was important to reach internal agreement in negotiations with Project Beam. Mr. Wolfe summarized the discussions he and Mr. Barnes had with CEO of

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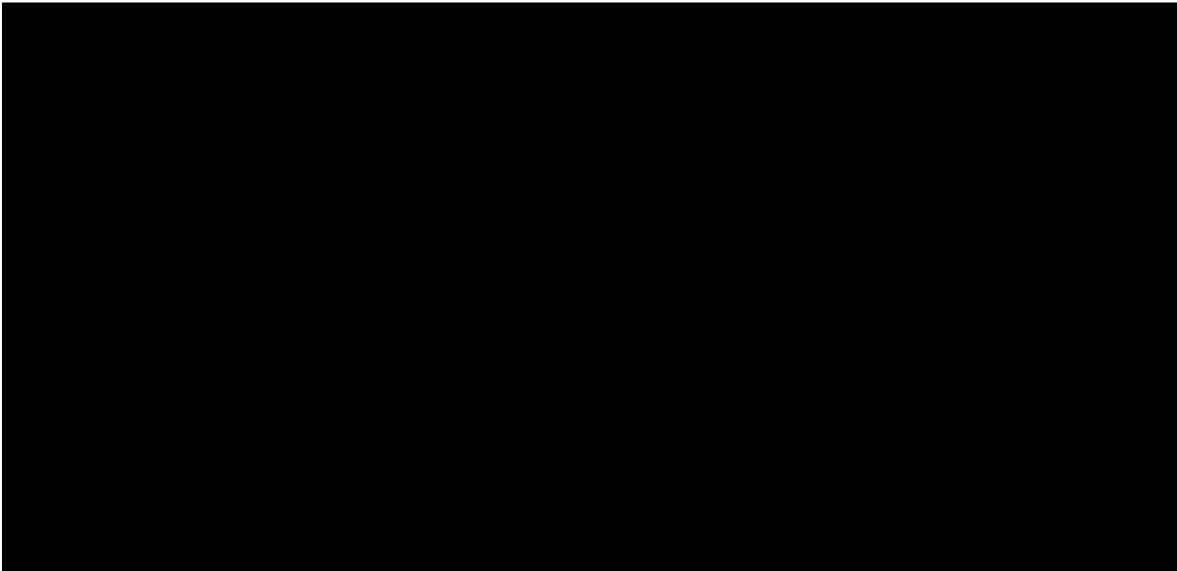
Merger Partner on the evening of July 3, 2013. The Merger Partner CEO stated that for the merger to close a satisfactory resolution to concerns previously expressed regarding HHI was necessary (preferably dissolution of HHI) effective at closing or with firm agreements in place at closing to dissolve HHI thereafter. The three primary reasons offered by the Merger Partner CEO were:

- Economic impact of only 86% not 100% of HHI (previously expected by Merger Partner) and fact that hearing related products may be greater than 50% of business in first several years.
- Unwanted internal complexity: Other equity owners created a need to charge for services to the HHI subsidiary. Related, the Company could not keep precise accounting and could not move money freely between parent/subsidiary.
- Litigation concern: If not eliminated, Mr. Potashner could be seen as not being diluted in the merger to the same extent as other stockholders.

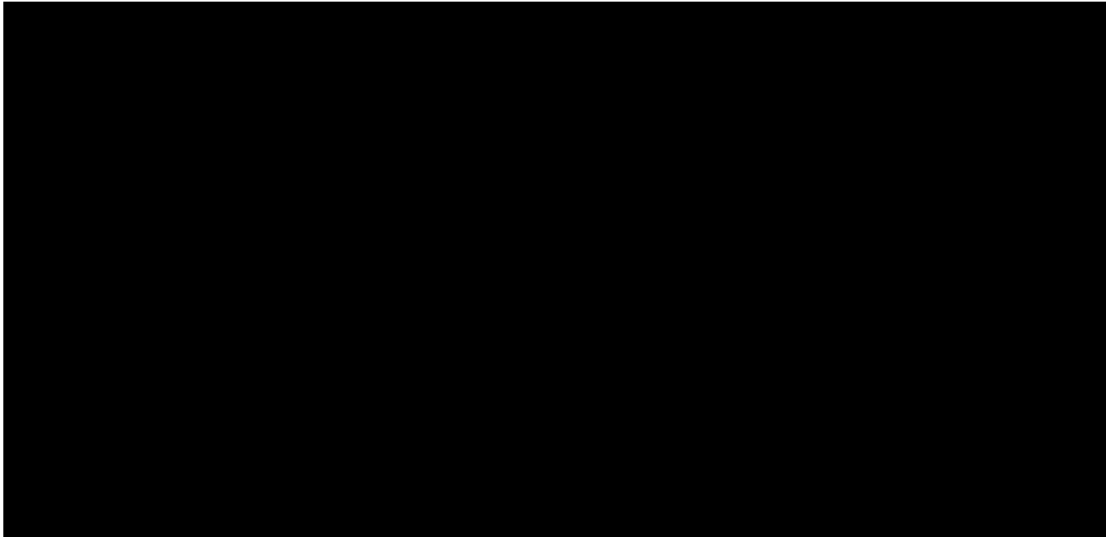
Mr. Wolfe stated that Merger Partner Project Beam was willing to negotiate with and accept costs with the medical team, but not with Mr. Potashner or Mr. Todd, which negotiation needed to be resolved at the expense of the Company.

3. Project Beam - Merger Agreement

[Messrs. Wernli, Hoverman, Dufilho, Greenway and Wambeke joined the meeting at approximately 9:05 a.m.]

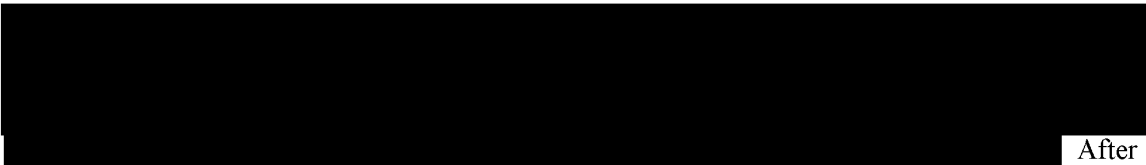


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otherwise.

4. Amendment to Bylaws.



After full discussion, and upon motion duly made, seconded and carried, the Board unanimously adopted the following resolutions:

WHEREAS, Article IV, Section 20(e) of the Bylaws provides that notice of all special meetings of the Board of Directors shall be delivered orally or in writing, by telephone, facsimile, telegraph or telex or sent in writing to each director by first class mail, charges prepaid, at least three (3) days before the date of the meeting;

WHEREAS, Article XII, Section 43(b) of the Bylaws provides that notice required to be given to any director may be given by the method stated in Article XII, Section 43(a), or by facsimile, telex or telegram;

WHEREAS, Article XII, Section 43(d) of the Bylaws provides that notices given by mail shall be deemed to have been given as at the time of mailing, and all notices given by facsimile, telex or telegram shall be deemed to have been given as of the sending time recorded at time of transmission;

WHEREAS, Article XIII, Section 44 of the Bylaws provides that the Board of Directors of the Company has the power to adopt, amend or repeal the Bylaws; and

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WHEREAS, it is advisable and in the best interests of the Company to amend the Bylaws as hereinafter provided.

NOW, THEREFORE, BE IT RESOLVED: That the first sentence of Article IV, Section 20(e) of the Bylaws is hereby amended to read in its entirety as follows: "Notice of the time and place of all special meetings of the Board of Directors shall be delivered: (i) orally (in person or by telephone) or in writing through personal delivery or electronic transmission (by a form consented to by the recipient), in either case at least twenty-four (24) hours before the date and time of the meeting; or (ii) through registered or certified mail (postage prepaid), return receipt requested, at least three (3) days before the date of the meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting of the Board of Directors."

FURTHER RESOLVED: That Article XII, Section 43(b) of the Bylaws is hereby amended to read in its entirety as follows: "**Notice to Directors.** Any notice required to be given to any director may be given by any method stated in Section 20(e). Notice sent through registered or certified mail, return receipt requested, shall be sent to such address as the director shall have filed in writing with the Secretary, or, in the absence of such filing, to the last known post office address of such director. Notice may be delivered by electronic transmission if: (i) consented to by the recipient, and (ii) the electronic transmission contains or is accompanied by information from which the recipient can determine the date of the transmission (such as, for example, electronic mail or facsimile). Any consent to receive notice by electronic transmission may be revoked by the person who consented by written or electronic notice to the person to whom the consent was delivered. Any such consent is deemed revoked if: (i) the person is unable to receive two consecutive electronic transmissions given by the Company in accordance with such consent; and (ii) such inability becomes known to the Secretary of the Company or other person responsible for the giving of notice. The inadvertent failure to treat any such inability as a revocation does not invalidate any meeting or other action."

FURTHER RESOLVED: That Article XII, Section 43(d) of the Bylaws is hereby amended to read in its entirety as follows: "**Time Notices Deemed Given.** Notice shall be deemed effective: (i) if personally delivered, when given directly to the recipient or when left at the residence or usual place of business of the recipient; (ii) if sent by registered or certified mail, return receipt requested, the date shown on the return receipt signed by or on behalf of the addressee; (iii) if given by electronic transmission, when (A) it enters an information processing system that the recipient has designated or uses for the purpose of receiving electronic transmissions of the type sent, and (B) it is in a form ordinarily capable of being processed by that system. Consistent with the foregoing and by way of example, notice by electronic transmission shall be deemed effective: (i) if given by facsimile, when directed to a number at which the recipient has consented to receive notice; and (ii) if given by electronic mail, when directed to an electronic mail address at which the recipient has consented to receive notice. An electronic transmission shall be deemed received under this

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Section 43(d) even if no natural person is aware of its receipt. In the absence of fraud, an affidavit of the Secretary of the Company that the notice has been given by a form of electronic transmission is prima facie evidence of the facts stated in the affidavit.

FURTHER RESOLVED: That Article XII, Section 43(i) is hereby added to the Bylaws and shall read in its entirety as follows: “**Electronic Transmission.** For purposes of these Bylaws, ‘electronic transmission’ means any form or process of communication not directly involving the physical transfer of paper or another tangible medium which: (i) is suitable for the retention, retrieval and reproduction of information by the recipient; and (ii) is retrievable and reproducible in paper form by the recipient through an automated process used in conventional commercial practice. The term ‘electronic transmission’ shall include, without limitation, facsimile and electronic mail.

FURTHER RESOLVED: That, each director hereby consents to electronic transmission at the email address or addresses historically used by the Company and, to the extent necessary, waives any defect in notice of prior board meetings provided by email to those email addresses.

[Mr. Wambeke left the meeting at approximately 10:01 a.m.]

5. Project Beam – Financing Update (Part II)

Mr. Dufilho presented to the Board and led the Board in a discussion regarding the proposed requirement from the lender of Merger Partner that, as a condition to consenting to the merger, Merger Partner must raise \$10 million in capital (likely subordinated debt) and the Company must raise \$5 million in capital (likely either debt or equity) prior to the closing of the merger. After full discussion, the Board determined that management should resist, to the extent practical, such a condition being added to the Merger Agreement.

[Messrs. Hoverman, Dufilho and Greenway left the meeting at approximately 10:06 a.m.]

6. HHI Stock Options

The Board next discussed the situation regarding HHI and the HHI stock options, the Board’s concerns and the concerns of the CEO of Merger Partner regarding the same as discussed earlier in the meeting and proposed solutions for resolving the situation, including the dissolution of HHI or an amendment to the exclusive license between the Company and HHI. In light of Mr. Potashner’s conflict of interest, the Board reiterated its direction to Mr. Potashner not to discuss HHI or the HHI stock options either with Merger Partner or its CEO or with Mr. Todd or the two doctors who hold HHI stock options.

Mr. Potashner indicated that he was willing to negotiate regarding his HHI stock options, but not in the context of dissolution of HHI or other significant change to HHI. Further, if the Board were to dissolve HHI, Mr. Potashner stated that he would call a special meeting of

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stockholders for the purpose of replacing the Board. Mr. Potashner informed the Board that he could obtain proxies for 40% of the Company's outstanding shares to effectuate such a replacement.

Mr. Norris then stated that Mr. Potashner's proposed actions would be unacceptable to him and that he would not continue with the Company if the Board were replaced.

The Board next directed Mr. Potashner to present a proposal to the Board regarding how many stock options of the Company he would accept in exchange for his HHI stock options.

[Mr. Potashner left the meeting at approximately 10:33 a.m.]

7. Executive Session

The Board discussed the initial reasons for setting up HHI (potential separate financing and/or spin-off) and, in light of a change in strategic direction, whether a restructuring of HHI made sense under the circumstances, with provision for appropriate compensation to the holders of HHI stock options. The Board noted that the valuation of HHI probably had not changed in the short time since the stock options were granted, particularly as the Company had no commitment to finance HHI and there was also no outside financing for HHI. [REDACTED]

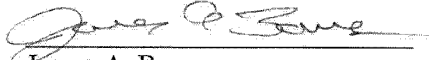
The Board next directed Mr. Barnes to obtain a valuation of HHI, which Mr. Barnes indicated he was already in the process of procuring for purposes of preparing the Company's Form 10-Q for the quarter ended June 30, 2013. The Board also directed Mr. Wolfe to communicate to Mr. Potashner that (i) Mr. Potashner propose how many Company stock options he would accept in exchange for his HHI stock options no later than Monday, July 8, 2013, and (ii) Mr. Potashner, in light of his conflict of interest, not discuss HHI or the HHI stock options with Merger Partner or its CEO, Mr. Todd or the two doctors holding HHI stock options (and that Mr. Wolfe would handle such negotiations until further notice).

The Board also discussed further a potential amendment to the license agreement between the Company and HHI, possibly contingent upon the closing of the merger, including an amendment that would make the license non-exclusive, at least with respect to non-regulated products.

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8. Adjournment

There being no further business to come before the meeting, on motion duly made, seconded and carried, the meeting of the Board was adjourned at 11:08 a.m.


James A. Barnes
Secretary of the Meeting

To: Jim Barnes[jimbarnes@cox.net]
From: Ken
Sent: Thur 3/28/2013 10:02:51 AM
Subject: Fwd: Update

Sent from my iPad

Begin forwarded message:

> From: Karen Kenworthy <karen@stripesgroup.com>
> Date: March 28, 2013, 9:48:48 AM PDT
> To: Ken <ken.potashner@gmail.com>
> Subject: RE: Update
>
> Ken,
> Again, appreciate the clarification and hope conversations go well today. Out of curiosity who are working with most closely with at Houlihan?
> I too think there could be a great fit w TB/Stripes and Pamt - very much looking forward to fleshing this out on Monday.
> Karen
>
> -----Original Message-----
> From: Ken [mailto:ken.potashner@gmail.com]
> Sent: Thursday, March 28, 2013 9:02 AM
> To: Karen Kenworthy
> Subject: Update
>
> Hi Karen,
>
> The release the bankers helped draft is accurate (multiple interested parties)but should not in any way be construed as posturing for an auction dynamic. The other parties have sincere interest in integrating the ip into glass for display applications. I have identified this as a downstream opportunity and we will fully exhaust (and hopefully implement)all possible scenarios with TB/Stripes before we(or us) assess the strategic choices in this application set.
>
> I will suspend advancing any licensing discussions with any parties while we have our discussions with TB/Stripes. I will be communicating that (without mentioning TB/Stripes) today to the relevant parties.
>
> Above all I think there could be a great fit between Pamt and TB/ Stripes and I will be extremely flexible in pursuit of a relationship.
>
> Regards
> Ken
>
> Sent from my iPad

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 him no 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

From: ken potashner <ken.potashner@gmail.com>
Sent: Saturday, July 20, 2013 8:27 PM
To: Ron Doornink <rdoornink@aol.com>
Cc: Juergen Stark <juergen.stark@turtlebeach.com>
Subject: info

I communicated this to Juergen but i am not sure I did the same with you when we spoke the other day.

As we established HHi my intention was to hire a new CEO for PAMT and commit my full energies to developing HHi. I got BOD support, we hired a search firm (swbi) , and actually were interviewing CEO candidates on the first day I met Juergen. Juergen actually new the candidate and gave me a neg review on him. I secured PAMT options to entice the right candidate and I was going to personally fund his salary from my own pay. My intent was to sell PAMT at the right time and keep HHi as the foundation of a new company. I did not design the companies structures such that they would be embedded with conflicts. The problem very simply is that VTB didnt sign up for buying part of the company,you wanted it all. I have demonstrated dramatic flexibility in attempting to get this transaction done and am hopeful that we can. If we are unable to I will put my full energies into the next phase of our evolution.

From: ken.potashner@gmail.com
Sent: Sunday, June 2, 2013 10:57 AM
To: Juergen Stark <juergen.stark@turtlebeach.com>
Subject: Pamt

Btw . I wasn't going to hype the stock I was simply considering giving an accurate update to our situation . I am still in a precarious situation delaying licenses that do bring us economic value and validation. Lets see where tomorrow goes and take it from there. I am not in a position where I can sit back and let stock fall too far.

Sent from my iPhone

From: ken.potashner@gmail.com
Sent: Monday, April 15, 2013 5:11 PM
To: Juergen Stark <juergen.stark@turtlebeach.com>
Subject: Re: conference call

He has substantial resources that have worked with us on research and design and he has several factories that are relevant to the manufacturing phase.

We have been working with them for 6 months and as I mentioned signed a multifaceted mou. This is one of the license deals I have frozen. Very high royalty rate 9% and China us s big market . If I signed and announced this deal our stock would be in the 20s. We had a call on the topic this morning of where we are.

He will be able to tell you a lot about manufacturing and commercialization .

He is in the US this week so I will go for late tomorrow afternoon

Sent from my iPhone

On Apr 15, 2013, at 4:53 PM, Juergen Stark <juergen.stark@turtlebeach.com> wrote:

Ok, that can be just you and me. They are not currently manufacturing and they haven't tried to commercialize yet, right? tomorrow afternoon between 3 and 5pm I can make work assuming he is in US vs. China. Otherwise 8-10pm if he is in China/HK. Other times are possible as well but given you couple options.

On Mon, Apr 15, 2013 at 4:48 PM, ken potashner <ken.potashner@gmail.com> wrote:

China relationship- He is who we signed the large MOU with...develop products,manufacture,china license, JV with substantial investment..

SIIG has about \$100B in assets and he is also the trade representative for AVIC which has 500,000 employees

On Mon, Apr 15, 2013 at 4:44 PM, Juergen Stark <juergen.stark@turtlebeach.com> wrote:

which guy is he?

On Mon, Apr 15, 2013 at 4:34 PM, ken potashner <ken.potashner@gmail.com> wrote:

Hi Juergen,

We could get this call done tomorrow. I would like to be on the call. Its up to you as to whether you want Richard on this but it can be arranged in that I can set up a bridge.

Pls advise
Ken

----- Forwarded message -----

From: **Alan Hsieh** <alanhsieh@yahoo.com>
Date: Mon, Apr 15, 2013 at 4:26 PM
Subject: Re: conference call
To: ken potashner <ken.potashner@gmail.com>

Hi Ken,

I am pretty open this week everyday except 2:00-4:00pm which I am always on the road. Friday I will be in TV Ears.

Alan Hsieh/Optek

+1-714808-2188 US (Current)
+86-136-1300-1690 CN
+886-987-468-778 TW
+852-64498239 HK
□ □

On 2013年4月15日, at 下午3:56, ken potashner
<ken.potashner@gmail.com> wrote:

> Hi Alan,

>

> As I discussed previously I would like to organize a conference call between yourself and the CEO of Turtle Beach. He may also have his CTO on on the call and I would like to join in as well. The discussion will be as I mentioned before : manufacturability of the products and what will it take to develop products around the IP. Can you please tell me your availability and I will set up the call.

>

> regards

> Ken

--

Juergen Stark
CEO

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--

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From: ken potashner <ken.potashner@gmail.com>
Sent: Thursday, April 4, 2013 8:40 AM
To: Juergen Stark <juergen.stark@turtlebeach.com>
Subject: Re: update

I will call your cell..have a good trip.

On Thu, Apr 4, 2013 at 8:25 AM, Juergen Stark <juergen.stark@turtlebeach.com> wrote:

ok, give me a call on mobile 312 502 9700 or let me know where to call.
Sara, calendar please.

On Thu, Apr 4, 2013 at 7:00 AM, ken potashner <ken.potashner@gmail.com> wrote:

lets go with 1pm ET

On Thu, Apr 4, 2013 at 6:36 AM, Juergen Stark <juergen.stark@turtlebeach.com> wrote:

I'll be in NY Saturday and Sunday, family free, until my flight Sunday afternoon so I'm pretty flexible. Probably work out in the morning so anytime Saturday afternoon ET for example would be great.

On Thu, Apr 4, 2013 at 6:33 AM, ken potashner <ken.potashner@gmail.com> wrote:

Qualcomm update- meeting went extremely well and they want to pursue licensing discussions. I will slow play until you and I decide where we are taking things.

I look forward to the Saturday call as well. Once you know what will be convenient time for you let me know and I will plan around it.

I will be in Anaheim today with Siemens on the hearing side and with Morgan Stanley analysts

regards
Ken

On Wed, Apr 3, 2013 at 10:36 PM, Juergen Stark
<juergen.stark@turtlebeach.com> wrote:

Got it. Will talk to you on Saturday.

On Wed, Apr 3, 2013 at 7:13 AM, ken potashner
<ken.potashner@gmail.com> wrote:

Based on your timeline I will have a BOD meeting with members flying in on the Weds the 17th to present and look for approval for whatever structure we mutually agree upon and the key terms therein.

This put me a few days beyond my original zone of comfort relative to my external license discussions but I understand the schedule from your view. If we can accelerate it great but I see the difficulty if you are in China.

Qualcomm is coming in today for a 2nd meeting on silicon collaboration possibilities. These are complex discussions that will have a long time line and I see no risk to our discussions by continuing the dialogue with them.

I found out yesterday we may have a nice win within Samsung on the dig signage agenda.

I will be in Anaheim tomorrow meeting with the Morgan Stanley analysts on HHI.

I look forward to our Saturday call

regards
Ken

--

Juergen Stark
CEO

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--

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From: ken potashner <ken.potashner@gmail.com>
Sent: Saturday, April 13, 2013 6:20 AM
To: Juergen Stark <juergen.stark@turtlebeach.com>
Subject: Re: Qualcomm

Agreed

On Fri, Apr 12, 2013 at 5:30 PM, Juergen Stark <juergen.stark@turtlebeach.com> wrote:

Continuing discussions is ok but I would slow-roll a bit if it is not disruptive and obviously don't sign anything until we get through this week.

On Fri, Apr 12, 2013 at 10:06 AM, ken potashner <ken.potashner@gmail.com> wrote:

I think it makes sense for me to advance this discussio in the context of a merged company.. your thoughts

From: "Satyanarayanan, Ravi" <rsatya@qti.qualcomm.com>
To: ken potashner <ken.potashner@gmail.com>; "echoy@qualcommm.com" <echoy@qualcommm.com>
Cc: Jim Barnes <jimbarnes@cox.net>; john todd <john1228@earthlink.net>; Todd Savitt <todd.savitt@yahoo.com>
Sent: Friday, April 5, 2013 1:54 PM
Subject: RE: Parametric Sound

Ken,
We would be interested in a potential licensing discussion at the silicon level. I will get the NDA taken care of today. Also, my SVP would be interested to check the demos and I would like to explore some dates and times that would work for your team and him.

Thanks
Ravi

--

Juergen Stark
CEO

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AA 2043

From: ken potashner <ken.potashner@gmail.com>
To: Juergen Stark <juergen.stark@turtlebeach.com>
Sent: 5/20/2013 3:27:09 PM
Subject: Re: CONFIDENTIAL - Amazon IP review

They are the bankers who did our secondary.

On Mon, May 20, 2013 at 12:15 PM, Juergen Stark <juergen.stark@turtlebeach.com> wrote:
MDB has warrants but no shares with you guys? what did they do to get the warrants?

On Mon, May 20, 2013 at 12:00 PM, Ken <ken.potashner@gmail.com> wrote:
Stock is down because of a company named unipixel which was also an MDB banked company . They had negative rumors . They have nothing to do with us other then same banker. I had a heads up on this fri and we prepared an hhi update that I may release to offset the stock.

Sent from my iPad

On May 20, 2013, at 11:57 AM, Juergen Stark <juergen.stark@turtlebeach.com> wrote:

It's not that I don't view Amazon as viable...they're viable to buy anything they want. Just a strange and not completely logical fit. What's driving the stock down 9% today? So strange how the shares go up and down by 10+% without any announcements or clear trigger.

On Mon, May 20, 2013 at 11:27 AM, Ken <ken.potashner@gmail.com> wrote:
I have intentionally constrained the progress here but don't believe I can further do so. Even though you don't see Amazon as viable I see it as a means of selling PAMT and holding on to HHI for the PAMT investors. Dolby and the SIIG have also are in process but behind Amazon from a schedule perspective. If you decide you want to get a deal done we can get it done. I can't drag out the process...

Sent from my iPad

Begin forwarded message:

From: James Barnes <jbarnes@parametricsound.com>
Date: May 9, 2013, 3:21:42 PM PDT
To: "Ceballos Encarnacion, Alex" <aceba@amazon.com>, "Ascolese, Marc" <ascolese@lab126.com>
Cc: Mark Dufilho <MDufilho@HL.com>
Subject: CONFIDENTIAL - Amazon IP review

Alex,
The two primary IP lawyers on our side are listed below with contact information. With this email we are confirming to them that you are under NDA and that they are authorized by us to discuss our patent information and prior search information with you and Marc Ascolese.

Mr. Jones has handled all the issued and legacy/blocking patent work for Parametric and its predecessor. Mr. Yannuzzi has filed a couple patents related to new emitter technology and hearing applications as well as performed some competitive search.

Jason R. Jones

Registered Patent Attorney
THORPE NORTH & WESTERN, LLP
8180 South 700 East, Suite 350
Sandy, Utah 84070-0562
jones@tnw.com
Phone: (801) 566-6633
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12275 El Camino Real, Suite 200
San Diego, CA 92130-2006
858.720.8900 | main
www.sheppardmullin.com

Please contact me if I can be of further help or expedite your review.

--

Jim Barnes
CFO, Treasurer and Secretary
Cell [702-682-1973](tel:702-682-1973)
Phone 888-HSS-2150 Ext 504
Fax 888-NEW-2150
<image.png>

On 5/9/13 12:16 PM, "Ceballos Encarnacion, Alex" <aceba@amazon.com> wrote:

Adding Marc Ascolese who is leading IP diligence on our end.

Jim, you can intro the IP attorney directly to Marc.

Thanks,
Alex

-----Original Message-----

From: Ken [<mailto:ken.potashner@gmail.com>]
Sent: Thursday, May 09, 2013 12:11 PM
To: Ceballos Encarnacion, Alex
Cc: Jim Barnes; john todd; Mark Dufilho
Subject: Re: Update

Hi Alex

Jim Barnes who I CCed will provide access to our ip attorneys. Given that we have an aggressive timeline I will ask that he expedite responses for you

Sent from my iPad

On May 9, 2013, at 8:00 PM, "Ceballos Encarnacion, Alex" <aceba@amazon.com> wrote:

Ken,

We are making progress on the testing side but we really need access to your IP lawyers. The information we have received is not sufficient.

Any way you can provide a contact person?

Thanks,

Alex

-----Original Message-----

From: Ken [<mailto:ken.potashner@gmail.com>]

Sent: Thursday, May 09, 2013 7:42 AM

To: Ceballos Encarnacion, Alex

Subject: Update

Any feedback yet?

Sent from my iPad

<image.png>

--

Juergen Stark
CEO

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From: ken.potashner@gmail.com
To: Juergen Stark <juergen.stark@turtlebeach.com>
Sent: 4/27/2013 5:26:06 PM
Subject: Re: FDA approval

We have FDA consultant on board already and have been working this aggressively given I believe it to be worth \$1b

Sent from my iPhone

On Apr 27, 2013, at 2:16 PM, Juergen Stark <juergen.stark@turtlebeach.com> wrote:

How long does the process take, conservatively, to get a product FDA certified?

--

Juergen Stark
CEO

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From: ken potashner <ken.potashner@gmail.com>
To: Juergen Stark <juergen.stark@turtlebeach.com>
Sent: 7/12/2013 9:42:15 AM
Subject: Re:

I know ..i appreciate you highlighting the issue

On Fri, Jul 12, 2013 at 6:04 AM, Juergen Stark <juergen.stark@turtlebeach.com> wrote:
The 280G is absolutely nothing to do with us or any attempt to take anything away. It's a normal consequence of CIC. It came up in diligence because it creates potential negative tax consequences for us (and for you).

On Fri, Jul 12, 2013 at 12:48 AM, ken potashner <ken.potashner@gmail.com> wrote:
Juergen,

I wrote the email while driving to dinner on my ipad and it was pretty intelligible so I cleaned it up..I am not necessarily looking for a response. The 280G stuff is daunting and if you need to find another 'take away' from me we can figure something out.. At a personal level I always overpay for deals(I want everyone happy), overtip at restaurants, give my teams big bonuses(for good performance) and gladly gave my wife half when we got divorced. Life is easier this way...

The email should have read:

Also I have been frustrated for 2 weeks as my bod and team got torn apart over this topic.we didn't sneak HHI in place as this deal happened. It has been an integral part of the company strategy since its conception 9 months ago.

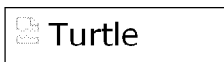
For what it is worth if it weren't for my fiduciary responsibility I wouldn't do the deal because I am losing the whole reason that I entered into the deal in the first place.. To build a multi billion dollar HHI and benefit from it for my shareholders and myself(and team)

I said I would take nothing for my HHI position in the form of buyout shares,options or cash to get the deal done. I also said that it will be my intent to convince you between DA and closing to keep HHI alive in which case my options would still remain. Given that we need to keep HHI going until post closing because of the factors we discussed today doesnt create a change in my position. I am not looking for a conversion or buyout. I also said in a gentlemen agreement to give me a consulting deal if I couldn't talk you into keeping HHI equal to what you think my stake was worth. You still retain the right to shut it down post deal and do the right thing (whatever you decide that is).

I personally make out much better if the deal doesn't happen but I will do what it takes to make the deal happen. I need you to help.

--

Juergen Stark
CEO



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PARAMETRIC SOUND CORPORATION
Minutes of an Informal Meeting of
the Independent Directors of
Parametric Sound Corporation
March 26, 2013

A special meeting of the Independent Directors of Parametric Sound Corporation (the "Company"), was called to be held, commencing at approximately 4:35 p.m. (Pacific Time), Tuesday, March 26, 2013 telephonically as previously noticed to each member.

The Independent Directors designated James A. Barnes, Secretary of the Company, to act as the secretary of the informal meeting.

1. Call to Order, Roll Call, Establish Quorum

The following Independent Directors, not constituting a majority nor a quorum for the conduct of business, were present telephonically. All participants confirmed that they could hear and be heard by others.

Seth Putterman
Andrew Wolfe

James A. Barnes the Company's Secretary, Treasurer and CFO was present telephonically at the invitation of the Independent Directors. Also present was corporate counsel John Hentrich and licensing counsel Andrew Apfelberg. Since there was not a quorum this was considered as an informal informational meeting whereupon the members would report to the full slate of independent directors and as appropriate the Audit Committee and the full BOD.

2. Purpose

The purpose of the meeting was to obtain information from counsel regarding the draft HSS license proposed between the Company and its wholly-owned subsidiary HyperSound Health, Inc. ("HHI"). Mr. Barnes had been working with licensing counsel based on general guidelines from prior meetings among the members and a strategic outline prepared by management with specific major license terms previously reviewed, discussed and agreed in principal at prior BOD meetings. Mr. Barnes reported he had worked with counsel to generate a first draft license with a certain open issues and questions for discussion. The members had a copy of the first draft license in advance of the meeting.

Mr. Hentrich reminded the participants that any related party transaction also needed action by the Audit Committee under Nasdaq rules and Mr. Barnes further outlined that the Company's Audit Committee charter covered the review and monitoring of all related party transactions.

Mr. Hentrich provided an overview of corporate responsibilities and governance issues in general and as affecting related party transactions such as the proposed HHI license. Mr. Apfelberg provided further information specific to items like the license such that the terms, conditions and scope should be market to reduce the possibility of outside criticism or future disputes. The members had been provided the following summary note from Mr. Apfelberg prior to the meeting that had led to this meeting focusing issues for the members and possibly the BOD to consider:

As I understand the company's plans, they intend to pursue three main industries – digital signage, consumer products and medical device. Those are all pretty straightforward to describe. Where I need your help is with the PSAP devices as I see them being a grey area between medical device and consumer products. We struggled with how to describe them in such a manner that it would not chill the company's efforts to develop its consumer products strategy or give investors an opening to state that a corporate opportunity was given to HHI. We were not successful and, thus, have revised the license grant for PSAP to be non-exclusive. We can't think of any other way to deal with the issue which is why we are reaching out to you for your thoughts.

There was extended discussion around the above issues. There was general consensus that the exclusive grant for the medical device category as defined in the draft license and PSAP which was less well defined was what was contemplated by the formation of HHI and hiring of the FDA consultants and medical team who are equity participants. This was what the doctor team had signed on for to participate and they are taking part of their compensation in stock

PARAMETRIC SOUND CORPORATION
Minutes of an Informal Meeting of
the Independent Directors of
Parametric Sound Corporation
March 26, 2013

options. The members agreed that the license rate previously discussed in prior meetings and included in the draft license was 15% of product sales and 30% of sublicense rights with a minimum royalty of \$1 million due by end of year 4 and \$500,000 each year thereafter.

Mr. Apfelberg then his concern about a license grant to HHI for PSAP without better definition.

Dr. Wolfe suggested the members take some time to evaluate and consider the issues raised by counsel, especially related to PSAP. He indicated he would lead some work with counsel to better define PSAP. He also suggested the full board be convened. Dr. Putterman added that the focus of his meeting with management on December 27, 2012 was the management team options and vesting thereof which was based on FDA regulated device milestones. The strategic license terms as presented in the license agreement were also discussed at that time.

Mr. Barnes indicated that third party license discussions had already commenced and accordingly the documentation of terms previously discussed should be timely in light of proposed activities.

Prior to the meeting upon request of members and during different portions of the meeting Mr. Barnes provided background details of prior activity by the members and the BOD regarding the history of HHI license discussions. The presentation in August 2012 by Mr. Todd proposing forming HHI had outlined a 15%/30%, the \$1 million minimum by year 4 with right to sublicense with the indicated scope being for all hearing impaired. Summary business plans prepared by management and presented to the BOD had more developed detail including FDA definitions of medical devices and PSAPs and outlined license terms previously discussed with the BOD. The BOD was provided v3 of the HHI strategic plan by management on October 18, 2012 including a summary of license terms outlined by management, related issues and subsequent drafts of the plan was used by management to prepare the first draft license for consideration. The executive session of November 8, 2012 indicated that the scope and terms of the license was an important item to consider and needed to be considered as part of related party and management comp issues overall. At the December 13, 2012 it was indicated that "There was confirmation that the terms of the intercompany license, option plan, medical team agreements and any option grants and related party arrangements would require board approval and that any compensation arrangements with executive officers would require independent director approval." The members were also aware the Audit Committee must approve related party transactions. At the December 27, 2012 meeting between representative Dr. Putterman and management it was recommended that "the BOD should approve the license agreement between PAMT and HHI." At the February 21, 2013 meeting there was extended discussion on HHI matters and management indicated it was developing the license and other agreements on terms previously discussed but no action was taken by the BOD.

Dr. Wolfe indicated he would seek to work the PSAP definition issue for the BOD to consider at the next meeting on this issue.

Adjournment

There being no further business to come before the meeting, the meeting of the Independent Directors was adjourned at 5:25 p.m.

James A. Barnes
Secretary of the Informal Meeting

**UNANIMOUS WRITTEN CONSENT
OF THE
BOARD OF DIRECTORS
OF
PARAMETRIC SOUND CORPORATION**

TO ACTION TAKEN WITHOUT A MEETING

Pursuant to the authority set forth in Section 78.315 of the Nevada Revised Statutes, the following actions are hereby taken by the written consent of all members of the Board of Directors (the "Board") of Parametric Sound Corporation, a Nevada corporation (the "Company"), without a meeting:

WHEREAS, the Board of Directors currently administers the 2012 Stock Option Plan ("Plan") and desires to make a grant under the Plan as provided below.

RESOLVED, that the Board of Directors, as administrator of Plan, hereby grants a stock option under the Plan, to the person named below, covering the number of shares of the Company's common stock below which are purchasable upon exercise, and upon the terms and subject to the provisions respectively shown below and to be contained in the Stock Option Grant Notice and Stock Option Agreement ("Option Agreement") for the optionee under the Plan:

Optionee	# Shares	Price	Term	Note	Vesting	Type
Tracy Neumann	10,000	(1)	5 yrs	(2)	(3)	ISO

- (1) The grant price shall be the closing price on the day before the last signature on this resolution.
- (2) The grant date shall be the date of the last signature on this resolution and the expiration date shall be five years thereafter. These options are granted from the 500,000 shares authorized in Amendment No. 1.
- (3) Options shall vest calendar quarterly commencing June 30, 2013 over eight quarters.

RESOLVED FURTHER, that date of the last signature on this resolution shall be the date of grant of the stock option set forth above and the expiration date shall be five years thereafter in such instance or otherwise as provided by the terms of the Option Agreement and the Plan. The Board has determined that the exercise price of the options herein granted equal or exceeds the fair value of the Company's common stock on the date of grant in accordance with the Plan and provided above; and

RESOLVED FURTHER that common stock of the Company subject to purchase upon exercise of any stock option herein granted shall be issued and sold strictly in accordance with the respective terms of the Option Agreements and the Plan. Unless registered under the Securities Act of 1933, as amended, shares issued upon option exercise shall bear a customary investment legend. The Secretary of the Company shall promptly cause Option Agreements reflecting the foregoing terms in the form approved by the Board of Directors to be issued to the respective optionee.

This unanimous written consent may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

STG_396118.1

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The undersigned, being all of the directors of Parametric Sound Corporation, a Nevada corporation, hereby consent to and adopt the foregoing resolutions, and waive the requirement that a meeting be held to accomplish the same.

This action was executed effective as of March 8, 2013 or the date of the last signature below and may be executed in counterparts.

Date: 3/5/13


Kenneth F. Potashner

Date: _____

Elwood G. Norris

Date: _____

Robert M. Kaplan, Ph.D.

Date: _____

Seth Putterman, Ph.D.

Date: _____

Andrew Wolfe, Ph.D.

Date: _____

James L. Honore

STG_396118.1

The undersigned, being all of the directors of Parametric Sound Corporation, a Nevada corporation, hereby consent to and adopt the foregoing resolutions, and waive the requirement that a meeting be held to accomplish the same.

This action was executed effective as of March 8, 2013 or the date of the last signature below and may be executed in counterparts.

Date: _____

Kenneth F. Potashner

Date: _____

Elwood G. Norris

Date: _____


Robert M. Kaplan, Ph.D.

Date: _____

Seth Putterman, Ph.D.

Date: _____

Andrew Wolfe, Ph.D.

Date: _____

James L. Honore

STG_396118.1

The undersigned, being all of the directors of Parametric Sound Corporation, a Nevada corporation, hereby consent to and adopt the foregoing resolutions, and waive the requirement that a meeting be held to accomplish the same.

This action was executed effective as of March 8, 2013 or the date of the last signature below and may be executed in counterparts.

Date: 3

Date: 3-8-13

Date: _____

Date: _____

Date: _____

Date: _____

Kenneth F. Potashner

Elwood G. Norris
Elwood G. Norris

Robert M. Kaplan, Ph.D.

Seth Putterman, Ph.D.

Andrew Wolfe, Ph.D.

James L. Honore

STG_396118.1

The undersigned, being all of the directors of Parametric Sound Corporation, a Nevada corporation, hereby consent to and adopt the foregoing resolutions, and waive the requirement that a meeting be held to accomplish the same.

This action was executed effective as of March 8, 2013 or the date of the last signature below and may be executed in counterparts.

Date: _____

Kenneth F. Pearsheimer

Date: _____

Elwood G. Norris

Date: _____

Robert M. Kaplan, Ph.D. 

Date: March 11, 2013

Seth Putterman, Ph.D.

Date: _____

Andrew Wolfe, Ph.D.

Date: _____

James L. Houdore

The undersigned, being all of the directors of Parametric Sound Corporation, a Nevada corporation, hereby consent to and adopt the foregoing resolutions, and waive the requirement that a meeting be held to accomplish the same.

This action was executed effective as of March 8, 2013 or the date of the last signature below and may be executed in counterparts.

Date: _____

Kenneth F. Potashner

Date: _____

Elwood G. Norris

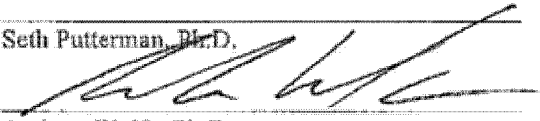
Date: _____

Robert M. Kaplan, Ph.D.

Date: _____

Seth Putterman, Ph.D.

Date: 3/11/13



Andrew Wolfe, Ph.D.

Date: _____

James L. Honore

STG_39618.1

The undersigned, being all of the directors of Parametric Sound Corporation, a Nevada corporation, hereby consent to and adopt the foregoing resolutions, and waive the requirement that a meeting be held to accomplish the same.

This action was executed effective as of March 8, 2013 or the date of the last signature below and may be executed in counterparts.

Date: _____

Kenneth F. Potashner

Date: _____

Elwood G. Norris

Date: _____

Robert M. Kaplan, Ph.D.

Date: _____

Seth Putterman, Ph.D.

Date: _____

Andrew Wolfe, Ph.D.

Date: 3-11-13
James L. Honore

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**UNANIMOUS WRITTEN CONSENT
OF THE
BOARD OF DIRECTORS
OF
PARAMETRIC SOUND CORPORATION
TO ACTION TAKEN WITHOUT A MEETING**

Pursuant to the authority set forth in Section 78.315 of the Nevada Revised Statutes, the following actions are hereby taken by the written consent of all members of the Board of Directors (the "Board") of Parametric Sound Corporation, a Nevada corporation (the "Company"), without a meeting:

Option Grants Pursuant to the HyperSound Health, Inc. 2013 Equity Incentive Plan

WHEREAS, the Board has previously authorized management and the director and officers of HHI to only grant options pursuant to the 2013 Plan of HHI as approved in advance by this Board; and

WHEREAS, the Independent Directors, after inquiry and consultation with professional advisors, and after meeting in executive session, determined and approved the following grant to Mr. Potashner, and recommended the Board ratify same;

THEREFORE, the Board now authorizes management of the Company and the director and officers of HHI to grant the following options to the following persons pursuant to the 2013 Plan:

Optionee	# Shares	Price	Term	Note	Vesting	Type
Kenneth F. Potashner	50	\$1,000.00	5 yrs	(1)	(2)	NQSO
John J. Todd	50	\$1,000.00	5 yrs	(1)	(2)	NQSO

- (1) the grant date shall be the date of the last signature on this UWC and the expiration date five years thereafter or otherwise as provided by the terms of the Option Agreement and the 2013 Plan. If HHI issues additional equity securities, including securities convertible into or exercisable for equity securities, during the three years from the date of grant or until after the second round of financing if earlier, then it shall grant additional options with comparable vesting and substantially the same terms (other than exercise price) to each optionee such that each of their percentage ownership in HHI on an as-converted and fully-diluted basis (excluding any options or shares related to the 2013 Plan) shall remain the same (anti-dilution right) following such equity issuance as was the case immediately prior to such equity issuance. Any anti-dilution options will be granted at an exercise price commensurate with the fair market value of the Company's shares at each such event and in accordance with the provisions of the 2013 Plan, but only to the extent options are available for grant subject to the 2013 Plan limit (currently 500 shares). All determinations regarding anti-dilution rights and adjustments shall be made by the Board of Directors of the Company.
- (2) 75% of the options shall vest calendar quarterly over 12 quarters commencing June 30, 2013 and 25% of the options shall vest upon FDA market clearance of the first product developed by HHI or HHI agents or affiliates, with each such vesting condition also subject to either (a) HHI obtaining at least \$3 million of equity funding, or (b) its parent obtaining new equity financing sufficient to fund at least \$3 million to HHI within 2 years of grant.

RESOLVED FURTHER that common stock of HHI subject to purchase upon exercise of any stock option granted by HHI shall be issued and sold strictly in accordance with the respective terms of the Option Agreements and the 2013 Plan (HHI).

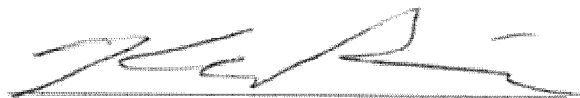
RESOLVED FURTHER, that the management of the Company and the officers and director of HHI are, and each of them hereby is, authorized, empowered and directed to take such further action and to execute, make oath to, acknowledge and deliver, from time to time in the name and on behalf of the Company or HHI such other agreements or documents and to do or to cause to be done any and all such other acts and things as such officers may, in their discretion, deem necessary, proper, appropriate or advisable to consummate the grant of options contemplated by the foregoing resolution; and

RESOLVED FURTHER, that all acts and things previously done and performed (or caused to be done and performed) in the name and on behalf of the Company prior to the date of these resolutions in connection with the foregoing resolutions and the transactions contemplated therein are ratified, confirmed and approved.

This unanimous written consent may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

The undersigned, being all of the directors of Parametric Sound Corporation, a Nevada corporation, hereby consent to and adopt the foregoing resolutions, and waive the requirement that a meeting be held to accomplish the same.

Dated as of March 4, 2013


Kenneth Potashner

Elwood G. Norris

Robert M. Kaplan, Ph.D.

Seth Putterman, Ph.D.

Andrew Wolfe, Ph.D.

James L. Honore

RESOLVED FURTHER that common stock of HHI subject to purchase upon exercise of any stock option granted by HHI shall be issued and sold strictly in accordance with the respective terms of the Option Agreements and the 2013 Plan (HHI).

RESOLVED FURTHER, that the management of the Company and the officers and director of HHI are, and each of them hereby is, authorized, empowered and directed to take such further action and to execute, make oath to, acknowledge and deliver, from time to time in the name and on behalf of the Company or HHI such other agreements or documents and to do or to cause to be done any and all such other acts and things as such officers may, in their discretion, deem necessary, proper, appropriate or advisable to consummate the grant of options contemplated by the foregoing resolution; and


RESOLVED FURTHER, that all acts and things previously done and performed (or caused to be done and performed) in the name and on behalf of the Company prior to the date of these resolutions in connection with the foregoing resolutions and the transactions contemplated therein are ratified, confirmed and approved.

This unanimous written consent may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

The undersigned, being all of the directors of Parametric Sound Corporation, a Nevada corporation, hereby consent to and adopt the foregoing resolutions, and waive the requirement that a meeting be held to accomplish the same.

Dated as of March 4, 2013

Kenneth Potashner



Elwood G. Norris

Robert M. Kaplan, Ph.D.

Seth Putterman, Ph.D.

Andrew Wolfe, Ph.D.

James L. Honore

STO_396178.1

RESOLVED FURTHER that common stock of HHI subject to purchase upon exercise of any stock option granted by HHI shall be issued and sold strictly in accordance with the respective terms of the Option Agreements and the 2013 Plan (HHI).

RESOLVED FURTHER, that the management of the Company and the officers and director of HHI are, and each of them hereby is, authorized, empowered and directed to take such further action and to execute, make oath to, acknowledge and deliver, from time to time in the name and on behalf of the Company or HHI such other agreements or documents and to do or to cause to be done any and all such other acts and things as such officers may, in their discretion, deem necessary, proper, appropriate or advisable to consummate the grant of options contemplated by the foregoing resolution; and

RESOLVED FURTHER, that all acts and things previously done and performed (or caused to be done and performed) in the name and on behalf of the Company prior to the date of these resolutions in connection with the foregoing resolutions and the transactions contemplated therein are ratified, confirmed and approved.

This unanimous written consent may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

The undersigned, being all of the directors of Parametric Sound Corporation, a Nevada corporation, hereby consent to and adopt the foregoing resolutions, and waive the requirement that a meeting be held to accomplish the same.

Dated as of March 4, 2013

Kenneth Potashner

Elwood G. Norris

Robert M. Kaplan, Ph.D.

Seth Putterman, Ph.D.



Andrew Wolfe, Ph.D.

James L. Honore

STG_3961181

RESOLVED FURTHER that common stock of HHI subject to purchase upon exercise of any stock option granted by HHI shall be issued and sold strictly in accordance with the respective terms of the Option Agreements and the 2013 Plan (HHI).

RESOLVED FURTHER, that the management of the Company and the officers and director of HHI are, and each of them hereby is, authorized, empowered and directed to take such further action and to execute, make oath to, acknowledge and deliver, from time to time in the name and on behalf of the Company or HHI such other agreements or documents and to do or to cause to be done any and all such other acts and things as such officers may, in their discretion, deem necessary, proper, appropriate or advisable to consummate the grant of options contemplated by the foregoing resolution; and

RESOLVED FURTHER, that all acts and things previously done and performed (or caused to be done and performed) in the name and on behalf of the Company prior to the date of these resolutions in connection with the foregoing resolutions and the transactions contemplated therein are ratified, confirmed and approved.

This unanimous written consent may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

The undersigned, being all of the directors of Parametric Sound Corporation, a Nevada corporation, hereby consent to and adopt the foregoing resolutions, and waive the requirement that a meeting be held to accomplish the same.

Dated as of March 4, 2013

Kenneth Potashner

Elwood G. Norris

Robert M. Kaplan, Ph.D.

Seth Putterman, Ph.D.

Andrew Wolfe, Ph.D.


James L. Honore

NTG_396181

RESOLVED FURTHER that common stock of HHI subject to purchase upon exercise of any stock option granted by HHI shall be issued and sold strictly in accordance with the respective terms of the Option Agreements and the 2013 Plan (HHI).

RESOLVED FURTHER, that the management of the Company and the officers and director of HHI are, and each of them hereby is, authorized, empowered and directed to take such further action and to execute, make oath to, acknowledge and deliver, from time to time in the name and on behalf of the Company or HHI such other agreements or documents and to do or to cause to be done any and all such other acts and things as such officers may, in their discretion, deem necessary, proper, appropriate or advisable to consummate the grant of options contemplated by the foregoing resolution; and

RESOLVED FURTHER, that all acts and things previously done and performed (or caused to be done and performed) in the name and on behalf of the Company prior to the date of these resolutions in connection with the foregoing resolutions and the transactions contemplated therein are ratified, confirmed and approved.

This unanimous written consent may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

The undersigned, being all of the directors of Parametric Sound Corporation, a Nevada corporation, hereby consent to and adopt the foregoing resolutions, and waive the requirement that a meeting be held to accomplish the same.

Dated as of March 4, 2013

Kenneth Potashner

Elwood G. Norris



Robert M. Kaplan, Ph.D.

Seth Putterman, Ph.D.

Andrew Wolfe, Ph.D.

James L. Honore

STG_396118.1

RESOLVED FURTHER that common stock of HHI subject to purchase upon exercise of any stock option granted by HHI shall be issued and sold strictly in accordance with the respective terms of the Option Agreements and the 2013 Plan (HHI).

RESOLVED FURTHER, that the management of the Company and the officers and director of HHI are, and each of them hereby is, authorized, empowered and directed to take such further action and to execute, make oath to, acknowledge and deliver, from time to time in the name and on behalf of the Company or HHI such other agreements or documents and to do or to cause to be done any and all such other acts and things as such officers may, in their discretion, deem necessary, proper, appropriate or advisable to consummate the grant of options contemplated by the foregoing resolution; and

RESOLVED FURTHER, that all acts and things previously done and performed (or caused to be done and performed) in the name and on behalf of the Company prior to the date of these resolutions in connection with the foregoing resolutions and the transactions contemplated therein are ratified, confirmed and approved.

This unanimous written consent may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

The undersigned, being all of the directors of Parametric Sound Corporation, a Nevada corporation, hereby consent to and adopt the foregoing resolutions, and waive the requirement that a meeting be held to accomplish the same.

Dated as of March 4, 2013

Kenneth Potashner

Elwood G. Norris



Seth Putterman, Ph.D.

Andrew Wolfe, Ph.D.

James L. Honore

PARAMETRIC SOUND CORPORATION

Minutes of the Meeting of the Independent Directors of Parametric Sound Corporation March 1, 2013

A special meeting of the Independent Directors of Parametric Sound Corporation (the "Company"), was held, commencing at approximately 8:35 a.m. (Pacific Time), Friday, March 1, 2013 telephonically as previously noticed to each member.

The Independent Directors designated James A. Barnes, Secretary of the Company, to act as the secretary of the meeting.

1. Call to Order, Roll Call, Establish Quorum

The following Independent Directors, constituting a majority and a quorum for the conduct of business, were present telephonically. All participants confirmed that they could hear and be heard by others.

Seth Putterman
Robert M. Kaplan
Andrew Wolfe

Independent Director James Honore joined the meeting about 9:10 a.m. and was advised of prior discussions and participated in deliberations and matters decided at the meeting..

James A. Barnes the Company's Secretary, Treasurer and CFO was present telephonically at the invitation of the Independent Directors. Also present until about 9:10 a.m. were representatives of compensation consultant Pearl Meyer & Partners, Dan Wetzel and Marizu Madu.

2. Purpose

The purpose of the meeting was to consider executive compensation issues that are properly considered by the Independent Directors in their appointed role as the body governing executive compensation. Also the members include the Audit Committee that is charged with reviewing and monitoring all related party transactions.

The firm of Pearl Meyer & Partners ("Pearl") was engaged to review the equity compensation of Mr. Potashner in relation to consideration of granting Mr. Potashner an option grant of 5% of HHI pursuant to the HHI 2013 Stock Option Plan. Pearl was engaged to:

- Discuss the appropriateness of granting an executive an option in a subsidiary (HHI).
- Fairness of additional comp (options in subsidiary) related to Potashner's current compensation package. And discussion of bonus vs additional compensation.

Each Independent Director had reviewed the document prepared by Pearl entitled "Executive Chairman 2013 Total Direct Compensation" prepared by Pearl for discussion at the meeting. Pearl was engaged to provide consultation only and did not provide a formal report or compensation recommendation.

Dr. Putterman provided a brief overview and description of the HHI transaction and Potashner HHI option grant being proposed and as discussed by Dr. Putterman with management on December 27, 2012, at an Independent Director meeting with counsel on November 8, 2012 and in the BOD meetings of October 10, 2012, December 13, 2012 and February 21, 2013.

PARAMETRIC SOUND CORPORATION

Minutes of the Meeting of the Independent Directors of Parametric Sound Corporation March 1, 2013

3. Discussion with Pearl

Mr. Wetzel led a detailed discussion of executive director compensation. Mr. Wetzel advised the members that although it was unusual for an executive officer of a parent to receive an option grant in a subsidiary, it was not inappropriate and he had seen a similar transaction as recently as last year.

He indicated that there was a corporate governance issue for the members to be aware in that it is obviously possible that in the role of both executive officer of the parent and the subsidiary and with an incentive at the subsidiary level that the executive officer could:

- Unduly influence the results of the subsidiary vs. the parent
- And more specifically unduly allocate time (his and others), personnel and resources to the subsidiary.

There was discussion of the relationships between the parent and subsidiary and the limited ability of the executive officer to inappropriately allocate resources. Further as the parent retains 100% ownership of the subsidiary (fully diluted about 86%) the parent is the primary beneficiary of future success of the subsidiary.

The Pearlman conclusion was that they were not troubled by the executive officer receiving an option grant in the subsidiary. They indicated that the other topic was then the reasonableness of the total pay package.

There was then discussion of the details of the chart prepared by Pearl and attached hereto. Mr. Potashner's comp through Q1 of 2014, the period focused on in the review, placed him in the upper quartile of pay for companies with revenues of \$100,000 to \$10 million. However the performance of the company since his hiring as executive chairman was in the 96% profile of performance. Given his background, experience and performance, Pearlman advised the members that they believed the pay, including the proposed HHI option grant valued at \$30,000, was fair and reasonable.

There was then discussion that the value of the option grant was low because little had developed in HHI and the option grant was further only vestable over time and conditions with a further condition of a financing event to fund HHI. The members discussed then that the HHI option grant could be considered as a future performance bonus. Pearl indicated they valued and considered it as an additional equity type grant but even considered as such the total comp was fair and reasonable.

Mr. Wetzel indicated that the corporate governance issue should garner continued attention by the members and the full BOD, especially during any period that Mr. Potashner is an executive officer of both parent and subsidiary or in a position to influence both.

The Pearl representatives then left the meeting and the members continued the meeting.

4. Discussion and Recommendation

There was then discussion reviewing the direction regarding HHI at the February 21, 2013 BOD meeting in that the current plan was to obtain financing for HHI through the parent to retain the maximum percentage in HHI until its value could be better ascertained. There was also discussion regarding the need for the BOD to monitor the governance issues related to Mr. Potashner's role.

There was note of the 409a valuation of HHI. Further, although the independent members acknowledged that there was a plan to grant Mr. Todd a 5% option position in HHI, the only matter for the members to address was executive officer compensation, i.e. the proposed grant to Mr. Potashner. Other grants/compensation were the purview of the BOD or management.

PARAMETRIC SOUND CORPORATION

**Minutes of the Meeting of
the Independent Directors of
Parametric Sound Corporation
March 1, 2013**

After further discussion it was unanimously resolved by the independent directors that they approve the following option grant in HHI to Mr. Potashner and that they recommend the BOD ratifies same:

Optionee	# Shares	Exercise Price	Term	Note	Vesting	Type
Kenneth F. Potashner	50	\$1,000.00	5 yrs	(1)	(2)	NQSO

- (1) the grant date shall be the date granted by HHI and the expiration date five years thereafter or otherwise as provided by the terms of the Option Agreement and the 2013 Plan. If HHI issues additional equity securities, including securities convertible into or exercisable for equity securities, during the three years from the date of grant or until after the second round of financing if earlier, then it shall grant additional options with comparable vesting and substantially the same terms (other than exercise price) to each optionee such that each of their percentage ownership in HHI on an as-converted and fully-diluted basis (excluding any options or shares related to the 2013 Plan) shall remain the same (anti-dilution right) following such equity issuance as was the case immediately prior to such equity issuance. Any anti-dilution options will be granted at an exercise price commensurate with the fair market value of the Company's shares at each such event and in accordance with the provisions of the 2013 Plan, but only to the extent options are available for grant subject to the 2013 Plan limit (currently 500 shares).
- (2) 75% of the options shall vest calendar quarterly over 12 quarters commencing June 30, 2013 and 25% of the options shall vest upon FDA market clearance of the first product developed by HHI or HHI agents or affiliates, with each such vesting condition also subject to either (a) HHI obtaining at least \$3 million of equity funding, or (b) its parent obtaining new equity financing sufficient to fund at least \$3 million to HHI within 2 years of grant.

Adjournment

There being no further business to come before the meeting, the meeting of the Independent Directors was adjourned at 9:25 a.m.


James A. Barnes
Secretary of the Meeting

Parametric Sound Corp.

Executive Chairman 2013 Total Direct Compensation

Compensation Component	PAMT ¹	PAMT ²
Base Salary	\$350	\$350
Bonus Opportunity	210	210
Maximum Bonus Opportunity %	60%	60%
Total Cash	560	560
Long-Term Incentives	664	474
Subsidiary Award	30	30
Total Direct Compensation	\$1,254	\$1,064

¹ Assumes value of modified grant on 4/3/12 is spread over 8 quarter vesting period.

² Assumes value of modified grant on 4/3/12 is spread over 5 year contract term & Feb 2013 grant is spread over 2 year term.

Long-Term Incentives ¹	# of SO	Total Value	Annualized Value ²	Annualized Value ³
4/3/12 Performance Share Grant ⁴	175,000	\$540,773	\$108,155	\$108,155
4/3/12 Modified Grant	410,000	1,286,058	305,831	240,885
2/25/13 Grant	45,000	250,204	250,204	125,102
Total	630,000	\$2,077,035	\$664,189	\$474,142

¹ Excludes proposed subsidiary award i.e 5% of subsidiary total equity. Fair value of subsidiary is \$1M. \$50K face value, or about \$20K to \$30K Black-Scholes value.

² Assumes value of 195K unvested options (modified on 4/3/12) is spread over 8 quarter vesting period and Feb. 2013 grant is treated as an annual grant.

³ Assumes value of 195K unvested options (modified on 4/3/12) is spread over 5.33 year period from consulting to the end of the employment term. Feb. 2013 grant is amortized over the two year vesting period.

⁴ Value is spread over 5 years which coincides with Mr. Potashner's contract term and the option expiration date.

PARAMETRIC SOUND CORPORATION
Minutes of the Annual Meeting of
the Board of Directors of
Parametric Sound Corporation
February 21, 2013

The annual meeting of the Board of Directors (the "Board") of Parametric Sound Corporation (the "Company"), was held, commencing at approximately 2:45 ap.m. (Pacific Time), Thursday, February 21, 2013 at the offices of the Company at 13771 Danielson Street, #L, Poway, California immediately following the annual meeting of stockholders of the Company. Although notice was not required, all directors were previously noticed of the time and place of the meeting.

Kenneth F. Potashner, Executive Chairman of the Company, acted as chairman of the meeting. Mr. Potashner designated James A. Barnes, Secretary of the Company, to act as the secretary of the meeting.

1. Call to Order, Roll Call, Establish Quorum

The following directors, constituting all of the directors and a quorum for the conduct of business, were present in person.

Kenneth F. Potashner (Chairman)
Elwood G. Norris
Jimmy Honore
Seth Putterman
Robert M. Kaplan

Mr. Andrew Wolfe was present telephonically.

James A. Barnes the Company's Secretary, Treasurer and CFO was present at the invitation of the Board. All participants confirmed that they could hear and be heard by others.

An agenda (attached) and certain materials had been provided to the directors prior to the meeting.

2. Approval of Prior Minutes

Each member was provided minutes for the prior meeting on December 13, 2012 and after reading was waived the directors unanimously approved such minutes as presented.

3. Annual Meeting Results and Related Matters

There was a report by Mr. Barnes of the annual meeting results. All matters overwhelmingly passed as described in the proxy and will be reported on Form 8-K.

After considering the voting results, the Board of Directors determined that the Company will hold a stockholder advisory vote on the Company's executive compensation once every three years. The Company will again seek its stockholder's recommendation as to the frequency of such votes at its 2015 annual meeting of stockholders.

The Board then formally acted to unanimously reappoint the following executive officers to the following positions for the ensuing year or until their successors are duly appointed, namely Kenneth F. Potashner, Executive Chairman, Elwood G. Norris as President and Chief Scientist and James A. Barnes as CFO, Treasurer and Secretary.

The audit committee was also unanimously reappointed (Dr. Kaplan, Dr. Wolfe and Mr. Honore) with Dr. Kaplan designated as Chairman. The Board of Directors has determined that independent directors Dr. Kaplan, Dr. Wolfe and Mr. Honore meet the member qualifications specified in the Company's Audit Committee Charter and they shall serve with service coincident to service as a director for such term and as provided in the Company's bylaws. The Board of Directors also determined that Dr. Kaplan is an Audit Committee Financial Expert, as such term is defined in Item 407 of Regulation S-K promulgated under the Exchange Act, and has financial sophistication, as contemplated by applicable

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rules and regulations. The Board of Directors also determined that all of the members of the Audit Committee are independent and financially literate as defined by Section 10A-3 of the Exchange Act.

It was noted that on February 16, 2012 that the Company had adopted resolutions related to independent director involvement in the selection of director nominees and executive compensation decisions. The Company in lieu of establishing a separate nominating committee at that time appointed the independent directors for such role. Likewise the independent directors approve compensation of executive officers by meeting in executive session. The prior year resolutions were noted. However the Company intends to review recent NASDAQ rules with changes that may require future appointment of a formal compensation committee and related charter. The Board was reminded that the resolution requires that the Independent Directors meet in regularly scheduled sessions, at least twice annually.

4. Stock Option Plan

Mr. Potashner indicated that management had committed to Fidelity to take a matter regarding the 2012 Stock Option Plan ("Plan") to the BOD. Section 6(b)(i)(1) reads as follows:

(1) To the extent required by applicable laws, rules and regulations and except as set forth in Section 6(b)(i)(2), the exercise price of an NQSO shall be not less than 85% of the fair market value (determined in accordance with Section 6(a)(x)) of the stock subject to the Option on the date of grant.

The request suggested by Fidelity was to make NQSO the same as ISO's, i.e. they can only be granted at FMV. Under Section 11 of the Plan the BOD has the authority to amend the Plan for this type of amendment and after motion duly made and seconded the Directors resolved:

That Section 6(b)(i)(1) of the Plan be amended and restated as follows:

(1) To the extent required by applicable laws, rules and regulations and except as set forth in Section 6(b)(i)(2), the exercise price of an NQSO shall be not less than the fair market value (determined in accordance with Section 6(a)(x)) of the stock subject to the Option on the date of grant.

5. Business Update

Mr. Potashner provided a business update and discussion amongst the Directors focusing and sales and marketing activities, manufacturing progress and plans, and technical matters.

6. Bonuses

The Directors had in advance been provided details on management's computations regarding the 2012 Cash Bonus Plan objectives and metrics. With the Independent Directors meeting in executive session determining bonuses to the three executive officers and informing the full Board of such action, it was then on motion duly made and seconded, that 18.75% of the targeted bonus for 2012 be awarded and in accordance with the terms of the plan be paid by March 15, 2014. Accordingly, a bonus of \$29,431 shall be paid to Mr. Potashner and \$11,931 each to Mr. Norris and Mr. Barnes, as determined and approved by the independent directors and the Board. In accordance with the plan identified and qualifying participants an aggregate of \$27,108 was approved for payment amongst four other non-executive officer persons.

The Directors had been previously provided managements targeted objectives for bonuses for calendar 2013 and had time to review and consider same. After extensive discussion of each bucket of targets as well as independent objectives and after modification of same the revised targets as attached as Exhibit A were approved by the Board of Directors after the Independent Directors, meeting in executive session, recommended and approved the details for the three executive officers of the Company.

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The language, comparable to the prior year, subject to edits by counsel, shall be filed as part of a required Form 8-K. Such language is attached as Exhibit B.

7. Financial Update and Budget

Mr. Barnes provided a brief financial update indicating the Company had approximately \$4.2 million. The Directors had in advance of the meeting been provided a preliminary budget along with a Q1 comparison report. Both documents, per the BOD stated preference from the prior year, exclude non-cash stock compensation amounts. The budget report also excludes at this time HHI expenditures as it is a separate subsidiary.

After discussion the budget, as attached as Exhibit C, was approved with the understanding that expenditures could vary significantly from budget based on decisions regarding personnel and based on business activity.

8. IR Update

Mr. Barnes indicated that the Company's contract with Three Part Advisors that runs from May 1, 2012 to April 30, 2013 requires a decision as it automatically renews for another year if no action is taken 30 days prior to the end of the term. The firm has 10,000 options and is paid \$7,500 per month. Automatic renewal would require continuation of the monthly fee and an additional 10,000 options.

Mr. Potashner provided his evaluation of the firms performance indicating it was satisfactory but that some institutions felt we may need to upgrade soon, although there is not consensus on quality firms in this area of practice. Accordingly, Mr. Potashner recommended that Mr. Barnes attempt to negotiate a 6 month extension with no equity, otherwise the firm needs to be noticed by March 31, 2013. No BOD action was or is required at this time.

9. D&O Insurance

Mr. Barnes indicated he expected to have D&O renewal information for the meeting but the rep was ill and cancelled a meeting of this date. Accordingly he will update the BOD as soon as he had renewal information.

10. Risk Management

There was then discussion of the risk assessment process and the BOD role in such process. Focus was on the items listed on Exhibit D. More focused discussion was on the areas of product risks and IP risks. Mr. Potashner indicated that management would provide more information including matrixes for the BOD to continue its role in risk management at future meetings.

There was discussion of recent SOX matters including removal of the material deficiency in the Company's financial reporting.

11. HHI

At this time Mr. John Todd, business development consultant to the Company, joined the meeting as a guest.

Mr. Potashner updated the BOD on developments with respect to the health subsidiary HHI including status of medical team arrangements. Previous BOD actions included: (a) formation of HHI, (b) completion of a HHI option plan for the medical team and future HHI directors/employees/consultants. Management has (a) developed an initial deck for financing, (b) completed definitive agreements with the medical team and key consultants, (c) commenced FDA product development/approval, and (d) began preparing the intercompany license between PAMT and HHI on terms that the BOD had reached consensus to be presented to the Audit Committee and BOD for formal approval. Mr. Potashner also updated the BOD on recent positive developments regarding the use of HSS for the hearing impaired.

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Dr. Putterman at the last meeting reported on the independent director telephonic meeting with counsel on November 8, 2012. As representative of the independent directors he had a meeting with management on December 27, 2012 reviewing additional details including terms of the intercompany license, option plan, medical team agreements and related party arrangements that may require audit committee approval and board approval and any compensation arrangements with executive officers that may require independent director approval. He indicated the independent directors continued to have discussions regarding HHI and the various plans and executive officer roles.

Mr. Barnes had previously advised the Directors that the 409a valuation work was completed. He indicated that the suggested engagement of a comp consultant to advise the independent directors was proceeding and a discussion with the comp consultant could possibly occur in a week or so.

Mr. Norris indicated that there were still items needing clarification. There was extensive discussion amongst the BOD regarding the alternative of (a) financing the subsidiary HHI or (b) financing the parent PAMT and using some of the funds for HHI. The consensus of the BOD was their preference to finance PAMT primarily due to the timing and ability to retain higher ownership in HHI. However management will still consider both options as discussions with financing sources and bankers continue.

There was then extended discussion of the roles of current executives and consultants in the two companies. The independent directors have been considering additional compensation for Mr. Potashner consisting of the possibility of granting options in HHI with such options having a vesting event requiring a financing event. There was then discussion whether this would be financing of HHI or PAMT or either. Combined and related was a discussion of corporate governance issues related to Mr. Potashner's role. Mr. Potashner indicated that he believed his best future role and value to PAMT would be to focus on the launch of HHI. A search for an operating executive of PAMT was underway. There was discussion of the alternative of recruiting HHI personnel vs. using Mr. Potashner and Mr. Todd. After discussion the consensus was to proceed with current plans to obtain financing either through PAMT or HHI directly, have Mr. Potashner focus more efforts on HHI over time and transition to a new operating executive at PAMT.

Mr. Potashner advised the BOD that the plan would be that there would be no increase in his cash compensation and that he would transition most of his pay to HHI as it is funded. Likewise for Mr. Todd who he plans to have a key operating role in HHI. Mr. Potashner would transition to Chairman of the Board of PAMT when and as a CEO is hired for PAMT. Mr. Potashner also indicated that, if required to attract and compensate a new PAMT CEO, that he would consider relinquishing some or all of his performance options (175,000 shares) in PAMT. Questions were raised regarding corporate governance and incentives vs duties but after discussion it was noted that this was less an issue given the plans that Mr. Potashner would be transitioning to primarily focusing on HHI and not having the current operating role at PAMT. The BOD indicated that there were possible conflicts that they were less the case if PAMT retained higher ownership of HHI thru funding it rather than outside direct funding into HHI.

Mr. Potashner noted to the Board that the accounting value of the proposed 5% option position in HHI was \$20,000 to \$30,000. And any options would probably only be of future value if PAMT realized its value of HHI.

The independent directors indicated that prior to any formal action on HHI option grants to Mr. Potashner that the discussion with the comp consultant should occur to discuss (a) appropriateness of granting a current executive an option in a subsidiary and (b) fairness of an option in the subsidiary as comp for Mr. Potashner.

Mr. Todd at this time left the meeting.

12. Executive Search

Chairman Potashner provided a further update on previously discussed plans for him to transition more time to HHI. He updated the BOD on status of the previously authorized executive search and noted that the Company was interviewing qualified candidates, although no formal decision had yet been made regarding hiring a senior executive

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pending additional HHI development. Mr. Potashner advised the BOD that he would forward the top candidate bios to the BOD. After discussion the BOD unanimously authorized the payment of the second tranche of \$16,667 to the search firm. The final payment of \$16,667 and a \$25,000 equity component of the fee is only due upon the BOD approving a hiring.

13. Grant of Stock Options

There was discussion of making this year's annual grant to certain employees and consultants. With the Independent Directors meeting in executive session determining grants to the three executive officers and informing the full Board of such action, it was then on motion duly made and seconded, that the following resolutions were adopted by the Board:

RESOLVED, that the Board of Directors, as administrator of the 2012 Stock Option Plan, as amended (the "Plan"), hereby grants a stock option under the Plan, to the persons named below, covering the number of shares of the Company's common stock below which are purchasable upon exercise, and upon the terms and subject to the provisions respectively shown below and to be contained in the Stock Option Grant Notice and Stock Option Agreement ("Option Agreement") for the optionee under the Plan:

Optionee	# Shares	Price	Term	Note	Vesting	Type
Andrew Wolfe	5,000	\$9.95	5 yrs	(1)	(2)	NQSO
Robert M. Kaplan	5,000	\$9.95	5 yrs	(1)	(2)	NQSO
Seth Putterman	5,000	\$9.95	5 yrs	(1)	(2)	NQSO
James L. Honore	5,000	\$9.95	5 yrs	(1)	(2)	NQSO
Mark W. Norris	10,000	\$9.95	5 yrs	(1)	(2)	ISO
John Bolton	5,000	\$9.95	5 yrs	(1)	(2)	ISO
Victor J. Manzella, Jr.	5,000	\$9.95	5 yrs	(3)	(2)	ISO
Tiffany Duong	2,500	\$9.95	5 yrs	(3)	(2)	ISO
Gavin Cutting	3,000	\$9.95	5 yrs	(1)	(2)	ISO
Elwood G. Norris	35,000	\$10.95	5 yrs	(1)	(2)	ISO
James A. Barnes	27,500	\$9.95	5 yrs	(1)	(2)	ISO
John J. Todd	27,500	\$9.95	5 yrs	(1)	(2)	NQSO
Kenneth F. Potashner	45,000	\$9.95	5 yrs	(1)	(2)	ISO
TOTAL	180,500					

- (1) The grant date shall be February 21, 2013 and the expiration date shall be February 21, 2018. These options granted from the 500,000 shares authorized in Amendment No. 1.
- (2) Options shall vest quarterly commencing March 31, 2013 over eight quarters.
- (3) The grant date shall be February 21, 2013 and the expiration date shall be February 21, 2018. These options granted from the original registered options under the 2012 Plan.

RESOLVED FURTHER, that February 21, 2013 shall be the date of grant of the stock options set forth above and the expiration date shall be five years thereafter in such instance or otherwise as provided by the terms of the Option Agreements and the Plan. The Board has determined that the exercise price of the options herein granted equal or exceeds the fair value of the Company's common stock on the date of grant in accordance with the Plan; and

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RESOLVED FURTHER that common stock of the Company subject to purchase upon exercise of any stock option herein granted shall be issued and sold strictly in accordance with the respective terms of the Option Agreements and the Plan. Unless registered under the Securities Act of 1933, as amended, shares issued upon option exercise shall bear a customary investment legend. The Secretary of the Company shall promptly cause Option Agreements reflecting the foregoing terms in the form approved by the Board of Directors to be issued to the respective optionee.

14. Adjournment

There being no further business to come before the meeting, on motion duly made seconded and carried, the meeting of the Board was adjourned at 6:45 p.m.

James A. Barnes
Secretary of the Meeting

PARAMETRIC - BONUS TARGETS FOR 2013 - AS APPROVED BY BOD ON FEBRUARY 21, 2013

<i>Period Jan 1, 2013 to December 31, 2013 - Earned bonuses only paid only to extent cash generated from sale margins,license/royalty collections or other earnings during the period. Determined by January 30, 2014 to be paid by March 15, 2014. Must be employed on January 1, 2014 to receive bonus.</i>			
		Maximum to December 31, 2013	
Executive Bonus Plan		12 months	
	Base	Max Bonus	
Potashner	60%	350,000	210,000
Norris	50%	162,000	81,000
Barnes	50%	162,000	81,000

25% upon the Company achieving minimum revenue performance targets during the performance period, (50% on each objective)
- Plan of \$1.0 million for January through December 31, 2013

25% upon the Company achieving minimum licensing targets during the performance period

- Licensing Plan -- (License or strategic deal must represent \$1 million economic value to Company based on upfront dollars and projected royalties as determined by BOD)
3 license deals signed pays 100%
2 license deal signed pays 50%
OR
1 license deal for \$10 million pays 100%

25% based on the Company achieving during the performance period technology development targets established by the Board of Directors

Technology Objectives (25% on each element)

- 1. New improved emitter technology at demonstrable lower cost placed in production by PAMT or licensee
- 2. New combination amp/board/w controls for 2.1 or 2.1+ system placed in production (other than digital signage) by PAMT or licensee
- 3. Recursion or other improvements implemented into products and determined by BOD to achieve demonstrable distortion reduction versus 12/2012 systems and meeting requirements of consumer segment
- 4. One or more of the following - A. Clear emitter prototype demonstrated, or B. Cinema prototype demonstrated, or C. small HSS emitter system for hearing aid or iPad/cell phone prototyped and demonstrated.

Consumer Product Launch (either of the following) - 25%

- New consumer product introduced by PAMT or subsidiary achieving at least \$250,000 in revenues
- Two new consumer products introduced and in production by licensees

FOR BOD INFORMATION/DISCUSSION

Additional Included Personnel

John Todd	50%	200,000	100,000	Same targets as above
Sassan Chakamian	50%	150,000	75,000	Same targets as above

2013 Bonus Plan Description

On February 21, 2013, the Executive Committee of the Board of Directors of Parametric Sound Corporation (the "Company"), consisting of the four independent members of the Company's Board of Directors, approved, and the Board of Directors of the Company subsequently ratified, a Company Cash Bonus Plan ("Bonus Plan") for the period January 1, 2013 to December 31, 2013, pursuant to which each executive officer (Kenneth J. Potashner - Executive Chairman, Elwood G. Norris – President and James A. Barnes – Chief Financial Officer, Treasurer and Secretary) and certain other officers, consultants and employees designated by the Board of Directors are 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 are met. The performance objectives recommended by the independent directors and adopted by the Board of Directors are based 25% upon the Company achieving minimum revenue performance targets during the performance period, 25% upon the Company achieving minimum licensing targets during the performance period, 25% based on the Company achieving during the performance period technology development targets established by the Board of Directors and 25% on the Company or its licensees achieving consumer product launch milestones established by the Board of Directors during the performance period. These performance objectives include both objective determinations and subjective determinations to be made by the Board of Directors.

The maximum bonus percentage for each participant including Mr. Norris and Mr. Barnes is 50% of his or her annual base compensation. The maximum bonus percentage for the Company's Executive Chairman is 60% of his base compensation.

Additionally any earned bonuses may only be paid to the extent of the Company has generated sufficient cash from product sale margins, licensing/royalty collections or other earnings during the applicable period to cover the cash bonuses. Such determinations will be made by the Board of Directors. Any bonuses not so payable shall be deferred until such future date that computed amounts generated on a cumulative basis meets the target payout amount.

If, during the bonus period, a corporate transaction or event occurs that the independent directors determine has or would distort the applicable performance criteria, the independent directors may adjust the calculation of the performance goals to the extent necessary to prevent a reduction or enlargement of a participant's actual bonus payout.

Bonuses, if any, will be determined by January 30, 2014 and paid by March 15, 2014. Each participant must be employed by the Company as of January 1, 2014 in order to receive a bonus, if any, under the Bonus Plan unless otherwise provided in such participant's employment agreement, offer letter or other agreement.

Nothing in the Bonus Plan limits the authority of the Board of Directors or the independent members of the Board of Directors to approve and pay out additional or alternative bonuses to the Company's officers or others based on performance or provide the Company's officers or others additional or alternative incentives outside of the terms of the Bonus Plan.

Parametric Sound Corporation
Profit & Loss Budget Overview
 October 2012 through September 2013

EXHIBIT C

	Oct 12	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13	Apr 13
Ordinary Income/Expense							
Income							
4100 · Product Sales	35,000.00	35,000.00	52,500.00	60,000.00	60,000.00	62,500.00	100,000.00
4200 · Other Revenue							0.00
Total Income	35,000.00	35,000.00	52,500.00	60,000.00	60,000.00	62,500.00	100,000.00
Cost of Goods Sold							
5100 · Cost of Goods Sold	19,250.00	19,250.00	28,875.00	33,000.00	33,000.00	34,375.00	55,000.00
Total COGS	19,250.00	19,250.00	28,875.00	33,000.00	33,000.00	34,375.00	55,000.00
Gross Profit	15,750.00	15,750.00	23,625.00	27,000.00	27,000.00	28,125.00	45,000.00
Expense							
6000 · Research and Development							
6100 · Salaries and Wages – R&D							
6105 · Salaries – R&D	60,333.00	60,333.00	60,333.00	67,833.00	67,833.00	67,833.00	67,833.00
6110 · Payroll Taxes – R&D	7,240.00	7,240.00	7,240.00	8,140.00	8,140.00	8,140.00	8,140.00
Total 6100 · Salaries and Wages – R&D	67,573.00	67,573.00	67,573.00	75,973.00	75,973.00	75,973.00	75,973.00
6320 · Prototypes	16,000.00	16,000.00	16,000.00	16,000.00	16,000.00	16,000.00	16,000.00
6350 · Patent Costs	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
6400 · Outside Consulting – R&D	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
6500 · Travel and Entertainment – R&D	1,508.00	1,508.00	1,508.00	1,696.00	1,696.00	1,696.00	1,696.00
6700 · Occupancy R&D							
6710 · Facility Rent Expense	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00
6700 · Occupancy R&D – Other	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Total 6700 · Occupancy R&D	13,000.00	13,000.00	13,000.00	13,000.00	13,000.00	13,000.00	13,000.00
6990 · Depreciation and Amortization	16,500.00	16,500.00	16,500.00	16,500.00	16,500.00	16,500.00	16,500.00
Total 6000 · Research and Development	124,581.00	124,581.00	124,581.00	133,169.00	133,169.00	133,169.00	133,169.00
7000 · Marketing and Sales							
7100 · Salaries and Wage – Mkt & Sales							
7105 · Salaries – Mkt & Sales	22,000.00	22,000.00	22,000.00	22,000.00	22,000.00	22,000.00	29,500.00
7110 · Payroll Taxes – Mkt & Sales	4,620.00	4,620.00	4,620.00	4,620.00	4,620.00	4,620.00	5,520.00
Total 7100 · Salaries and Wage – Mkt & Sales	26,620.00	26,620.00	26,620.00	26,620.00	26,620.00	26,620.00	35,020.00
7300 · Promotion and Advertising	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
7400 · Outside Consulting – Mkt & Sale							
7410 · Consulting Costs – Mkt & Sales	16,500.00	16,500.00	16,500.00	16,500.00	16,500.00	16,500.00	16,500.00
Total 7400 · Outside Consulting – Mkt & Sale	16,500.00	16,500.00	16,500.00	16,500.00	16,500.00	16,500.00	16,500.00

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	<u>Oct 12</u>	<u>Nov 12</u>	<u>Dec 12</u>	<u>Jan 13</u>	<u>Feb 13</u>	<u>Mar 13</u>	<u>Apr 13</u>
7500 · Travel and Entertainment – Mkt	14,583.00	14,583.00	14,583.00	14,583.00	14,583.00	14,583.00	16,833.00
Total 7000 · Marketing and Sales	<u>67,703.00</u>	<u>67,703.00</u>	<u>67,703.00</u>	<u>67,703.00</u>	<u>67,703.00</u>	<u>67,703.00</u>	<u>78,353.00</u>
8000 · General and Administrative							
8100 · Salaries and Wages – G&A							
8105 · Salaries – G&A	60,667.00	60,667.00	60,667.00	60,667.00	60,667.00	60,667.00	60,667.00
8110 · Payroll Taxes – G&A	<u>7,280.00</u>	<u>7,280.00</u>	<u>7,280.00</u>	<u>7,280.00</u>	<u>7,280.00</u>	<u>7,280.00</u>	<u>7,280.00</u>
Total 8100 · Salaries and Wages – G&A	<u>67,947.00</u>	<u>67,947.00</u>	<u>67,947.00</u>	<u>67,947.00</u>	<u>67,947.00</u>	<u>67,947.00</u>	<u>67,947.00</u>
8300 · Professional Fees and Expenses	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00
8700 · Occupancy and Office Costs	6,500.00	6,500.00	6,500.00	6,500.00	6,500.00	6,500.00	6,500.00
8800 · Public Company Costs							
8835 · Corporate Public Relations	7,500.00	7,500.00	7,500.00	7,500.00	7,500.00	7,500.00	5,000.00
8800 · Public Company Costs – Other	<u>10,000.00</u>	<u>10,000.00</u>	<u>10,000.00</u>	<u>10,000.00</u>	<u>10,000.00</u>	<u>10,000.00</u>	<u>10,000.00</u>
Total 8800 · Public Company Costs	<u>17,500.00</u>	<u>17,500.00</u>	<u>17,500.00</u>	<u>17,500.00</u>	<u>17,500.00</u>	<u>17,500.00</u>	<u>15,000.00</u>
8990 · Depreciation and Amortization	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
Total 8000 · General and Administrative	<u>143,947.00</u>	<u>143,947.00</u>	<u>143,947.00</u>	<u>143,947.00</u>	<u>143,947.00</u>	<u>143,947.00</u>	<u>141,447.00</u>
Total Expense	<u>336,231.00</u>	<u>336,231.00</u>	<u>336,231.00</u>	<u>344,819.00</u>	<u>344,819.00</u>	<u>344,819.00</u>	<u>352,969.00</u>
Net Ordinary Income	<u>(320,481.00)</u>	<u>(320,481.00)</u>	<u>(312,606.00)</u>	<u>(317,819.00)</u>	<u>(317,819.00)</u>	<u>(316,694.00)</u>	<u>(307,969.00)</u>
Net Income	<u>(320,481.00)</u>	<u>(320,481.00)</u>	<u>(312,606.00)</u>	<u>(317,819.00)</u>	<u>(317,819.00)</u>	<u>(316,694.00)</u>	<u>(307,969.00)</u>

Parametric Sound Corporation
Profit & Loss Budget Overview
 October 2012 through September 2013

	May 13	Jun 13	Jul 13	Aug 13	Sep 13	TOTAL Oct '12 – Sep 13
Ordinary Income/Expense						
Income						
4100 · Product Sales	100,000.00	100,000.00	100,000.00	110,000.00	110,000.00	925,000.00
4200 · Other Revenue				0.00	250,000.00	250,000.00
Total Income	100,000.00	100,000.00	100,000.00	110,000.00	360,000.00	1,175,000.00
Cost of Goods Sold						
5100 · Cost of Goods Sold	55,000.00	55,000.00	55,000.00	60,500.00	60,500.00	508,750.00
Total COGS	55,000.00	55,000.00	55,000.00	60,500.00	60,500.00	508,750.00
Gross Profit	45,000.00	45,000.00	45,000.00	49,500.00	299,500.00	666,250.00
Expense						
6000 · Research and Development						
6100 · Salaries and Wages – R&D						
6105 · Salaries – R&D	67,833.00	67,833.00	67,833.00	67,833.00	67,833.00	791,496.00
6110 · Payroll Taxes – R&D	8,140.00	8,140.00	8,140.00	8,140.00	8,140.00	94,980.00
Total 6100 · Salaries and Wages – R&D	75,973.00	75,973.00	75,973.00	75,973.00	75,973.00	886,476.00
6320 · Prototypes	16,000.00	16,000.00	16,000.00	16,000.00	16,000.00	192,000.00
6350 · Patent Costs	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	60,000.00
6400 · Outside Consulting – R&D	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	60,000.00
6500 · Travel and Entertainment – R&D	1,696.00	1,696.00	1,696.00	1,696.00	1,696.00	19,788.00
6700 · Occupancy R&D						
6710 · Facility Rent Expense	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	36,000.00
6700 · Occupancy R&D – Other	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	120,000.00
Total 6700 · Occupancy R&D	13,000.00	13,000.00	13,000.00	13,000.00	13,000.00	156,000.00
6990 · Depreciation and Amortization	16,500.00	16,500.00	16,500.00	16,500.00	16,500.00	198,000.00
Total 6000 · Research and Development	133,169.00	133,169.00	133,169.00	133,169.00	133,169.00	1,572,264.00
7000 · Marketing and Sales						
7100 · Salaries and Wage – Mkt & Sales						
7105 · Salaries – Mkt & Sales	29,500.00	29,500.00	29,500.00	29,500.00	29,500.00	309,000.00
7110 · Payroll Taxes – Mkt & Sales	5,520.00	5,520.00	5,520.00	5,520.00	5,520.00	60,840.00
Total 7100 · Salaries and Wage – Mkt & Sales	35,020.00	35,020.00	35,020.00	35,020.00	35,020.00	369,840.00
7300 · Promotion and Advertising	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	120,000.00
7400 · Outside Consulting – Mkt & Sale						
7410 · Consulting Costs – Mkt & Sales	16,500.00	16,500.00	16,500.00	16,500.00	16,500.00	198,000.00
Total 7400 · Outside Consulting – Mkt & Sale	16,500.00	16,500.00	16,500.00	16,500.00	16,500.00	198,000.00

Parametric Sound Corporation
Profit & Loss Budget Overview
 October 2012 through September 2013

	May 13	Jun 13	Jul 13	Aug 13	Sep 13	TOTAL Oct '12 – Sep 13
7500 · Travel and Entertainment – Mkt	16,833.00	16,833.00	16,833.00	16,833.00	16,833.00	188,496.00
Total 7000 · Marketing and Sales	78,353.00	78,353.00	78,353.00	78,353.00	78,353.00	876,336.00
8000 · General and Administrative						
8100 · Salaries and Wages – G&A						
8105 · Salaries – G&A	65,667.00	65,667.00	65,667.00	65,667.00	65,667.00	753,004.00
8110 · Payroll Taxes – G&A	7,880.00	7,880.00	7,880.00	7,880.00	7,880.00	90,360.00
Total 8100 · Salaries and Wages – G&A	73,547.00	73,547.00	73,547.00	73,547.00	73,547.00	843,364.00
8300 · Professional Fees and Expenses	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	600,000.00
8700 · Occupancy and Office Costs	6,500.00	6,500.00	6,500.00	6,500.00	6,500.00	78,000.00
8800 · Public Company Costs						
8835 · Corporate Public Relations	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	75,000.00
8800 · Public Company Costs – Other	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	120,000.00
Total 8800 · Public Company Costs	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	195,000.00
8990 · Depreciation and Amortization	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	24,000.00
Total 8000 · General and Administrative	147,047.00	147,047.00	147,047.00	147,047.00	147,047.00	1,740,364.00
Total Expense	358,569.00	358,569.00	358,569.00	358,569.00	358,569.00	4,188,964.00
Net Ordinary Income	(313,569.00)	(313,569.00)	(313,569.00)	(309,069.00)	(59,069.00)	(3,522,714.00)
Net Income	(313,569.00)	(313,569.00)	(313,569.00)	(309,069.00)	(59,069.00)	(3,522,714.00)

RISK ASSESSMENT PROCESS
February 21, 2013

- I. CONSOLIDATED RISK PROFILE
 - a. Macro environment risks
 - b. Industry risks
 - c. PAMT specific risks
- II. OBJECTIVES
 - a. Satisfy customers
 - b. Develop innovative technology
 - c. Execute effectively
 - d. Develop people
- III. MACRO ENVIRONMENT RISKS
 - a. US and Global Economic Disruption
 - b. Geopolitical
 - c. Government intervention/overregulation
 - d. Natural disasters
- IV. INDUSTRY RISKS
 - a. Health care changes
 - b. Worldwide changes in electronic industry
 - c.
 - d.
- V. PAMT SPECIFIC RISKS
 - a. Product risk
 - b. Customer risk
 - c. Competitor risk
 - d. Manufacturing risk
 - e. Supply chain risk
 - f. Personnel risk
 - g. Failure of internal controls
 - h. Inability to protect IP

**UNANIMOUS WRITTEN CONSENT
OF THE
BOARD OF DIRECTORS
OF
PARAMETRIC SOUND CORPORATION**

TO ACTION TAKEN WITHOUT A MEETING

Pursuant to the authority set forth in Section 78.315 of the Nevada Revised Statutes, the following actions are hereby taken by the written consent of all members of the Board of Directors (the "Board") of Parametric Sound Corporation, a Nevada corporation (the "Company"), without a meeting:

Adoption of Revised and Restated Insider Trading Policy

WHEREAS, following discussion with counsel and drafting of a new insider trading policy by counsel and review by management and the directors the Board deems it to be in the best interests of the Company to provide for 10-b5 trading plans as a method for Section 16 Insider trading in securities of the Company, and

THEREFORE, the Board deems it to be in the best interests of the Company and its stockholders to adopt a revised and updated Insider Trading Policy to be hereinafter called "Securities Trading Policy".

NOW, THEREFORE, BE IT RESOLVED, by the Board, that the "Securities Trading Policy," a copy of which has been attached hereto as Exhibit A, shall be and the same hereby is adopted as the official securities and insider trading policy of the Company.

The Board of Directors designates the CFO to be the Compliance Officer under the Policy and to administer the Securities Trading Policy as provided therein.

Adoption of HyperSound Health, Inc. 2013 Equity Incentive Plan

WHEREAS, the Board has previously received and reviewed the 2013 Equity Incentive Plan ("2013 Plan") proposed for the Company's wholly-owned subsidiary HyperSound Health, Inc. ("HHI") attached hereto as Exhibit B; and

WHEREAS, the Board wishes to have a plan at HHI to provide an incentive to HHI directors, officers, employees and consultants who will be responsible for HHI management and growth;

NOW, THEREFORE, BE IT RESOLVED, by the Board that it authorizes management of the Company and the directors and officers of HHI to adopt by HHI director resolution, and/or otherwise as may be required, the 2013 Plan;

RESOLVED FURTHER, that the Board hereby authorizes management and the directors and officers of HHI to only grant options pursuant to the 2013 Plan as approved in advance by this Board;

RESOLVED FURTHER, that the Board authorizes management and the directors and officers of HHI to grant options to the principals of the California Hearing and Balance Center for an aggregate of 40 shares (4%) as per the consulting agreement between HHI and the Center;

RESOLVED FURTHER, that the management of the Company and the officers and directors of HHI are, and each of them hereby is, authorized, empowered and directed to take such further action and

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to execute, make oath to, acknowledge and deliver, from time to time in the name and on behalf of the Company or HHI such other agreements or documents and to do or to cause to be done any and all such other acts and things as such officers may, in their discretion, deem necessary, proper, appropriate or advisable to consummate adoption of the 2013 Plan and grant of specified options thereunder and as contemplated by the foregoing resolutions; and

RESOLVED FURTHER, that all acts and things previously done and performed (or caused to be done and performed) in the name and on behalf of the Company prior to the date of these resolutions in connection with the foregoing resolutions and the transactions contemplated therein are ratified, confirmed and approved.

This unanimous written consent may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

The undersigned, being all of the directors of Parametric Sound Corporation, a Nevada corporation, hereby consent to and adopt the foregoing resolutions, and waive the requirement that a meeting be held to accomplish the same.

Dated as of February 11, 2013

Kenneth Potashner

Elwood G. Norris

Robert M. Kaplan, Ph.D.

Seth Putterman, Ph.D.

Andrew Wolfe, Ph.D.

James L. Honore

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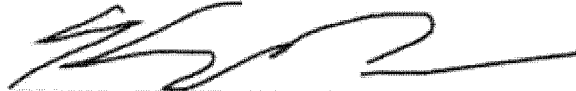
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Feb 11 2013 4:12PM Sunrise Capital, Inc.

702-254-4212

p.2

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Seth Putterman, Ph.D.

Andrew Wolfe, Ph.D.


James L. Honore

STC_3961181

From: Ken <ken.potashner@gmail.com>
Sent: Saturday, May 25, 2013 2:05 PM
To: Juergen Stark <juergen.stark@turtlebeach.com>
Subject: Re: history timeline

I know you are but the reality is that need to get on with running my business and getting shareholder value . Withholding license deals and announcements is contrary to the responsibility that I have.

I will support your effort as best I can.
Sent from my iPad

On May 25, 2013, at 1:45 PM, Juergen Stark <juergen.stark@turtlebeach.com> wrote:

understood. doing the best i can. i also want to get an answer.

On Sat, May 25, 2013 at 1:33 PM, Ken <ken.potashner@gmail.com> wrote:

I don't want to add complexity but I need to reengage on my licensing discussion with SIIG and also decide on whether I want to further evolve amazon. SIIG has a large team coming in 2 weeks and I need to advance that ball with their key guy next week.

Sent from my iPad

On May 25, 2013, at 1:11 PM, Juergen Stark <juergen.stark@turtlebeach.com> wrote:

Next call is Tuesday. that will be two hour discussion with Ken and his partner.
Goal would be to get their decision but they may want some soak time.
Everybody knows we want to get to decision.

On May 25, 2013 1:04 PM, "Ken" <ken.potashner@gmail.com> wrote:

Should I therefore assume that final decision will be made on Tuesday and we can either move together or move apart staring Weds?

Sent from my iPad

On May 25, 2013, at 12:52 PM, Juergen Stark
<juergen.stark@turtlebeach.com> wrote:

Ok thanks not a big rush. Don't need until Tuesday.

On May 25, 2013 12:41 PM, "James Barnes"

<jbarnes@parametricssound.com> wrote:

Juergen,

Ken asked me to forward a history timeline to you. As Woody has mentioned this concept was explored by Sony and others years ago but the phenomenon was never made practical or useable until our innovations and never commercial or consumer until the major reinvention in 2010/2011. This is not unlike many technologies/concepts that developed over time and in our respect the advancements in emitter technology and DSP power helped make this economical and commercial.

We have developed a first draft of a response regarding the DSP improvement issue but I need Woody to review. Hope to get to you within an hour or so.

Jim Barnes

--

Juergen Stark
CEO

**Turtle
Beach, Inc.**

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Drive, Suite 100
Valhalla, NY 10595
+1 914-358-8807
www.turtlebeach.com

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From: Andrew Wolfe <awolfe@awolfe.org>
Sent: Saturday, March 30, 2013 12:30 PM
To: ken potashner (ken.potashner@gmail.com)
Subject: FW: Turtle beach Related aptry transaction- Monday's meeting

You have Seth and Woody in a panic right now. I assume you know what you are doing.

Just get the deal that is best for everyone with Turtle Beach and we can make the agreements match whatever deal you put together without any substantial delays. Neither the BOD nor the lawyers are going to get in the way of an accretive deal.

From: Seth Putterman [mailto:puherman@ritva.physics.ucla.edu]
Sent: Saturday, March 30, 2013 11:00 AM
To: awolfe@awolfe.org
Subject: Turtle beach Related aptry transaction- Monday's meeting

Andy!

Can you please look at the following from Ken and perhaps try to find the time for us to chat about it.

I had 3 good chats with ken yesterday and was surprised to see this note.

My feeling is that it is amazing how Ken has brought PAMT this far and I don't understand how I am preventing further progress.

Seth

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 renegeing 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 from 70-30 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

 Turtle Beach Logo


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

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